

	SOLE PROPRIETORSHIP	PARTNERSHIP	C CORPORATION	S CORPORATION	LLC
PREFERRED BUSINESS STRUCTURE	Sole-owner business where taxes or liability are not a concern	Business with one or more people where taxes or liability are not a concern	Sole or multiple-owner business where taxes or liability are a concern	Sole or multiple-owner business where taxes or liability are a concern	Sole or multiple-owner business where owner(s) need(s) limited liability but want more flexibility
NUMBER OF OWNERS	One	Two or more	One or more	1-100	One or more
TYPE OF OWNERS	Individual	Any	Any	Limited to U.S. residents/citizens and to certain trusts/estates	Any
ATTRIBUTES OF ENTITY	Inseparable from owner	Inseparable from owner but can have debt or property in its name	Separate legal entity	Separate legal entity	Separate legal entity
MAJOR ADVANTAGES	Inexpensive to form; few administrative duties	Inexpensive to form; few administrative duties	Limited liability; capital is easy to raise through sale of stock; company-paid fringe benefits; tax savings through income splitting	Limited liability; pass-through taxation like a partnership	Limited liability; capital is easy to raise through sale of interests; pass-through taxation like a partnership; unlimited number of owners
MAJOR DISADVANTAGES	Self-employment tax; unlimited liability; business dissolves upon death of owner	No tax benefits; unlimited liability, liable for partners' acts; legally dissolves upon death of partner	Startup costs; more administrative duties	Startup costs; more administrative duties; must have fewer than 100 shareholders	Can be costly to form; more administrative duties, single member LLC is a disregarded entity
LIABILITY AND REPORTING	Owner is responsible; file Schedule C with Form 1040	Partners are responsible; file Form 1065	Corporation pays taxes and files Form 1120	S Corporation passes taxes through to owners and files Form 1120S	Typically taxed as a partnership, but can be taxed as a corporation (usually Form 1065)
DEDUCTIBILITY OF LOSSES	Losses may be used by owner subject to passive loss rules	Partnership losses passed through to partners, subject to "at-risk" rules and passive loss rules	Do not pass through to shareholders	Passed through to shareholders, subject to at-risk rules	Same as partnership
CHOICE OF FISCAL YEAR	Calendar year (ending 12/31)	Must be same as principal partners unless IRS consents	No restrictions	Calendar year or show as a business purpose	Same as partnership
ENTITY TAXATION	Tax paid on personal return	None at entity level	Taxed at entity level and at shareholder level for dividends	None at entity level	None at entity level
FEDERAL TAX	Self-employment tax and personal income tax	None	Tax calculated with tax rate schedule	None	None
CALIFORNIA TAX*	Entity net income added to personal taxable income.	\$800 annual tax	Subject to 8.84% tax on net income or \$800, whichever is greater.	Subject to 1.5% tax on net income or \$800, whichever is greater.	Minimum \$800 plus gross receipts fee. Gross Receipts Fee: \$250K-\$500K = \$900 \$500K-\$1M = \$2,500 \$1M-\$5M = \$6,000 \$5M+ = \$11,790

* - Fees and tax rates are subject to change.

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