

Applicable Factor	C Corporation	S Corporation	Sole Proprietor	Partnership	Limited Liability Company
I. Formation					
A. Method	Articles of Incorporation	Articles of Incorporation	None	Partnership agreement	Articles of Organization
B. Owner Eligibility					
1. Number of Owners	No limit	100; 75 for tax years beginning before 2005	One	Two or more for general partnership; one or more general and one or more limited for limited partnership	No limit
2. Type of Owners	No limitation	Only individuals and certain trusts and estates for tax years beginning before 1998; certain tax-exempt organizations also for tax years beginning after 1997.	Individual	No limitation	No limitation
3. Affiliate limits	No limitation	May own 80% or more of C Corporation stock and 100% of qualified sub-chapter S subsidiary; No subsidiaries (except name holding) for tax years beginning before 1997	No limitation	No limitation	No limitation
C. Capital Structure					
1. Equity	No limitations (multiple classes permitted)	Only one class of stock	No stock	No limitations (multiple classes permitted)	No limitations (multiple classes permitted)
2. Debt	No specific limits on debt/equity ratio	Safe-harbor for debt	No specific limits	No specific limits	No specific limits

D. Status Determination					
1. Election by Entity	No election requirement	Required election	No election requirements	No election requirement but state law filing	No election requirement but state law filing
2. Owner Consents	None required	Consent required	None required	None required	None required
E. Liability	Limited to shareholder's capital contributions	Limited to shareholder's capital contributions	Unlimited	General partners jointly and severally liable. Limited partners generally limited to capital contributions	Limited to member's capital contributions
II. Operational Phase					
A. Tax Year	Any year permitted (limit for personal service corporation)	Generally calendar year	Calendar year	Generally calendar year	Generally calendar year
B. Tax on Income	Corporate level	Owner level	Individual level	Owner level	Member level
C. Elections	Corporate level	Corporate level	Individual level	Partnership level	Entity level
D. Allocation of Income/Deductions	Not permitted (except through multiple equity structure)	Not permitted (except through debt/equity structure)	N/A	Permitted if substantial economic effect	Permitted if substantial economic effect
E. Character of Income/Deductions	No flow-through to shareholders	Flow-through to shareholders	Flow-through to individual	Flow-through to partners	Flow-through to members
F. Net Operating Losses	No flow-through	Flow-through to shareholders (limited to tax basis)	Flow-through to individual	Flow-through to partners (limited to tax basis)	Flow-through to members (limited to tax basis)
G. Net Capital Losses	No flow-through, but three-year carryback and five-year carryforward	Flow-through to shareholders	Flow-through to individual	Flow-through to partners	Flow-through to members
H. Effect of Statutory	Imposed at corporate level	Imposed at shareholder	Imposed at individual	Imposed at partner level	Imposed at member level

Limitations		level	level		
III. Compensation Arrangements					
A. Fringe Benefits	Shareholder-officers qualify for benefits	Certain benefits includible in 2% + shareholder's income	Generally subject to limits applicable to individuals	Limited participation for partners	Limited participation for members
B. Retirement Benefits	Shareholder-officers included in qualified plans	Certain limits on shareholder-employees; ESOPs available for tax years beginning after 1997 (although certain special tax breaks available to C corporations will not be available).	Generally subject to limits applicable to individuals	Certain limits applicable to partners	Certain limits applicable to members
C. Reasonable Compensation Limits	Applicable to shareholder-employees	Applicable to shareholder-employees	N/A	May be applicable in a family partnership context where capital is a material factor	May be applicable in a family LLC context where capital is a material factor
IV. Transactions with Owners					
A. Distribution of Cash	Dividends to extent of earnings and profits	No effect until previously taxed income fully recovered	No effect	No effect except in calculation of basis	No effect except in calculation of basis
B. Distribution of Property	Dividend treatment; gain recognition to distributing entity	Gain recognition to distributing entity	No effect	No gain or loss to entity but partners may recognize gain on certain appreciated property distributions	No gain or loss to entity but members may recognize gain on certain depreciated property distributions
C. Purchase of Owner's Interest					
1. Partial Interest	Probable dividend treatment	Tax-free; but gain for proceeds in excess of tax basis	N/A	N/A	N/A

2. Entire Interest	Capital gain treatment, with exceptions	Capital gain treatment after basis recovered	Cannot sell entity interest; sale of business is viewed as a sale of each asset	Capital gain treatment except ordinary income for ordinary income assets and certain §736 payments	Capital gain treatment except ordinary income for ordinary income assets and certain §736 payments
D. Property Sales to Entity by Owner	Possible dividend treatment or contribution to capital	Any excess value treated as distribution or contribution	N/A	Any excess value treated as distribution or contribution	Any excess value treated as distribution or contribution
E. Property Sales to Owner by Entity	Possible dividend treatment or contribution to capital	Any excess value treated as distribution or contribution	N/A	Any excess value treated as distribution or contribution	Any excess value treated as distribution or contribution
V. Termination of Entity or Owner Interest					
A. Sale of Interest by Owner to Third Person	Capital gain; no effect on basis of corporation's assets	Capital gain; no effect on basis of corporation's assets	Cannot sell entity interest; sale of business is viewed as a sale of each asset	Capital gain, subject to §751 ordinary income categorization	Capital gain, subject to §751 ordinary income categorization
B. Death of Owner	Estate continues as shareholder: FMV at date of death (or alternate valuation date) is basis for shares; no effect on basis of corporation's affects	Estate continues as shareholder: FMV at date of death (or alternate valuation date) is basis for shares; no effect on basis of corporation's assets	Estate takes over business	Estate as partner subject to agreement, FMV at date of death is basis for interest	Estate as member subject to agreement, FMV at date of death is basis for interest
C. Liquidation Distributions					
1. Effect to Distributor	Gain recognition if appreciated property distributed; no increase in shareholder basis for gain	Gain recognition if appreciated property distributed; increase in shareholder basis for gain	N/A	No gain recognition on asset distributions	No gain recognition on asset distributions

2. Effect to Recipient	Capital gain on excess value received over basis	Capital gain on excess value received over basis	N/A	Substituted basis in assets equal to basis in partnership interest; gain may be recognized depending on assets distributed	Substituted basis in assets equal to basis in LLC interest; gain may be recognized depending on assets distributed
D. Entity Reorganizations	Tax-free to shareholders if qualifying under reorganiza-tion provisions (§354 & §368)	Tax-free to shareholders if qualifying under reorganiza-tion provisions (§354 & §368)	N/A	No taxability on merger of partnership	No taxability on merger of LLC
E. Carryover of Tax Attributes	Carryover of tax attributes to successor entity if tax-free reorganization	Carryover of tax attributes to successor entity if tax-free reorganization	N/A	N/A	N/A