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## **Business Entity Comparison Table**

The most frequent question we hear is “Which type of business should I form?” although we cannot give legal advice and make that decision for our clients, we can offer valuable information so you can make an informed decision based on your business needs. The table below provides some of the advantages and disadvantages of different entities. Once you have determined which type of business you wish to form, call us for an appointment to discuss your decision and we will file the proper paperwork for you. If you have further questions after reviewing this information, please call.

<b>Factors</b>	<b>Sole Proprietorship</b>	<b>Single Member LLC</b>	<b>C Corporation</b>	<b>S Corporation</b>	<b>Partnership</b>	<b>LLC</b>
Ownership	Owner	Member	Shareholder	Shareholder	Partner	Member
Number of owners	1	1	Unlimited	Up to 75	2+	1+
Examples	Mom & Pop ice cream shop, arts and craft shops, graphic designer, website developer	Any business operated by a single member such as a convenient store, beautician, realtor	Public Corporation, software company, telecommunications, automobile maker	Small business or family business such as a print shop, pizza parlor, construction company	Auto repair shop, bakery, restaurant, beauty salon	Real Estate investment property, restaurant, beauty salon
Limited Liability	Owner has unlimited liability and can lose personal assets	Yes	Yes	Yes	No if General Partnership  Yes if Limited Partnership	Yes
Length of Existence	Owner either ceases doing business or dies	Member either ceases doing business or dies	Perpetual	Perpetual	Typically death or withdrawal of a partner dissolves GP	Delaware allows an LLC to have perpetual existence
Operational procedures	Easiest with few legal requirements	Annual reporting required	Annual meetings, filings, and reporting required. Board of directors and officers must be maintained.	Annual meetings, filings, and reporting required. Board of directors and officers must be maintained.	GP's typically have few legal requirements.	Annual reporting required
Management	Owner has complete control of management	Member has complete control of management	Officers manage day to day corporate activity. Directors manage the officers and overall company. Directors are elected and managed by the Shareholders.	Officers manage day to day corporate activity. Directors manage the officers and overall company. Directors are elected and managed by the Shareholders.	Partners have equal management authority unless stated otherwise in the partnership agreement.	Management is outlined in the LLC's Operating Agreement.
Lower audit profile	No	No	No	No	Yes	Yes

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Easily select fiscal year end	No	No	Yes	No	No	No
Lower corporate tax rate	No	No	Yes	No	No	No
Start up costs (prices given are Delaware fees as of 8/1/09)	Cost of Business License starting at \$75.00	Formation of business \$90.00. Business License. May be subject to annual LLC/LP tax filing of \$200.00+	Incorporation of business \$89.00+. Business license. Annual franchise filing \$125.00+	Incorporation of business \$89.00+. Business license. Annual franchise filing \$125.00+	Formation of business \$90.00. Business License. Annual LLC/LP tax filing \$200.00+	Formation of business \$90.00. Business License. Annual LLC/LP tax filing \$200.00+
Taxation	Taxed once	Taxed once	Double; both the corporation and the shareholders are taxed	Taxed once	Taxed once	Taxed once
Pass through taxation of income and loss	Yes	Yes	No	Yes	Yes	Yes
Transferability	No. Unless sold to another party.	No. Unless sold to another party.	Shares of stock are easily transferred	Yes. Some IRS regulations on stock ownership.	No	Depends n the operating agreement
Deduct interest on money borrowed to invest as business interest	Yes	Yes	No	Yes	Yes	Yes
Easily distribute back the owners investment	Yes	Yes	No	Yes	Yes	Yes
Home office deductions	Yes	Yes	No	No	Yes	Yes
Avoid payroll taxes and administration (if no employees except owner)	Yes	Yes	No	No	Yes	Yes
Can avoid FICA taxes by A. Distributions B. Paying children under 18	No Yes	No Yes	No No	Yes No	No No	Maybe No
Subject to: A. AMT B. PHC & AE tax	Yes No	Yes No	Yes Yes	No No	No No	No No
Dissolution	Easiest	Complex. Requires filing cancellation with State.	Most complex. Requires filing dissolution document with State.	Most complex. Requires filing dissolution document with State.	Complex. Requires filing cancellation with State.	Complex. Requires filing cancellation with State.

Other considerations should be: Retirement Issues  
State Tax Issues  
Multistate Operations  
Estate Issues

Questions and notes: \_\_\_\_\_  
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