**TRADITIONAL FOR-PROFIT BUSINESS ENTITY COMPARISON CHART**

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|  Entity  | Ownership Restrictions? | Management | Tax Treatment |
| C Corporation | None | * Managed by directors and officers, who may or may not be shareholders.
* Directors owe fiduciary duties of care and loyalty to the business.
 | Corporate profits are subject to “double taxation” as follows:* First, the corporation itself pays income tax; and
* Second, to the extent that any dividends are paid out to shareholders, the shareholders pay personal income tax on those dividends.
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| Limited Liability Company (LLC) | None | * Managed either by the members or by a designated manager.
* May (but is not required to) have a board of directors.
 | * An LLC is a “pass-through” entity – the entity itself does not pay federal or state income taxes.
* Rather, all profits and losses are “passed through” to the LLC’s owners, who account for those profits and losses on their personal income tax returns.
* “Phantom income” can be a problem: the LLC’s owners must pay personal income tax on the LLC’s income whether or not the LLC actually paid that income out to the owners.
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| S Corporation | Ownership limited to:* U.S. citizens and residents who are natural persons (e.g., not businesses); and
* Not more than 100 owners.
 | See C Corporation above. | * See Limited Liability Company above.
* To receive pass-through tax status, the corporation must make an annual election on its tax return.
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