

## TABLE COMPARING DIFFERING FORMS OF BUSINESS

ITEM	SOLE PROPRIETORSHIP	GENERAL PARTNERSHIP	REGISTERED LIMITED LIABILITY PARTNERSHIP	LIMITED PARTNERSHIP	LIMITED LIABILITY COMPANY	C CORPORATION	S CORPORATION
Filing, Registrations & Recordings	Assumed Name Certificate. Filing and Payment of Fees	Assumed Name Certificate. Filing and Payment of Fees	Annual Registration and Payment of Fee. Must Be Maintained or Lose Status	Certificated of Limited Partnership Required	Articles of Organization Payment of Filing Fee and Annual Report Required	Articles of Incorporation with Filing Fee and Annual Report	Articles of Incorporation with Filing Fee and Annual Report
<b>Management</b>							
- Participation	Yes	Yes	Yes	Yes by GP No by LPs with some exception	Yes by Managers or Members varies by Articles & agreement	Generally No	Generally No
- Authority to Bind	Yes	Yes	Yes	Yes by GP No by LPs	Yes by Managers or Members varies by Articles & agreement	Generally No	Generally No

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# TUGGLE DUGGINS

ATTORNEYS AT LAW

ITEM	SOLE PROPRIETORSHIP	GENERAL PARTNERSHIP	REGISTERED LIMITED LIABILITY PARTNERSHIP	LIMITED PARTNERSHIP	LIMITED LIABILITY COMPANY	C CORPORATION	S CORPORATION
- Voting Power	Yes	Yes	Yes	Yes by GP No by LPs with some exception	Yes by Managers or Members varies by Articles & agreement	Generally No	Generally No
- Participation in Management	Yes	Yes	Yes	Yes by GP No by LPs with some exception	Yes by Managers or Members varies by Articles & agreement	Generally No	Generally No
- For Limited Liability	Yes	Yes	Yes With some limits	GP – yes LP – no	All Members have limited liability protection unless otherwise provided	All Shareholders have limited liability protection unless otherwise provided	All Shareholders have limited liability protection unless otherwise provided
<b>Nature &amp; Transferability of Ownership Interest</b>							

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Types of Owners	N/A	Any	Any	Any	Any	US citizen & residents, certain trusts, No corp (except S corp) or partnership	US citizen & residents, certain trusts, No corp (except S corp) or partnership
Number of Owners	One	At Least Two	At Least Two	At Least Two	Single Member Permitted	One or More Shareholders	One or More Shareholders
Multiple Classes of Owners	N/A	Yes	Yes	Yes	Yes	Yes	Yes – but Voting Rights Only
Transferability	Freely Transferable	Economic Interest is Transferable Unless Restricted by Partnership Agreement, But Status is Not Transferable w/o Consent	Economic Interest is Transferable Unless Restricted by Partnership Agreement, But Status is Not Transferable w/o Consent	Economic Interest is Transferable Unless Restricted by Partnership Agreement, But Status is Not Transferable w/o Consent	Permitted Subject to Operating Agreement	Permitted, Subject to Shareholder's Agreement	Permitted, Subject to Shareholder's Agreement and Ability to Retain S Status Due to Type of Owner
Restriction on Ownership of a Subsidiary	None	None	None	None	None	None	None
<b>Period of Duration</b>	No Set Term	No Set Term	No Set Term	Must Have Set Term	Allows Perpetual	Perpetual	Perpetual

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<b>Merger &amp; Conversion</b>	N/A	Yes	Yes	Yes	Yes	Yes	Yes
<b>Business &amp; Assets</b>							
Type of Business that may be conducted	No Limit	No Limit	No Limit	No Limit	No Limit	No Limit	No Limit
Assets that can be owned							
<b>Taxation</b>							
<b>Organizational Tax Issue</b>							
Classification for Tax Purposes	Sole Proprietorship	Partnership	Partnership	Partnership	May be Partnership or Corporation	Corporation	Corporation
Tax on Owners on Receipt of an Interest – Contribution of Property	N/A	Generally Non-taxable Unless a Disguised Sale or Results in a Relief of Debt in Excess of Basis	Generally Non-taxable Unless a Disguised Sale or Results in a Relief of Debt in Excess of Basis	Generally Non-taxable Unless a Disguised Sale or Results in a Relief of Debt in Excess of Basis	Generally Non-taxable Unless a Disguised Sale or Results in a Relief of Debt in Excess of Basis	Generally, Non-taxable if 80% Control Test Satisfied Unless Results in a Relief of Debt in Excess of Basis	Generally, Non-taxable if 80% Control Test Satisfied Unless Results in a Relief of Debt in Excess of Basis
Tax on Owners on Receipt of an	N/A	Generally Taxable Unless Certain	Generally Taxable Unless Certain	Generally Taxable Unless Certain	Generally Taxable Unless	Generally Taxable	Generally Taxable

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Interest – Contribution of Services		Requirements Are Meet	Requirements Are Meet	Requirements Are Meet	Certain Requirements Are Meet		
Tax on Entity on Contribution of Property for an Interest	Nontaxable	Nontaxable unless disguised sale, violate partnership investment rules or relieved partners of debt	Nontaxable unless disguised sale, violate partnership investment rules or relieved partners of debt	Nontaxable unless disguised sale, violate partnership investment rules or relieved partners of debt	Nontaxable unless disguised sale, violate partnership investment rules or relieved partners of debt	Taxable unless transferors meet 80% control test of IRC 351; if so, nontaxability unless results in debt relief	Taxable unless transferors meet 80% control test of IRC 351; if so, nontaxability unless results in debt relief
Tax Year	Calendar	Generally Tax Year of Principal Partners	Generally Tax Year of Principal Partners	Generally Tax Year of Principal Partners	Generally Tax Year of Principal Members	Generally Accounting Year	Generally Calendar Year
Method of Accounting	Cash but can use accrual	Accrual Method required if a tax shelter or a C corporation partner unless qualified personal service corporation or has gross receipts of no ore than \$5	Accrual Method required if a tax shelter or a C corporation partner unless qualified personal service corporation or has gross receipts of no ore than \$5	Accrual Method required if a tax shelter or a C corporation member unless qualified personal service corporation or has gross receipts of no ore than \$5	Accrual Method required if a tax shelter or a C corporation member unless qualified personal service corporation or has gross receipts of no	Accrual Method is Required unless qualified personal service corporation or has gross receipts of no ore than \$5 million	Cash or Accrual Method permitted. Accrual Method is required if a tax shelter. S election by cash method taxpayer will trigger gain on A/Rs

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		million	million	million	more than \$5 million		
Representative for Tax Purposes	Taxpayer Individually	Tax Matters Partner	Tax Matters Partner	Tax Matters Partner	Tax Matters Partner	No	No
Filings with IRS	None	SS-4, Partnership Return	SS-4, Partnership Return	SS-4, Partnership Return	SS-4, Schedule C, Partnership Return Or Corporate Return	SS-4, Corporate Return	SS-4, Corporate Return
<b>Operational Tax Issues</b>							
Taxation of Organization	Schedule C	Partnership	Partnership	Partnership	Schedule C, Partnership Or Corporation	C Corporation	S Corporation
Tax Rates	Individual	Individual	Individual	Individual	Individual or corporate	Corporate	Individual or corporate
Owner's Ability to Use Losses	N/A	Subject to Basis, At-Risk and Passive Loss Rules	Subject to Basis, At-Risk and Passive Loss Rules	Subject to Basis, At-Risk and Passive Loss Rules	Subject to Basis, At-Risk and Passive Loss Rules	N/A	Subject to Basis, At-Risk and Passive Loss Rules
Character and	Generally Capital ,	Generally Capital	Generally Capital	Generally Capital	Generally	At Ordinary Income	Generally Capital

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Timing of Gain or Loss	Subject to some Recapture at Ordinary Rates	Subject to some Recapture at Ordinary Rates	Subject to some Recapture at Ordinary Rates	Subject to some Recapture at Ordinary Rates	Capital Subject to some Recapture at Ordinary Rates	Rates	
Passive Activity Loss Limits	Yes	Yes	Yes	Yes	Yes	No	Yes
Effect of Liabilities on Owner's Basis	Liabilities Assumed Increase Basis	Liabilities Assumed Individually Increase Basis; Assumed by the Partnership Decreases Basis	Liabilities Assumed Individually Increase Basis; Assumed by the Partnership Decreases Basis	Liabilities Assumed Individually Increase Basis; Assumed by the Partnership Decreases Basis	Liabilities Assumed Individually Increase Basis; Assumed by the LLC Decreases Basis	Liabilities Assumed Individually Has no Impact on Basis; Assumed by the Corporation Decreases Basis	Liabilities Assumed Individually Has no Impact on Basis Unless Shareholder is a Creditor; Assumed by the Corporation Decreases Basis
Special Allocation of Income and Loss	N/A	Yes	Yes	Yes	Yes	No	N/A
Taxation of Cash on Distribution	N/A	Nontaxable to extent of basis in partnership interest	Nontaxable to extent of basis in partnership interest	Nontaxable to extent of basis in partnership interest	Nontaxable to extent of basis in LLC interest	Yes – taxable as dividends	Generally nontaxable at corporate level – may be taxed to shareholder
Effect of Distribution of Appreciated	N/A	Nontaxable to extent of basis in partnership	Nontaxable to extent of basis in partnership	Nontaxable to extent of basis in partnership	Nontaxable to extent of basis in LLC interest	Taxable to both corporation & shareholder	Generally nontaxable at corporate level – may be taxed to

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Property		interest	interest	interest			shareholder
Tax on Liquidation	N/A	Nontaxable to extent of basis in partnership interest	Nontaxable to extent of basis in partnership interest	Nontaxable to extent of basis in partnership interest	Nontaxable to extent of basis in LLC interest	Taxable to both corporation & shareholder	Generally nontaxable at corporate level – may be taxed to shareholder
Taxation of Payment of Owners Health Insurance	100% Deductible, and Excluded from Income	100% Deductible, Excluded from Partner's Income, 2%+ Partner can Deduct 100%	100% Deductible, Excluded from Partner's Income, 2%+ Partner can Deduct 100%	100% Deductible, Excluded from Partner's Income, 2%+ Partner can Deduct 100%	100% Deductible, Excluded from Member's Income, 2%+ Member can Deduct 100%	100% Deductible, Excluded from Shareholder's Income	100% Deductible, Excluded from Shareholder's Income, 2%+ Shareholder can Deduct 100%
Treatment of Compensatory Payments to Owners	N/A	Taxable to partners, deductible by partnership	Taxable to partners, deductible by partnership	Taxable to partners, deductible by partnership	Taxable to members, deductible by LLC	Taxable to owners, deductible by corporation	Taxable to owners, deductible by corporation
Ownership Interest to Compensate Service Providers	N/A	May be taxable; could be tax free	May be taxable; could be tax free	May be taxable; could be tax free	May be taxable; could be tax free	May be taxable; may be deductible by corporation – depends on plan	May be taxable; may be deductible by corporation – depends on plan

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Self Employment Tax Apply?	Yes	Yes	Yes	Yes to GP LPs if Guaranteed Payments	Application Depends on Type of Business and the activities of the Members	No. A Shareholder will be Subject to Tax on Compensation for Services Rendered	No. A Shareholder's Distributive Share of Earnings will be subject to employment tax to the extent recharacterized as Compensation for Services Rendered
Character and Nature of Payments on Sale of Interest	Capital Gain	Generally, Capital Gain, but Subject to Ordinary Income on Unrealized Receivables and Inventory Capital Gain With Limited Exceptions	Generally, Capital Gain, but Subject to Ordinary Income on Unrealized Receivables and Inventory	Generally, Capital Gain, but Subject to Ordinary Income on Unrealized Receivables and Inventory	Generally, Capital Gain, but Subject to Ordinary Income on Unrealized Receivables and Inventory	Capital Gain	Capital Gain with Limited Exceptions
Allocation of Gain on transfer of assets to Owners	N/A	May be specially allocated	May be specially allocated	May be specially allocated	May be specially allocated	No special allocation	No special allocation

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