

# Business Solutions

## Choice of Entity Comparison Chart

	C Corporation	S Corporation	Limited Liability Corporation
<b>Number of Owners</b>	NO LIMIT	1 TO 100	NO LIMIT
<b>Type of Owners</b>	No Restrictions	Individuals (US Citizens/ Residents) Estates, Certain Trusts, No Corporations, Llc's, Non Resident Aliens	No Restrictions
<b>Different Classes of Owners</b>	Unlimited	One Class Stock Permitted; Voting Differences Permitted	Unlimited
<b>Transferability</b>	Yes: Restrictions May Be Imposed By Shareholders Agreement	Yes; Restrictions May Be Imposed By Shareholders Agreement; Transfer To An Ineligible Party May Result In The Termination Of The S Corp Status	Economic Rights May Be Assignable; Transfer Of Governance Rights Requires Consent Of Members: Agreement Governs
<b>Liability</b>	Shareholders Not Typically Personally Responsible for Business Debts and Liabilities	Shareholders Not Typically Personally Responsible for Business Debts and Liabilities	Shareholders Not Typically Personally Responsible for Business Debts and Liabilities
<b>Levels of Federal Taxation</b>	2 (Corporate And Shareholder)	1 (Individual; Pass Through)	1 (Individual; Pass Through)
<b>Advantages</b>	Widely Recognized Entity Structure: Premier Entity For Going Public: Stability Attractive For Investors	Pass Through Taxation; Corporate Form Is Recognized By Investors	Pass Through Taxation; Limited Liability Shield; Few Corporate Formalities: Flexibility In Operating And Tax Classifications - Including Profit Distribution Of Profits
<b>Disadvantages</b>	Double taxation on earnings and profits: corporate formalities must be maintained	Limitation on shareholders: limited to one class of stock; distributions must be made pro-rata: requires a timely election: must adhere to corporate formalities	Undeveloped case law; management structure not homogenous and may be unfamiliar to many:
<b>Types of Business Best Suited For</b>	Businesses that may have large start up costs & want to look for outside investors; may want to go public in the future; want to have multiple classes of stock and sell stock to anyone	Businesses that have low start up costs; that do not need to purchase a significant amount of assets to begin operations; businesses that have no storefront, low operating costs, no warehouse	Businesses that hold real estate or other tangible assets; businesses that want flexibility in management and ease of governance without having to adhere to corporate formalities

