

## Choice of Entity (Cheat Sheet)

	C-corporation	S-corporation	LLC
<b>Livelihood business</b> (goal is current income for owners working in business)	<b>No</b> (double tax)	<b>Yes</b> (if client can follow formalities; conversion to LLC hard)	<b>Yes</b> (but partnership economic rights/tax sometimes complicated)
<b>High-growth startup:</b> (goal is to raise capital and make \$ for founders, angels and VC through IPO)	<b>Yes</b> (VC and IPO eligibility key; angel investors like BOD structure and transferable interests)	<b>No</b> (common stock only and SH restrictions difficult for outside investors)	<b>Infrequently</b> (VC investors don't like for complicated tax reasons)
<b>Real estate projects:</b> (goal is returns to outside investors, but not through IPO)	<b>No</b> (double tax)	<b>No</b> (common stock only and SH restrictions difficult for outside investors)	<b>Yes</b> (but OA should permit some transfers)
<b>Joint venture</b> (two established entities collaborate for current income or to raise venture capital)	<b>Yes</b> (if goal is to raise VC for joint business)	<b>No</b> (entities can't own S-corp stock)	<b>Yes</b> (if goal is income now or if willing to convert to C-corp later for VC)

	C-corp	S-corp	LLC	Partnership
<b>Liability</b>	Limited	Limited	Limited + charging order	<b><u>Not limited</u></b>
<b>Complicated Allocations?</b>	<b>Yes</b> (preferred stock allowed)	<b>No</b> (common stock only) and entities can't own stock	<b>Yes</b> (OA allocates profits & losses)	<b>Yes</b> (agmt allocates profits and losses)
<b>Easy conversion?</b>	<b>Sticky</b>	<b>Sticky</b> (but to C-corp okay)	<b>Yes</b>	<b>Yes</b>
<b>Tax</b>	Double tax	Single tax	Single tax	Single tax
<b>VC &amp; IPO?</b>	<b>Yes</b>	<b>No</b> (b/c SH limitations)	<b>No</b> (IPO & VC rare)	<b>No</b>
<b>Formalities:</b>	Important	Important	Less important?	Not important
<b>Separate ownership/control?</b>	<b>Yes</b>	<b>Yes</b>	<b>Somewhat</b>	<b>No</b>
<b>Transferability</b>	<b>Easy</b>	<b>Somewhat</b> (SH limitations)	<b>Somewhat</b> (economic only)	<b>Somewhat</b> (economic only)