

BUSINESS ENTITY COMPARISON CHART

	“C” Corporation	“S” Corporation	LLC	General Partnership	Limited Liability Partnership	Sole Proprietor
Registration w/State	<ul style="list-style-type: none"> • Must file w/State of Illinois • Articles of Incorporation • Illinois Business Corporation Act of 1983 - 805 ILCS 5/1.01 et. seq. 	<ul style="list-style-type: none"> • Must file w/State of Illinois • Articles of Incorporation • IRS Form 2553 	<ul style="list-style-type: none"> • Must file w/State of Illinois • Articles of Organization • Limited Liability Act 805 ILCS 180/1.1 et. seq. 	<ul style="list-style-type: none"> • No requirement to file with State • Uniform Partnership Act 805 ILCS 206/100 et. seq. 	<ul style="list-style-type: none"> • Must file w/State of Illinois • Certificate of Limited Partnership • Uniform Limited Partnership Act 805 ILCS 215/0.01 et. seq. 	<ul style="list-style-type: none"> • No registration
Ownership	<ul style="list-style-type: none"> • Shareholders 	<ul style="list-style-type: none"> • Shareholders 	<ul style="list-style-type: none"> • Members 	<ul style="list-style-type: none"> • General partners 	<ul style="list-style-type: none"> • General and limited partners 	<ul style="list-style-type: none"> • Sole proprietor
Management	<ul style="list-style-type: none"> • Board of Directors 	<ul style="list-style-type: none"> • Board of Directors 	<ul style="list-style-type: none"> • Members or Managers (depending on Operating Agreement and Articles of Organization) 	<ul style="list-style-type: none"> • General partners 	<ul style="list-style-type: none"> • General partners 	<ul style="list-style-type: none"> • Sole proprietor
Number of Owners	<ul style="list-style-type: none"> • At least 1 	<ul style="list-style-type: none"> • At least 1, no more than 100 • Shareholders can only be individuals, certain trusts or estates • Shareholders may not be partnerships, corporations or non-resident aliens 	<ul style="list-style-type: none"> • At least 1 member 	<ul style="list-style-type: none"> • At least 2 general partners 	<ul style="list-style-type: none"> • At least 1 general partner and 1 limited partner 	<ul style="list-style-type: none"> • Only one person

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Personal Liability	<ul style="list-style-type: none"> Limited liability Max liability (excluding other scenarios) limited to your investment (capital contribution) 	<ul style="list-style-type: none"> Limited liability Max liability (excluding other scenarios) limited to your investment (capital contribution) 	<ul style="list-style-type: none"> Limited liability Limited to investment (capital contribution) 	<ul style="list-style-type: none"> Unlimited personal liability 	<ul style="list-style-type: none"> General partner unlimited personal liability Limited partner liability limited to investment (capital contribution) 	<ul style="list-style-type: none"> Unlimited personal liability
Life of Business	<ul style="list-style-type: none"> Continuous 	<ul style="list-style-type: none"> Continuous 	<ul style="list-style-type: none"> Depends on Articles of Organization 	<ul style="list-style-type: none"> Depends on agreement, cessation of business, death of partners 	<ul style="list-style-type: none"> Depends on agreement, cessation of business, death of partners 	<ul style="list-style-type: none"> Death of sole proprietor
Taxation of Income	<ul style="list-style-type: none"> 100% to Corporation Double taxation (to corporation and then by shareholders when its distributed) 	<ul style="list-style-type: none"> Pass through to shareholders 	<ul style="list-style-type: none"> Pass through to shareholders 	<ul style="list-style-type: none"> Pass through to partners unless partners elect corporate tax treatment 	<ul style="list-style-type: none"> Pass through to partners unless partners elect corporate tax treatment 	<ul style="list-style-type: none"> Taxes as individual income
Deductibility of Losses	<ul style="list-style-type: none"> Corporate deduction Shareholders not allowed to deduct 	<ul style="list-style-type: none"> Pass through to shareholders Limits based on basis (shareholder’s investment) 	<ul style="list-style-type: none"> Depends on tax status 	<ul style="list-style-type: none"> Pass through to partners (limited to basis) 	<ul style="list-style-type: none"> Pass through to partners (limited to basis) 	<ul style="list-style-type: none"> Same rules as individual

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Advantages	<ul style="list-style-type: none"> • Limited liability • Life span of corporation • Centralized management • Transferability • Tax favored employee benefit plans 	<ul style="list-style-type: none"> • Avoidance of double taxation • Limited liability • Life span of corporation • Centralized management 	<ul style="list-style-type: none"> • Limited liability • Avoidance of double taxation • Centralized management • Unlimited number of members • May own other companies • Favorable tax planning 	<ul style="list-style-type: none"> • Ease of formation • Avoidance of double taxation • Lack of formalities 	<ul style="list-style-type: none"> • Avoidance of double taxation • Limited liability for limited partners • Unlimited number of general partners 	<ul style="list-style-type: none"> • Avoidance of double taxation • Lack of formation costs • Ease of formation • Complete autonomous management
Disadvantages	<ul style="list-style-type: none"> • Double taxation • Corporate formalities • Costs of formation • Annual filing fees 	<ul style="list-style-type: none"> • Corporate formalities • Costs of Formation • Restrictions on shareholders • Annual filing fees 	<ul style="list-style-type: none"> • Formalities of registration • Costs of formation • Annual filing fees 	<ul style="list-style-type: none"> • Unlimited liability • Relative difficulty in transfer of partnership • Lack of continuity in ownership after death 	<ul style="list-style-type: none"> • Restrictions on partners • Relative difficulty in transfer of partnership • Lack of continuity in ownership after death • Unlimited liability of general partner 	<ul style="list-style-type: none"> • Unlimited liability • Taxation issues

This chart is illustrative only and contains no legal advice. The choice of a business entity and its formation is a complex decision and should be based off of legal advice after consulting with an attorney.