

CHOICE OF ENTITY SUMMARY

Summarizing *The CPA's Checklist for Selecting the Right Business Entity Form* , Keith A. Wood, JD/CPA, January 9, 2012

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Form	State Fees	Limited Liability	Tax Layers	Self-Employment	Fringe Benefits	Distributions
Sole Proprietor	None	No	Single	Yes	Included in income	
Partnership	\$50 Filing	No	Single	Yes	Included in income	
Limited Partnership	\$50 Filing	GP at risk; true LP's protected	Single	Yes	Included in income	
Registered Limited Liability Partnership	\$125 Filing/ \$200 Annual	Owners protected from one another	Single	Yes	Included in income	
Limited Liability Company	\$125 Filing/ \$200 Annual	Yes	Generally Single	Yes , if taxed as a partnership, but exceptions for rental income and limited partner equivalents (note that managers are subject to s-e tax)	Included in income	Generally, no gain on appreciated property to distributing LLC or distributee-member
S-Corporation	\$125 Filing/ \$25 Annual/ Franchise Taxes	Yes	Single	FICA only applicable to salaries of e/e-owners; Self-Employment Tax inapplicable because NESE does not include wages paid to a shareholder	Included in income	Distribution of appreciated property to one shareholder may create capital gain tax liability for all shareholders; distributions to active owners should not be NII
C-Corporation	\$125 Filing/ \$25 Annual/ Franchise Taxes	Yes	Double; perhaps AMT as well	FICA only applicable to salaries of e/e-owners; Self-Employment Tax inapplicable because NESE does not include wages paid to a shareholder	Deductible; excludable from income	Appreciated property is subject to two layers of capital gains tax; dividends are NII

FICA: Social Security (12.4% on first \$110,100) plus Medicare Tax (2.9% on all wages, and .9% on wages over \$200K/\$250K))

Self-Employment Tax: 15.3% on first \$110,100 of net earnings from self-employment

Note: Tax rates (both income and capital gains) differ for individuals and corporations (individual's may be higher)

Note: Personal Service Corporations do not benefit from the graduated corporate tax rates

Note: S-Corps are subject to strict limitations on stock classes and shareholders

Note: New Medicare Tax of 3.8% on "net investment income"; if not NII, then probably subject to employment taxes

Note: Professional Corporations generally don't have appreciated assets and pay profits as compensation