

XI COMPARISON OF ENTITIES CHECKLIST

Item	Characteristic	Sole Prop.		Single Member LLCs		“C” Corp.		“S” Corp.		PARTNERSHIP		LLC	
		Owner	Member	Shareholder	Shareholder	Partner	Member	Shareholder	Partner	Member	Partner	Member	
1.	Limited liability	No	Yes	Yes	Yes	Yes	Yes	No (a)	Yes	No (a)	Yes		
2.	Lower audit profile	No	No	No	No	No	No	Yes	No	Yes	Yes	Yes	Yes
3.	Continuity of life (c)	No	No	Yes	Yes	Yes	Yes	No	Yes	No	No	Maybe	Maybe
4.	Centralized management (c)	Yes	Yes	No	No	Yes	Yes	2 or more	Yes	Maybe	Maybe	Maybe	Maybe
5.	Free transferability of interests (c)	No	No	1	1	1 or more	1-75	Yes	Yes	No	No	Maybe	Maybe
6.	Number of owners	1	1	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	1 or more	1 or more
7.	No restrictions on ownership	Yes	Yes	No	No	Yes	No	Yes	Yes	No	Yes	Yes	Yes
8.	Can easily select a fiscal year end	No	No	Yes (b)	Yes (b)	Yes	Yes (b)	Yes	Yes (b)	Yes (b)	Yes (b)	Yes (b)	Yes (b)
9.	Can deduct 100% of owner’s health insurance	No	No	No	No	Yes	No	No	No	No	No	No	No
10.	Can deduct owner’s portion of group term life up to \$50,000	No	No	No	No	Yes	No	No	No	No	No	No	No
11.	Able to use lower corp. tax rate	No	No	No	No	Yes	No	No	No	No	No	No	No
12.	Able to compensate an employee with equity	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
13.	Can split income between family members	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
14.	Double tax-earnings, liquidation & IRS audit adjustments	No	No	No	No	Yes	No	No	No	No	No	No	No
15.	Can avoid FICA taxes by a. Distributions b. paying children under 18	No	No	No	No	Yes	Yes	Yes	Yes	No (a)	No (a)	Maybe	Maybe
16.	Subject to: AMT PHC & AE tax	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No	No	No
17.	Able to deduct business loss on individual return	Yes	Yes	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
18.	Can transfer assets ‘tax free’ where 80% control test is not satisfied	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes	Yes	Yes	Yes
19.	Can increase basis by ‘step-up’ election	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes	Yes	Yes	Yes

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20.	Title Can specially allocate items of income and expense	N/A	N/A	N/A	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
21.	Can deduct interest on money borrowed to invest as business interest	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
22.	Can use cash basis even if sales > \$5,000,000	Yes	Yes	No (e)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
23.	Inexpensive to form and maintain	Yes	Yes	No	No	No	No	No	No	No	No	No	No
24.	Able to deduct expenses paid personally in computing AGI	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
25.	Can transfer assets 'tax free' where debt > basis	N/A	N/A	No	No	No	No	No	No	Yes (d)	Yes (d)	Yes (d)	Yes (d)
26.	Basis for loss includes owner's share of company debt	N/A	N/A	N/A	No	No	N/A	No	No	Yes	Yes	Yes	Yes
27.	Existence of reliable case law	Yes	No	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
28.	Qualifies for ordinary loss under Section 1244	No	No	Yes	No	Yes	Yes	Yes	No	No	No	No	No
29.	May offset active income with passive losses	No	No	Yes	No	Yes	Yes	No	No	No	No	No	No
30.	Can easily distribute back the owners investment	Yes	Yes	No	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
31.	Home office deduction	Yes	Yes	No	Yes	No	No	No	No	Yes	Yes	Yes	Yes
32.	Avoid payroll taxes and administration (if no employees except owner)	Yes	Yes	No	Yes	No	No	No	No	Yes	Yes	Yes	Yes

Note: A "Yes" answer suggests a favorable response.

Note: A "No" answer suggests an unfavorable response.

(a) Yes if a limited partner

(b) Deducted on the owner's 1040, not on the businesses' return

(c) Unimportant with check the box regs.

(d) Yes unless partner basis is zero

(e) Except for Personal Service Corps. and certain farms.

Other considerations:

Retirement Issues

State Tax Issues

Entities Permitted

Multistate operations

Management Capabilities

Estate Issues