

Comparison of Business Entities

Courtesy of Heather R. Chambers, CPA, Inc. (562) 424-4301 www.heatherchamberscpa.com

	Sole Proprietorship	LLC	S-Corporation	C-Corporation
Liability Protection	No protection	Limited	Most	Most
Taxation	Income + Self Employment tax on net	Flexible - sole proprietorship, partnership, or corporation	Passed through to shareholder(s)	Corporate tax on income + tax on SH dividends
Self-Employment Tax	14.14% of net	14.14% of net if required	N/A	N/A
Amount of Paperwork	Least	Medium	Most	Most
Separate Bank Accounts?	Recommended	Required	Required	Required
Payroll Required?	Only if there are employees	Only if there are employees	Required for shareholder	Recommended
Costs to Consider	Note: All costs are tax-deductible			
One-time Formation Fees				
Legal (online services – an attorney would be more)	N/A	\$99-149 \$299-359	\$99-149 \$299-699	\$99-149 \$299-699
State Filing Fees	N/A	\$100	\$135	\$135
Fictitious Business Name	If required, \$26 + cost of publication. Renew every 5 years.			
Ongoing Fees				
State Franchise Tax (min.)	N/A	\$800/yr	\$800/yr	\$800/yr
Secretary of State Statement of Information	N/A	\$20 every 2 yr	\$25/yr	\$25/yr
Tax Prep Fees (approx.)	\$160-500/yr	\$260-500/yr	\$500-800/yr	\$500-1200/yr
Payroll Taxes (max.)	Approximately 13.25% of gross wages and salaries			
Payroll Preparation (min.)	For 1 employee: approximately \$50 per payroll run			
Workers' Comp Insurance	Varies – applies to non-officers, unrelated employees & contractors			