



Entity Comparison Chart

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Entity Type	Sole Proprietorship	Single Member Limited Liability Company (LLC)	"C" Corporation	"S" Corporation
IRS FORM	<i>Schedule C (form 1040)</i>	<i>Schedule C (form 1040)</i>	<i>Form 1120</i>	<i>Form 1120S</i>
Entity Description	One individual who carries on a trade or business as a self-employed person. Sole owner is liable for all business debts and actions and is the only person to receive profits	Similar to Sole Prop except business is conducted under the veil of an established company. All income must be received by the company and expenses are made by the company.	An organization that has its own legal identity, rights and liabilities. Characteristics include continuity of life, central management, limited liability and free transferability of ownership interest	Corporation can elect to be taxed as an "S." Income or loss is passed through to shareholder/s and taxed at individual tax rates. Must meet certain requirements.
Advantages	Easiest to organize. Owner free to make decisions. Minimal legal restrictions. Business easy to discontinue. Losses can offset other income.	Simplicity is on par with sole prop. Offers limited liability protection with a small amount of restrictions and rules.	Life of business is perpetual. Stockholders have limited liability. Easy to raise capital. Tax free fringe benefits. Tax rate less than individuals. Medical reimbursement plans avail.	Double taxation is avoided. Same limited liability as "C." Pass-thru of profits not subject to self employment tax. If shareholders actively participate, losses can offset other income.
Disadvantages	Unlimited liability to owner. Limited ability to raise capital. Income tax cannot be deferred by retaining profits.	While company business activity is shielded from some liability this entity has little or no tax advantages. Simply put this entity is good for legal shielding not tax benefits.	Possible double taxation. Corporate Charter limits types of activities. Subject to fed and state regulation. Personal service corps taxed at higher rate. Losses carried to a year that has profit. Cap. losses can only offset gains.	Fringe benefits restricted. Shareholders pay tax on undistributed profits. Contributions limited to a qualified retirement plan are based on employee wages not overall profit.