

## Choice Of Tax Entity

### ***This Is A Simplification!***

The concepts provided here are informational. The information provided on this page is as simplification and not intended to replace professional advice.

Contact Dave Kaufmann at 720-493-4804 if you have any questions.

### ***Legal Forms Of Business & Possible Tax Treatment***

The tax treatment that will happen if no action is taken is listed first.

LEGAL FORM OF BUSINESS	TAX TREATMENTS
Sole Proprietorship	<i>Sole Proprietorship/Schedule C/Form 1040</i> S-Corporation C-Corporation
Partnership	<i>Partnership</i> S-Corporation C-Corporation
LLC – Single Member	<i>Disregarded Entity</i> S-Corporation C-Corporation
LLC – Multiple Member	<i>Partnership</i> S-Corporation C-Corporation
Corporation	<i>C-Corporation</i> S-Corporation Partnership

### ***Advantages & Disadvantages***

Tax Treatment	Advantages	Disadvantages
Sole Proprietorship	Simple. Lower total tax preparation fees. Easier bookkeeping	Easy to forget to pay taxes. Higher risk of IRS audit. High SE (Self Employment) Taxes.
Partnership	Ideal for some industries. Flexibility in distributing income and deductions.	Easy to forget to pay taxes. SE Tax issues. K-1 complicates owner's taxes.
S-Corporation	Possible SE tax savings Wages force payment of employee taxes.	Some technical restrictions. K-1 complicates owner's taxes. Wages creates more paperwork.
C-Corporation	Wages force payment of employee taxes. Better availability of some fringe benefits. Dividends only taxed at 15%. Low corporate tax rate on first \$50,000 of income.	Double taxation when business sells. Double taxation of dividends. Wages creates more paperwork.

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