



CHANDLER & KNOWLES  
CPAs, PLLC

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## Choice of Entity - Tax Implications

|                                                                          | Sole Proprietorship                        | Disregarded LLC                            | "S" Corporation                            | Limited Liability Company                  | "C" Corp      |
|--------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------|---------------|
| Filed on IRS Form:                                                       | Schedule C                                 | Sch C, E, F                                | 1120S                                      | 1065<br>"Partnership"                      | 1120          |
| Net Earnings Example:                                                    | \$100,000                                  | \$100,000                                  | \$100,000<br>\$30k / \$xxk                 | \$100,000<br>\$30k<br>Guaranteed Pmt       | \$100,000     |
| SEE PAGE 2 FOR MORE                                                      |                                            |                                            |                                            |                                            |               |
| FICA TAX (15.3%)                                                         | \$15,300                                   | \$15,300                                   | \$4,590                                    | <b>\$4,590</b>                             | \$15,300      |
| Federal Income Tax                                                       | Net Earnings @ Personal<br>Income Tax Rate | Net Earnings @ Personal<br>Income Tax Rate | Net Earnings @ Personal<br>Income Tax Rate | Net Earnings @ Personal<br>Income Tax Rate | <b>DOUBLE</b> |
| Franchise Tax<br>Assessed Once Gross<br>Receipts Exceed \$1 plus Million | No                                         | Yes                                        | Yes                                        | Yes                                        | Yes           |
| Home office Deduction                                                    | Yes                                        | Yes                                        | No                                         | Yes                                        | No            |
| Legal Protection Provided<br>by Entity Structure **                      | None **                                    | <b>Better **</b>                           | Good **                                    | <b>Better **</b>                           | Good **       |
| CHARGING ORDER AVAIL                                                     |                                            | Yes                                        | No                                         | Yes                                        | No            |
| Flexibility re: Capital Distributions                                    | N/A                                        | Yes                                        | Little                                     | Yes                                        | N/A           |
| Basis created by debt of<br>non-owner                                    | N/A                                        | Yes                                        | No                                         | Yes                                        | N/A           |
| Annual Board meetins and<br>minutes required                             | N/A                                        | No                                         | Yes                                        | No                                         | Yes           |
| Comingling of Funds                                                      | Allowed                                    | Not Allowed                                | Not Allowed                                | Not Allowed                                | Not Allowed   |
| Affect on Social Security Benefits                                       | Not Affected                               | Not Affected                               | Less                                       | Less                                       | Depends       |
| 1040es payments (Qtly) Required?                                         | Yes                                        | Yes                                        | Yes                                        | Yes                                        | Yes           |

\*\*This analysis is provided to represent the tax implications regarding entity type and is intended to provide general information. While Chandler & Knowles CPAs, PLLC, always makes every effort to offer accurate information, errors may very well occur due to the nature of the subject matter and our interpretation of any laws and regulations involved. We provide this information "as is." The information presented should not be construed as legal, tax or accounting advice. You should consult with our office or other professional advisors familiar with your situation for advice concerning specific tax or other matters before making any decision.

|                    | Sole Proprietorship | "S" Corporation | Limited Liability Company | Limited Liability Partnership | "C" Corp |
|--------------------|---------------------|-----------------|---------------------------|-------------------------------|----------|
| Filed on IRS Form: | Schedule C          | 1120S           | 1065                      | 1065                          | 1120     |

|                       |          |                           |          |                           |          |
|-----------------------|----------|---------------------------|----------|---------------------------|----------|
| Net Earnings Example: | \$20,000 | \$20,000<br>\$20k / \$xxk | \$20,000 | \$20,000<br>\$20k / \$xxk | \$20,000 |
| FICA TAX (15.3%)      | \$3,060  | \$3,060                   | \$0      | \$3,060                   | \$3,060  |

|                       |          |                           |          |                           |          |
|-----------------------|----------|---------------------------|----------|---------------------------|----------|
| Net Earnings Example: | \$50,000 | \$50,000<br>\$30k / \$xxk | \$50,000 | \$50,000<br>\$30k / \$xxk | \$50,000 |
| FICA TAX (15.3%)      | \$7,650  | \$4,590                   | \$0      | \$4,590                   | \$7,650  |

|                       |          |                           |          |                           |          |
|-----------------------|----------|---------------------------|----------|---------------------------|----------|
| Net Earnings Example: | \$75,000 | \$75,000<br>\$30k / \$xxk | \$75,000 | \$75,000<br>\$30k / \$xxk | \$75,000 |
| FICA TAX (15.3%)      | \$11,475 | \$4,590                   | \$0      | \$4,590                   | \$11,475 |

|                       |           |                            |           |                            |           |
|-----------------------|-----------|----------------------------|-----------|----------------------------|-----------|
| Net Earnings Example: | \$200,000 | \$200,000<br>\$30k / \$xxk | \$200,000 | \$200,000<br>\$30k / \$xxk | \$200,000 |
| FICA TAX (15.3%)      | \$23,931  | \$4,590                    | \$0       | \$4,590                    | \$23,931  |