

COMPARISON OF OPERATING ENTITIES

ITEM #	CHARACTERISTIC	SOLE PROP.	"C" CORP.	"S" CORP.	PARTNER-SHIP	LLC
1	Limited liability	No	Yes	Yes	No	Yes
2	Lower audit profile	No	Depends	Yes	Yes	Yes
3	Continuity of life	No	Yes	Yes	No	Maybe
4	Centralized management	Yes	Yes	Yes	Maybe	Maybe
5	Free transferability of interest	No	Yes	Yes	No	Maybe
6	Number of owners	1	1 or More	1 to 75	2 or More	1 or More
7	Can save FICA tax by renting property to business	No	Maybe	Maybe	Maybe	Maybe
8	No restrictions on ownership	Yes	Yes	No	Yes	Yes
9	Can easily select a fiscal year-end	No	Yes	No	No	No
10	Can deduct 100% of owner's health insurance	No	Yes	Maybe	Maybe	Maybe
11	Can deduct owner's portion of group term life up to \$50,000	No	Yes	No	No	No
12	Able to use lower corporate tax rate	No	Yes	No	No	No
13	Able to deduct meals & lodging furnished for the employer's convenience	No	Yes	No	No	No
14	Able to compensate employee with equity	No	Yes	Yes	Yes	Yes
15	Can split income between family members	No	Yes	Yes	Yes	Yes
16	Can transfer assets 'tax free' where 80% control test is not satisfied	N/A	No	No	Yes	Yes
17	Can transfer assets 'tax free' where debt > basis	N/A	No	No	Yes	Yes
18	Double tax a. Earnings b. Liquidation c. IRS audit adjustments	No No No	Yes Yes Yes	No No No	No No No	No No No
19	Can avoid FICA taxes by a. Distributions b. Paying children under 18	No Yes	No No	Yes No	No No	No No
20	Not subject to: a. AMT b. Personal Holding Company tax c. Accumulated earnings tax	No Yes Yes	No No No	Yes Yes Yes	Yes Yes Yes	Yes Yes Yes
21	Able to deduct business loss on individual return	Yes	No	Yes	Yes	Yes
22	Basis for loss includes owner's share of company debt	N/A	N/A	Maybe	Yes	Yes
23	Can increase basis by 'step-up' election	N/A	N/A	No	Yes	Yes
24	Can specially allocate items of income & expense	N/A	No	No	Yes	Yes
25	Can deduct interest on money borrowed to invest as business interest	Yes	No	Yes	Yes	Yes
26	Can use cash basis even if sales > \$5,000,000	Yes	No	Yes	Yes	Yes
27	Inexpensive to form & maintain	Yes	No	No	No	Maybe
28	Able to deduct expenses paid personally in computing AGI	Yes	No	No	Yes	Yes
29	Able to borrow money from pension plan	No	Yes with limitations	No	No	No
30	Qualifies for ordinary loss under IRS Section 1244	No	Yes	Yes	No	No
31	May offset active income with passive losses	No	Yes	No	No	No
32	Can easily distribute back the owners investment	Yes	No	Yes	Yes	Yes
33	Existence of reliable case law	Yes	Yes	Yes	Yes	No

Note: A 'yes' answer suggests a favorable response. A 'no' answer suggests an unfavorable response.