

Sole Proprietorship vs. LCC vs. S Corp vs. C Corp

	Sole Proprietorship	Limited Liability Company (LLC)	S Corp	C Corp
Formation Requirements, Costs	None	Must file with state, state specific filling fee required.	Must file with state, state specific filling fee required.	Must file with state, state specific filling fee required.
Personal Liability	Unlimited liability.	Members are not typically held liable.	Shareholders are not typically held liable.	Shareholders are not typically held liable.
Administrative Requirements	Relatively few requirements.	Relatively few requirements.	Election of board of directors/officers, annual meetings, and annual report filling requirements.	Election of board of directors/officers, annual meetings, and annual report filling requirements.
Management	Full control.	Members can set up structure as they choose.	Shareholders elect directors who manage business activities.	Shareholders elect directors who manage business activities.
Term	Terminated when proprietor ceases doing business or upon death.	Perpetual, unless state requires fixed amount of time.	Perpetual: can extend past death or withdrawal of shareholders.	Perpetual: can extend past death or withdrawal of shareholders.
Taxation	Entity not taxable. Sole proprietor pays taxes.	No tax at the entity level. Income passed through to members.	No tax at the entity level. Income passed through to the shareholders.	Taxed at corporate rate and possible double taxation; Dividends are taxed at the individual level if distributed to shareholders.
Double Taxation	No	No	No	Yes, taxed at corporate level and then again if distributed to shareholders in the form of dividends.
Self Employment Tax	Subject to self employment tax.	Salary subject to self employment tax.	Salary subject to self employment tax. But shareholder distributions are not subject to employment tax.	Salary subject to self employment tax.
Pass Through Tax Treatment	Yes	Yes	Yes	No
Tax Forms	1040	1 member: sole proprietor IRS Form 1040 - Schedule C Partnership: IRS Form 1065 Members get K-1.	IRS Form 1120S Shareholders get K-1 for personal tax returns.	IRS Form 1120
Transferability of Interest	No	Possibly, depending on subject to operating agreement.	Yes, but must observe IRS regulations on who can own stock.	Shares of stock are easily transferred.
Capital Raising	Individual provides capital.	May sell interests, but subject to operating agreement (Securities laws may also apply).	Shares of stock are sold to raise capital. Limitations prevent S corp stock ownership by corporations.	Shares of stock are sold to raise capital (Securities laws apply).
Ease of Operation	Easiest	Easy, some states may require more than others.	Must have annual meetings, Board of Directors meetings, corporate minutes, and stockholder meetings.	Must have annual meetings, Board of Directors meetings, corporate minutes, and stockholder meetings.