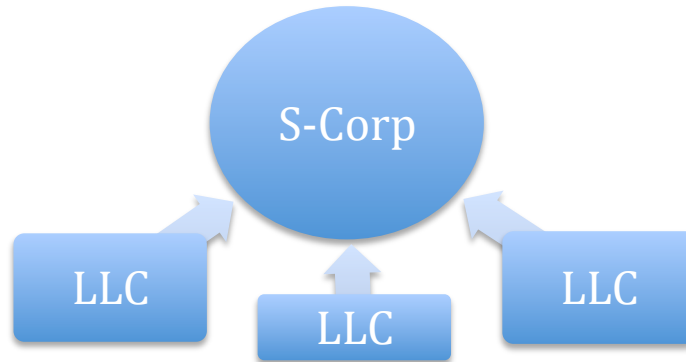


# Entities Overview

BENEFITS  
Tax-Favored  
Limited Liability



## FORMALITIES

**Both Corporation and LLC:** No Co-Mingling of Funds; Public Facing (Inc., LLC, etc.)  
**Corporation Only:** Annual Shareholder Meeting, Annual Report, Minutes on File, Quarterly Tax Withholding

## TAX SAVINGS

Two Methods: Deductions for expenditures & FICA reductions

- All business entities/structures get deductions for business expenses and capital outlays.
- FICA reductions are sure for S-Corp and Limited Partnership tax formats.
- LLCs can choose to be taxed as Sole Proprietorships, Partnerships (General), Limited Partnerships, or as S-Corps.
- FICA elimination accompanies the income from the business that can be taken as "unearned income."

## TAKING COMPENSATION

- Salary/Wage (full FICA exposure): Must be at a defensible level – not too low. (E.g.: 50-50 between salary/wage and unearned income-type compensation.)
- Limited Partner Distributions (LLCs) & Shareholder Dividends (S-Corps) avoid FICA taxes completely because of their "unearned income" status. Income tax still applies.
- Loans from the company: Bona fide loans, complete with actual repayment, market interest, and a "Note" memorializing the transaction (must be treated as an "arm's-length" deal); This is NOT actually compensation and therefore is not taxable.