

## ENTITY COMPARISON CHECKLIST:

The following chart represents a general comparison between entities. Many factors must be given consideration before choosing a proper entity type. Business planning is essential to maximize your benefits.

	<b>SOLE PROPRIETOR</b>	<b>SINGLE MEMBER LLC's</b>	<b>C-CORP</b>	<b>S-CORP</b>	<b>PARTNERSHIP</b>	<b>LLC</b>
No Restrictions on Ownership	Yes	Yes	Yes	No	Yes	Yes
Number of Owners	1	1	1 or More	1 - 100	2 or More	1 or More
Title	Owner	Member	Shareholder	Shareholder	Partner	Member
Centralized Management	Yes	Yes	Yes	Yes	Maybe	Maybe
Inexpensive to Form and Maintain	Yes	Yes	No	Yes	Yes	Yes
Existence of Reliable Case Law	Yes	No	Yes	Yes	Yes	No
Compliance Burden	Low	Medium	High	High	Medium	Medium
Continuity of Life	No	No	Yes	Yes	No	Maybe
Liability Protection	No	Yes	Yes	Yes	No (Yes if Limited Partner)	Yes
Can Easily Select a Fiscal Year End	No	No	Yes	No	No	No
Can Use Cash Basis Even if Sales > \$5,000,000	Yes	Yes	No (Except For Personal Service Corps)	Yes	Yes	Yes

	<b>SOLE PROPRIETOR</b>	<b>SINGLE MEMBER LLC's</b>	<b>C-CORP</b>	<b>S-CORP</b>	<b>PARTNERSHIP</b>	<b>LLC</b>
Can Deduct 100% of Owner's Health Insurance	Yes - On Owner's 1040, Not on Business Return	Yes - On Owner's 1040, Not on Business Return	Yes	Yes - On Owner's 1040, Not on Business Return	Yes - On Owner's 1040, Not on Business Return	Yes - On Owner's 1040, Not on Business Return
Can Deduct Owner's Portion of Group Term Life up to \$50,000	No	No	Yes	No	No	No
Owner Fringe Benefits	No	No	Yes	No	No	No
Owner in Cafeteria Plan	No	No	Yes	No	No	No
Able to Compensate Employee with Equity	No	No	Yes	Yes	Yes	Yes
Can Avoid FICA taxes by:						
1) Distributions	No	No	No	Yes	No (Yes if Limited Partner)	Maybe
2) Paying Children under 18	Yes	Yes	No	No	No	No
Avoid Payroll Taxes and Administration (If No Employees except Owner)	Yes	Yes	No	No	Yes	Yes
Tax on Income	Owner	Owner	Corporation	Owner	Owner	Owner
Able To Use Lower Corporate Tax Rate	No	No	Yes	No	No	No
Subject to AMT	Yes	Yes	Yes	No	No	No
Subject to PHC & AE Tax	No	No	Yes	No	No	No
May Offset Active Income with Passive Losses	No	No	Yes	No	No	No
Can Specially Allocate Income & Expense Items	N/A	N/A	N/A	No	Yes	Yes

	<b>SOLE PROPRIETOR</b>	<b>SINGLE MEMBER LLC's</b>	<b>C-CORP</b>	<b>S-CORP</b>	<b>PARTNERSHIP</b>	<b>LLC</b>
Can Split Income Between Family Members	No	No	Yes	Yes	Yes	Yes
Able To Deduct Expenses Paid Personally in computing Adjusted Gross Income	Yes	Yes	No	Yes	Yes	Yes
Can Deduct Interest on Money Borrowed To Invest as Business Interest	Yes	Yes	No	Yes	Yes	Yes
Home Office Deduction	Yes	Yes	No	No	Yes	Yes
Able To Deduct Business Loss on Individual Return	Yes	Yes	No	Yes	Yes	Yes
Qualifies for Ordinary Loss under Sect. 1244	No	No	Yes	Yes	No	No
Basis for Loss includes Owner's share of Company Debt	N/A	N/A	N/A	No	Yes	Yes
Can Transfer Assets "Tax Free" where 80% Control Test Is Not Satisfied	N/A	N/A	No	No	Yes	Yes
Can Transfer Assets "Tax Free" where Debt > Basis	N/A	N/A	No	No	Yes (Unless Partner Basis is Zero)	Yes (Unless Partner Basis is Zero)
Inside Basis Step-up on Purchases or Inheritance	N/A	N/A	N/A	No	Yes	Yes
Can Easily Distribute Owners Investment Back	Yes	Yes	No	Yes	Yes	Yes
Double Tax-Earnings, Liquidation, & IRS Audit Adjustments	No	No	Yes	No	No	No

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