

CHART OF ENTITY COMPARISON

	SOLE PROPRIETOR	PARTNERSHIP	C CORPORATION	S CORPORATION	LLC
Legal Status	Same entity as owner	Separate entity from owner	Separate entity from owner	Separate entity from owner	Separate entity from owner
Separate Taxable Entity from Owner	No	No	Yes	No	Depends on tax status as sole proprietorship, partnership or corporation
Ease of Formation	Very Easy	Partnership agreement is helpful	Articles of incorporation generally required	Articles of incorporation generally required	Articles of organization generally required
Management	Owner	May be divided among partners	Board of Directors	Board of Directors	Per articles of organization

	SOLE PROPRIETOR	PARTNERSHIP	C CORPORATION	S CORPORATION	LLC
Number of Owners	One	Unlimited	Unlimited	100	Depends on tax status as sole proprietorship, partnership or corporation
Tax Year	Same as owner	Majority interest rules; principal partner rules; or the least aggregate deferral of income rule; exceptions may be the business purpose of § 444 election	Calendar or fiscal year	Calendar year; §444 election; or business purpose demonstrated	Depends on tax status as sole proprietorship, partnership or corporation
Allocation of Income	100% to owner	Based on partnership agreement if it has substantial economic reality	100% to corporation	Normally pro-rata based on per share/per day rule	Depends on tax status as sole proprietorship, partnership or corporation

	SOLE PROPRIETOR	PARTNERSHIP	C CORPORATION	S CORPORATION	LLC
Self-Employment Tax	Yes	Yes if general partner, generally no if limited partner	No, since payment for services is in the form of wages	No, since payment for services is in the form of wages	Depends on tax status as sole proprietorship, partnership or corporation
Salaries Paid to Family Members	Exempt from FICA for wages paid to children of owner who are under the age of 18; spouse and parents exempt from FUTA	Exempt from FICA for wages paid to children of owner who are under the age of 18 only if all partners are parents of children	No exemption for any family member	No exemption for any family member	Depends on tax status as sole proprietorship, partnership or corporation

Need more assistance?

I can simplify the entity selection process or conduct an entity fit review to determine if it's time to change.

Schedule an appointment at <https://simplifiedaccounting.as.me/> to learn more and get started