

Business Entity Comparison Chart

Tax Characteristics

TAX CHARACTERISTICS	Sole Proprietorship	General Partnership	Limited Partnership	C Corporation	S Corporation	LLC												
How are profits taxed?	Individual tax rates	Individual tax rates (unless corporate treatment elected)	Individual tax rates (unless corporate treatment elected)	Corporate tax rates <u>plus</u> individual tax rates of shareholders	Individual tax rates	Individual tax rates												
What annual taxes and fees does the State of CA apply?	N/A	N/A	Annual tax = \$800 (see FTB Form 565)	Annual tax = \$800 or Annual fee = 1.5% of net income whichever is greater (see FTB Form 100) plus Statement of Information = \$25 (Form SI-200)	Annual tax = \$800 or Annual fee = 1.5% of net income whichever is greater (see FTB Form 100) plus Statement of Information = \$25 (Form SI-200)	Annual tax = \$800 (see FTB Form 3522) plus Annual fee = fixed fee based on gross rev. (see FTB Form 568) <table border="1" style="font-size: small;"> <thead> <tr> <th>Gross Revenue</th> <th>Fee</th> </tr> </thead> <tbody> <tr> <td>Under \$250K</td> <td>\$0</td> </tr> <tr> <td>\$250K - \$500K</td> <td>\$900</td> </tr> <tr> <td>\$500K - \$1MM</td> <td>\$2,500</td> </tr> <tr> <td>\$1MM - \$5MM</td> <td>\$6,000</td> </tr> <tr> <td>\$5MM or more</td> <td>\$11,790</td> </tr> </tbody> </table> plus Statement of Info = \$20 (Form LLC12)	Gross Revenue	Fee	Under \$250K	\$0	\$250K - \$500K	\$900	\$500K - \$1MM	\$2,500	\$1MM - \$5MM	\$6,000	\$5MM or more	\$11,790
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What tax-deductible fringe benefits are available to owners who work for the entity?	IRA (including SEP)	IRA (including SEP)	IRA (including SEP)	Fringe benefits, medical expense reimbursements, and tax-free term life ins.	Fringe benefits only if ≤ 2% shareholder, medical expense reimbursements, and tax-free term life ins.	IRA (including SEP)												
Is tax status automatic?	Yes - at will	Yes - may change to LP, Corp., or LLC	Yes, upon filing w/ state	Yes, upon filing w/ state	No, must meet requirements and file tax election form w/ IRS	Yes - <u>1 member LLC</u> treated as sole proprietorship; <u>multi-member LLC</u> treated as partnership												
Are taxes due at formation?	Generally not	Generally not. Exception: Income tax if GP contributes services for share.	Generally not. Exception: Income tax if GP contributes services for share.	Generally not (see IRC §351)	Generally not (see IRC §351)	Generally not. Exception: Income tax if member contributes services for share.												
What fees are due at formation?	N/A	N/A	\$70 state filing fee	\$100 state filing fee	\$100 state filing fee	\$70 state filing fee												
Are losses deductible?	Deductible against other income (subject to passive loss rules)	Deductible against other income if "at risk" for loss or debt (subject to passive loss rules)	<u>GP</u> - see GP rules <u>LP</u> - May only deduct "nonrecourse debts"	Corporation -- not shareholders -- may deduct losses	Shareholders may deduct their share of losses (subject to passive loss rules)	<u>1 member LLC</u> - see sole proprietorship rules <u>Multi-member LLC</u> - see partnership rules												
What tax level applies when the business is sold?	Personal tax level	Personal tax level of individual partners	Personal tax level of individual partners	2 levels: shareholders and corporation may be taxed	Personal tax levels of individuals shareholders (<i>note</i> : corporate level tax may apply if S corp. was formerly a C corp.)	<u>1 member LLC</u> - see sole proprietorship rules <u>multi-member LLC</u> - see partnership rules												