

The information presented is general in nature. Consult your tax advisor for more specific information.

Issues	General Partnership	Limited Partnership	C Corporation*	S Corporation	Multi-Member LLC	LLP
Legal Formalities of Formation	None.	File Certificate of L.P. with Sec. of State.	File Articles of Incorporation with Sec. of State.	File Articles of Incorporation with Sec. of State.	File Articles of Organization with Sec. of State.	File application with Sec. of State.
Liability of Owners	All partners are jointly and severally liable.	General partners are jointly and severally liable. Limited partners liable only to extent of contributions.	Shareholders liable only to extent of contributions.	Shareholders liable only to extent of contributions.	Members liable only to extent of contributions.	Not liable for professional errors and omissions of other partners or employees unless under direct supervision of partner in question. Same as general partnership for other liabilities in some states. In most states, generally no exposure to other liabilities.
Number of Owners	At least two, but no maximum.	At least one general partner and one limited partner, but no maximum.	No limits.	No more than 75.	At least two, but no maximum (almost all states permit single-member LLCs which are generally treated as sole proprietorships for federal tax purposes).	At least two, but no maximum.
Types of Owners	No limits.	No limits.	No limits.	Only individuals, estates, certain trusts, and certain tax-exempt entities may be shareholders.	No limits.	No limits.
Tax on Contributions	Generally none.	Generally none.	Generally none if control test satisfied.	Generally none if control test satisfied.	Generally none.	Generally none.

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Issues	General Partnership	Limited Partnership	C Corporation*	S Corporation	Multi-Member LLC	LLP
Basis	Carryover basis from property contributed plus basis from share of liabilities.	Carryover basis from property contributed plus basis from share of liabilities.	Carryover basis from property contributed. No basis from debt of entity.	Carryover basis from property contributed. Basis from loans to corporation. No basis from other debt of entity.	Carryover basis from property contributed plus basis from share of liabilities.	Carryover basis from property contributed plus basis from share of liabilities.
Tax on Income	Taxed directly to partners.	Taxed directly to partners.	Entity level tax. No tax to owners unless cash or property is distributed.	Taxed directly to shareholders. Some entity taxes on passive income or gains under certain circumstances.	Taxed directly to members.	Taxed directly to partners.
Tax on Distributions	None to extent of basis.	None to extent of basis.	Distributions taxable to shareholders. No deduction to corporation. Appreciation on any in-kind distributions taxable to corporation.	Generally can make distributions to extent of shareholder's basis without tax. Appreciation on any in-kind distributions is taxable at the corporate level.	None to extent of basis.	None to extent of basis.
Management	Each partner has general agency authority.	Each general partner has general agency authority. Limited partners have limited rights to participate in management.	Shareholders elect board of directors. Board of directors elects officers. Officers hold authority to act on behalf of corporation. Formalities on taking corporate action.	Shareholders elect board of directors. Board of directors elects officers. Officers hold authority to act on behalf of corporation. Formalities on taking corporate action.	If member-managed, each member has general agency authority. If manager-managed, only managers have general agency authority.	Depending on state law, each partner may or may not have general agency authority.
Ability to Transfer All Ownership Rights	Transferee cannot become partner without approval of other partners.	Transferee cannot become partner without approval of other partners.	Transferee takes all rights of transferor, including rights to participate in management.	Transferee takes all rights or transferor, including rights to participate in management.	Transferee cannot become member without approval of other members.	Transferee cannot become partner without approval of other partners.

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Continuity of Life	Legal dissolution on death, disability, etc., of general partner.	Legal dissolution on death, disability, etc., of general partner.	Perpetual existence permitted.	Perpetual existence permitted.	Legal dissolution on death, disability, etc., of a member.	Legal dissolution on death, disability, etc., of partner.
Flexibility in Tax Allocations	Substantial flexibility in permitted allocations.	Substantial flexibility in permitted allocations.	Some flexibility through use of multiple classes of stock, but not as flexible as a partnership.	Only permitted to have single class of stock. Severely restricts flexibility in allocations.	Substantial flexibility in permitted allocations.	Substantial flexibility in permitted allocations.
Tax-Advantaged Fringe Benefits for Owners	Generally not available to partners.	Generally not available to partners.	Wider range of fringe benefits available to shareholder-employees.	Generally not available to shareholder-employees.	Generally not available to members.	Generally not available to partners.

\*Including QSBC.

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