Business Entity Comparison Chart (WA)

Maintained

This Business Entity Comparison Chart (WA) summarizes key organizational, structural, and liability differences between C Corporations, S Corporations, Limited Liability Companies (LLCs), Limited Partnerships (LPs), General Partnerships (GPs), and Limited Liability Partnerships (LLPs) in Washington, as well as the benefits and disadvantages of each entity type.

For more information on Washington's business entities generally, see:

- *Formation and Qualification (WA Corporation)*
- *Formation and Qualification (WA LLC)*
- *Formation and Dissolution (WA LP)*
- *Formation and Dissolution (WA General Partnership)*
- *Formation and Qualification (WA LLC)*

See also the Washington Business Licensing Service's *Types of Business Structures chart* and the *Fee Schedule* from the Washington Secretary of State's website.

Features	**C Corporation**	**S Corporation**	**Limited Liability Company**	**Limited Partnership**	**General Partnership**	**Limited Liability Partnership**
Limited Liability (liability limited to the amount of investment)	Yes (No personal liability of shareholders except for taxes)	Yes (No personal liability of shareholders except for taxes)	Yes (Liability of members limited to their financial investments and taxes)	Yes, for limited partner No, for general partner	No (Partners have unlimited liability)	Yes (Partners are not responsible for the debts of LLP)
Federal Tax Considerations	No "pass through" tax treatment—entity must file *Form 1120* with IRS ("Double tax" on shareholder distributions taxable to the shareholder; taxed at the entity level at corporate tax rates and individual tax rates of shareholders)	Pass through tax treatment upon election by each shareholder as S Corporation by filing of *Form 2553* with IRS (Income is taxable to the shareholders at their personal income tax rate)	Pass through tax treatment—entity generally files *Form 1065* with IRS as partnership. (May be taxed as partnership, corporation, or may be disregarded depending on election made.)	Pass through tax treatment—entity generally files *Form 1065* with IRS as a partnership but may elect to be taxed as a corporation.	Pass through tax treatment—entity generally files *Form 1065* with IRS as a partnership but may elect to be taxed as a corporation.	Pass through tax treatment—entity generally files *Form 1065* with IRS as a partnership but may elect to be taxed as a corporation.
Washington Tax	Subject to business and	Subject to business and	Subject to business and	Subject to business and	Subject to business and	Subject to business and

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Considerations	occupation tax based on gross receipts	occupation tax based on gross receipts	occupation tax based on gross receipts	occupation tax based on gross receipts	occupation tax based on gross receipts	occupation tax based on gross receipts
Formation-related Fees	$180 state filing fee	$180 state filing fee	$180 state filing fee	$180 state filing fee	No filing with the Washington Secretary of State	$180 state filing fee
Ownership Instrument	Shares of stock	Shares of stock	Transferable interest	Transferable interest	Transferable interest	Transferable interest (as per underlying partnership structure)
Management	Directors (delegate to officers)	Directors (delegate to officers)	Managers or members as specified in the limited liability company agreement	General partner(s)	All partners	Partners, as per underlying LLP agreement
Management Document	Bylaws	Bylaws	LLC Agreement	Partnership Agreement	Partnership Agreement	Partnership Agreement
Duration of Existence	Perpetual, unless otherwise provided in the articles of incorporation	Perpetual, unless otherwise provided in the articles of incorporation	Perpetual, unless a dissolution date is specified in the certificate of formation, or the LLC agreement specifies an event upon which dissolution will occur	Perpetual, unless partnership agreement specifies that the partnership should dissolve upon the occurrence of an event	Perpetual unless the partnership agreement specifies a definite term or dissolution upon completion of a particular undertaking or the occurrence of an event	Perpetual unless limited in partnership agreement
Annual Meetings	Required	Required	Not required	Not required	Not required	Not required
Charging Order Protection*	No	No	Yes	Yes	Yes	Yes
Series of Stock	Yes	No	No	No	No	No
Strengths	Longer history and larger body of case law therefore less uncertainty when making decisions Limited liability Eligible for dividends received deduction (a federal tax deduction on the dividends it receives from another corporation)	Favorable tax treatment Limited liability	Flexible ownership and management (member managed, or manager managed) Few organizational formalities required Limited liability	Simpler management structure than general partnership Tax benefits Limited liability (for limited Partners) Business decisions may be easier than general partnership (no need to consult with limited partners for most	Easy and inexpensive to establish and maintain Tax benefits	Limited liability for general partners (only liable to extent of capital invested) Few organizational formalities required

				decisions) Limited partners share in profits/losses without having to be heavily involved in management		
Weaknesses	Higher taxes Must maintain full corporate formalities	Must maintain full corporate formalities Not eligible for dividends received deduction that a C corporation is eligible for Various limits and restrictions: - Maximum of 100 shareholders - All shareholders must be US citizens or permanent residents - Cannot derive more than 25% of income from passive activities and - Can only have one class of shares	Relatively new entity, therefore more uncertainty (little case law available) May have a more difficult time raising capital	More periodic filing requirements than sole proprietorships or general partnerships Unlimited liability for general partners (unless they organize as LLCs) Limited partners generally have fewer rights to participate in business than general partners	Partners are jointly and individually liable for the actions of other partners and the partnership itself The partnership may have a limited life; ending upon the withdrawal or death of a partner	Less flexibility than corporations in admitting new stakeholders or transferring ownership interests LLP is more complicated and expensive to form and operate than a general partnership

* Note about "Charging Order Protection": A “Yes” (or "Charging order protected" entity) means that creditors of owners of these entities cannot seize the ownership interests of such owners but may merely get a charging order against the distributions allocable to such interests. Washington has one of the strongest protections as it provides that charging orders are the exclusive remedy for creditors wishing to attach a debtor's interest.

Current as of: ***08/31/2024***