



Entity selection is one of the most critical parts of starting, operating, and/or owning a business. Ownership rules, taxes, liabilities, and filing requirements can be overwhelming! Keep in mind that these conditions can vary by state and this chart is intended as a high-level guide.

Reach out to your CRI tax advisor to discuss the particulars for your location and for your organization's specific needs.

	Sole Proprietorship	Limited Liability Company (LLC)	Partnership	S Corporation	C Corporation
# of owners	1	1 (SMLLC) or multiple	At least 2	Up to 100	Unlimited
Limited Liability Protection	No	Yes	Depends on the type of partnership	Yes	Yes
Tax Return	Schedule C on owner's individual return	If one owner, Schedule C on owner's individual return; if multiple owners, partnership return (Form 1065); can elect to be treated as S or C Corp (look at those columns if electing)	Form 1065	Form 1120S	Form 1120
Income of the Owner	Yes	Yes	Yes	Yes	No, but dividends or salary paid to the owner would be income to the owner
Income Tax Rate	Depends on owner's individual rate	Depends on owner's individual rate	Depends on owner's individual rate	Depends on owner's individual rate	21%
Owner as Employee	No, considered self-employed	No, considered self-employed	No, partner cannot be employee	Yes, must pay reasonable salary to owner	Yes, owner can be employee
Payroll/Self-Employment (SE) Tax	15.3% SE tax paid on business income	Generally, 15.3% SE tax paid on business income	15.3% SE tax paid on business income	Payroll tax (15.3% split between S Corp and owner) on salary to owner	Payroll tax (15.3% split between C Corp and owner) on salary to owner
Dividends	N/A—no separate entity	Yes, not taxable if basis in company	Yes, not taxable if basis in company	Yes, not taxable if basis in company	Taxable dividend—preferential tax rate
Double Taxation	No	No	No	No	Yes, tax paid at C Corp level and taxed again when dividends paid to owner
Owner Restrictions	Individual only	No	No	Yes	No
Profit/Loss Allocation	N/A—1 owner	Can be disproportionate	Can be disproportionate	Must be proportionate to ownership	Must be proportionate to ownership