

**Kelly Oakes, CPA LLC**  
**6562 Glenway Avenue**  
**Cincinnati, Ohio 45211**  
**(513) 598-6500**  
**oakescpas.com**

<b>Type of Entity</b>	<b>Sole Proprietorship Single Member LLC Husband and Wife Business</b>	<b>Partnership</b>
<b>Organization and Ownership</b>	Easiest business to organize Minimal legal restrictions Does not exist apart from owner Business transfers by selling assets	Two or more owners conducting an unincorporated business No limit on number of partners More flexibility than a corporation in dividing profits, losses, ownership of capital, and making special allocations to partners
<b>Taxation of Profits Profits and Losses</b>	Self employment tax on net profits Cannot defer tax by retaining earnings Losses generally offset other income	Partnership pays no income tax Partners cannot defer tax by retaining profits General Partner's distributive share of profits subject to self employment tax Limited Partner's share of profits NOT subject to SE tax unless guaranteed payments Losses can offset partners' other income
<b>Accounting and Record Keeping</b>	Separation of business and personal funds No special accounting	Complex records necessary when a partner exchanges property other than cash for a partnership interest or special allocations
<b>Fringe Benefits</b>	No excludable fringe benefits UNLESS spouse is an employee and owner covered as employee's spouse	Benefits are reported as guaranteed payments and are taxable to partner
<b>Liability</b>	Owner personally liable for all debts and lawsuits UNLESS organized as an LLC, then limited to owner's investment and his/her own malpractice	General Partner personally liable for all debts and lawsuits unless General Partner is organized as an LLC, then limited to investment and own malpractice



America Counts on CPAs<sup>SM</sup>

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Type of Entity	S Corporation	C Corporation
<b>Organization and Ownership</b>	A Corporation that has elected S Corp treatment by filing Form 2553 Ownership is through owning stock Stock limited to one class of stock Limited to 100 shareholders	A legal association carrying on a trade or business organized under state law Ownership is through owning stock No limit on number of shareholders Must hold shareholder meetings and keep corporate minutes.
<b>Taxation of Profits Profits and Losses</b>	S Corporations pay no tax, profits flow through to shareholders Distributions are NOT subject to self employment tax Shareholders who perform services are paid as employees with a W-2 Losses flow through to shareholders and offset other income	Shareholders who perform services are paid as employees with a W-2 Net profits subject to tax at corporate rates Profits distributed as dividends taxed again to shareholders Shareholder tax can be deferred by retaining profits Losses do not carry through to shareholders
<b>Accounting and Record Keeping</b>	If total receipts and total assets are under \$250,000 no balance sheet required for tax return, but should prepare one anyway to track shareholders' basis	Double entry bookkeeping required Balance sheet required for tax return
<b>Fringe Benefits</b>	Benefits are taxable to greater than 2% shareholders	Shareholder employees eligible for excludable fringe benefits to the same extent as any other employee
<b>Liability</b>	Shareholder liability limited to amount invested plus his/her own malpractice	Shareholder liability limited to amount invested plus his/her own malpractice

