



Small Business Entity Organization Comparison

	S-Elected C-Corp: (S-Corp)	Limited Liability Company (LLC)	S-Elected LLC: (S-LLC)
Management:	Stakeholders	Members	Members
Legal Protection:	Equal; If compliant with corporate regulations and maintain separation between personal and business accounts	Equal; Provided there is separation between personal and business accounts	Equal; Provided there is separation between personal and business accounts
Documentation:	Bylaws	Operating Agreement	Operating Agreement
Pros:	Pass-through entity	Pass-through entity	Pass-through entity
	No self-employment tax on net income	Easy to operate	Easy to operate
	Owners choose a reasonable salary to be taxed	Members can freely draw money from company	No self-employment tax on net income
Cons:	Shareholders can only be individuals	Members can be individuals or entities	Members can freely draw money from company
	Must hold annual shareholder and board of director meetings w/minutes	No corporate regulations/records	Owners choose a reasonable salary to be taxed
	Must hold annual election for officers w/minutes	Self-employment tax (15.3%) on all net income	No corporate regulations/records
	Must issue stock to shareholders		Members can be individuals or entities
	Must maintain corporate resolutions for financial transactions including the creation of bank accounts, opening credit cards or transferring money to shareholders		Potential confusion regarding status (LLC or S-Corp) with different agencies
	Legal protection can be jeopardized if not		

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100% compliant with
corporate regulations

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