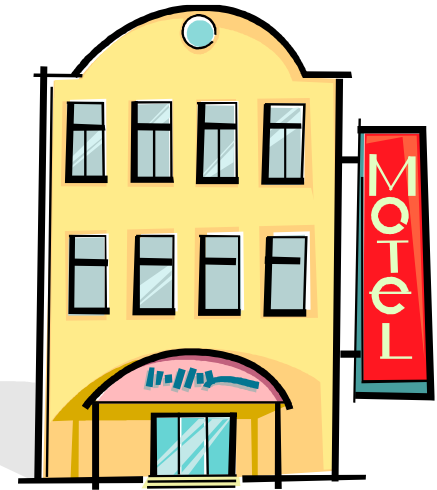


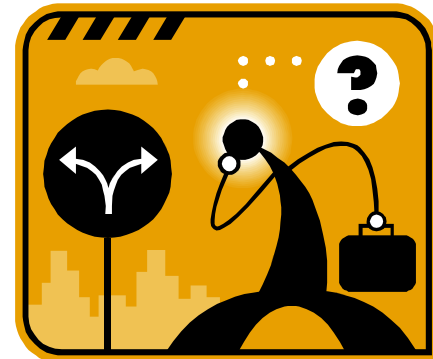
# **BUSINESS ENTITY SELECTION**



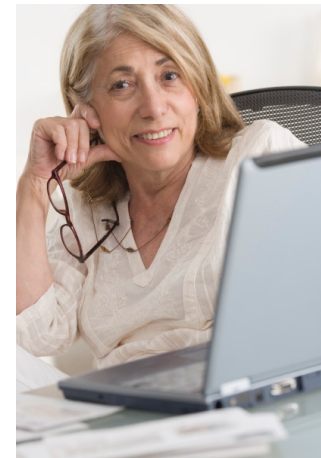
- Liability Protection
- Tax Consequences
- Administrative Costs



- Sole Proprietorship
- Partnership
- Limited Liability Company (LLC)
- Corporation



- No Liability Protection
- Income Taxed Directly to Proprietor
- Report Income on Form 1040C
- Self Employment Tax on All Earned Income
- Employer ID Number Optional



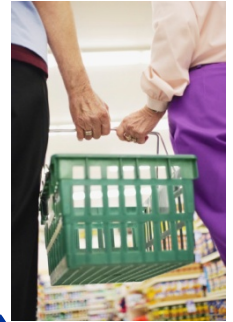
- Formed Under State Law
- Limited Partners Avoid Personal Liability
- Rarely Used Entity Type
- Limited Partners Restricted
- Limited Partners Avoid SE Income
- Requires a General Partner
- General Partner is Liable



- No Protection from Personal Liability
- Report Income on Tax Form 1065
- Taxable Items Taxed to Partners
- Self Employment Tax on Earned Income
- Partnership Agreement Recommended but NOT Required



- General Partnership Can Elect LLP
- LLP Governed by State Law
- Usually a Simple Election (State Fee)
- Personal Liability Protection (State Law)
- Income Reported on Form 1065
- Earned Income is Self Employment Income
- Partnership Agreement Recommended



- Liability Protection (State by State)
- Professional LLC Variation (PLLC)
- Created by Filing With State
- One Owner Reports on Form 1040C
- Multiple Owners Report on Form 1065
- Income/Loss Taxed to Owners
- Earned Income is Usually Self Employment Income



- Liability Protection for Shareholders
- Report on Form 1120 – Pay Corporate Tax
- Double Tax on Dividends and Appreciated Property
- Payroll Taxes on Compensation to Owners
- Created by Filing With State
- Also Professional Corporations



- Corporation Formed by State Filing
- Liability Protection for Shareholders
- S Status Elected With IRS
- S Status Avoids Double Tax
- Report on Form 1120-S
- Income/Loss Taxed to Shareholders
- Payroll Taxes on Compensation
- Owner Comp - Payroll Tax Returns



## Considerations for Entity Selection

Liability Protection

Tax Consequences

Administration Costs

