



"ACCOUNTING TODAY FOR TOMORROW'S FUTURE"

| Business Entity Comparison | | | | |
|---|---|---|--|---|
| | Sole Proprietor | LLC | S-Corporation | C-Corporation |
| Lawsuit Protection (when business is sued) | No | Yes | Yes | Yes |
| Business Asset Protection (when owners are sued) | No | Yes | No | No |
| Additional Business Tax Deductions Available | No | Yes | Yes | Yes |
| Party Taxed on Profits | Owner | Owner or Company | Shareholders | Corporation |
| When to Use | Not recommended | To own real estate. To hold cash for asset protection. To own stock in one's corporations. | To own a business where the owner will disperse most of the corporate profits to himself/herself. | Own a business to take advantage of lower corporate taxes compared to individual income taxes, publicly traded company, to deduct medical expenses. |
| Benefits | Few – high liability and fewer tax deductions than other alternatives listed here | When owner (member) is sued there are provisions in the law to protect assets held inside of the LLC from being seized. | Save 15.3% on taxes, Pay self a small but reasonable salary and pay the rest as a "distribution to shareholders" to save the 12.4% Social Security and 2.9% Medicare for a total savings of 15.3% on this portion of income. | Only 15% corporate tax on first \$50,000 of income. |



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| | Sole Proprietor | LLC | S-Corporation | C-Corporation |
| Taxation | All income flows through to owner. | Your choice – Can be taxed as sole proprietorship, partnership, S-corporation, C-corporation. By default – taxed as sole proprietorship **If only one owner, as a partnership if two or more owners. File a tax form to be treated as an S-corporation or C-Corporation. | Shareholders pay the taxes after deductions. (Must file an election to attain S-corporation status). Must be US citizens or resident aliens. | Corporation pays its own taxes after deductions. (All "for profit" corporations are taxed as C-corporations by default.) |
| Ownership | Sole Proprietor | Member | Shareholder | Shareholder |
| Leadership | Sole Proprietor | Manager/Member (can generally be the same person) | Officer/Director (can generally be the same person) | Officer/Director (can generally be the same person) |
| Raising Capital | Borrow money that is typically guaranteed personally | Sell membership interest to raise capital without personal guarantee of owners. (subject to applicable laws) | Sell shares of stock to raise capital without personal guarantee of owners (subject to applicable laws) | Sell shares of stock to raise capital without personal guarantee of owners (subject to applicable laws) |
| Guideline Documents | None | Operating Agreement | Bylaws | Bylaws |
| Ownership Documents | None | Operating agreement / Membership Units | Shares | Shares |



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| | <i>Sole Proprietor</i> | <i>LLC</i> | <i>S-Corporation</i> | <i>C-Corporation</i> |
| <i>Double Taxation Required</i> | No | No | No | No only if dividends are paid. Thus, pay salaries and bonuses rather than dividends |
| <i>Deduct Salaries to Owner</i> | No Business and owner are one in the same for tax purposes. | Yes | Yes | Yes |