

**MOCERA, VISCONTI & COMPANY CPAs LLP**  
**TAXABLE ENTITY DESCRIPTIONS**

<u>DESCRIPTION</u>	<u>CORPORATION</u>	<u>S CORPORATION</u>	<u>GENERAL PARTNERSHIP</u>	<u>LIMITED PARTNERSHIP</u>	<u>LIMITED LIABILITY COMPANY</u>
Separate taxable entity	Yes	No	No	No	Usually a partnership which is not a separate entity.
Taxation of income	Taxed to corporation. Shareholders taxed upon distribution of dividends.	Taxed directly to shareholders at their rates. If there is built-in gain the S corporation is taxed.	Taxed directly to partners at their rates.	Taxed directly to partners at their rates.	Directly to members at their rates.
Contribution of property in exchange for ownership interests	No gain or loss recognized if the transferors are in control of the company after the exchange. Possible exception if contributed property is subject to debt or entity is an investment company.	No gain or loss recognized if transferors are in control of the company after the exchange. Possible exception if contributed property is subject to debt or entity is an investment company.	No gain or loss recognized unless the contributed property is subject to debt or entity is an investment company.	No gain or loss recognized unless the contributed property is subject to debt or entity is an investment company.	No gain or loss recognized unless the contributed property is subject to debt or entity is an investment company.
Contribution of services in exchange for ownership interest	Taxable	Taxable	Taxable. Possible exception if ownership interest is only a profits interest.	Taxable. Possible exception if ownership interest is only a profits interest.	Taxable. Possible exception if ownership interest is only a profits interest.
Special allocation of income or losses to partners or shareholders	No	No	Yes, if has substantial economic effect.	Yes, if has substantial economic effect.	Yes, if has substantial economic effect.
Distribution to owner	Any gain in distributed property taxable to the entity	Distribution of appreciated property results in gain at shareholder level but shareholder gets basis increase	No gain or loss recognized on distribution of property until partner disposes of the property	No gain or loss recognized on distribution of property until partner disposes of the property	No gain or loss recognized on distribution of property until member disposes of the property
Character of income and loss	Not applicable	Character is passed through from entity	Character is passed through from entity	Character is passed through from entity	Character is passed through from entity

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Treatment of liabilities with regard to basis	Not applicable	No increase in basis for share of entity liabilities Increase in basis for debts to shareholders.	Increase in basis for share of entity liabilities; decrease in share of entity liabilities treated as a cash distribution	Increase in basis for share of entity liabilities; decrease in share of entity liabilities treated as a cash distribution	Increase in basis for share of entity liabilities; decrease in share of entity liabilities treated as a cash distribution
Deduction of losses on owner's tax returns	No. Deductible against corporate income. NOLs generally can be carried back 2 years and carried forward 20 years	Yes. Deductible by shareholders to the extent of basis in stock and loans from shareholder to corporation. Deductibility may be limited by passive loss and at-risk rules	Yes. Deductible by partner to the extent of basis. Deductibility may be limited by a passive loss and at-risk rules	Yes. Deductible by partners to the extent of basis in partnership. Deductibility may be limited by passive loss and at-risk rules	Yes. Deductible by members to the extent of basis in partnership. Deductibility may be limited by passive loss and at-risk rules
Maximum number of owners	No limit	Number of shareholders may not exceed 100	Limited by publicly traded partnership rules	Limited by publicly traded partnership rules	Limited by publicly traded partnership rules
Trust may be an owner	Yes	Limited types of trusts may be shareholders	Yes	Yes	Yes
Corporation may be an owner	Yes	No. Only individuals, estates and certain trusts may be shareholders	Yes	Yes	Yes
Limited liability company may be an owner	Yes	No. Only individuals, estates and certain trusts may be shareholders	Yes	Yes	Yes
Partnership may be an owner	Yes	No. Only individuals, estates and certain trusts may be shareholders	Yes	Yes	Yes

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Nonresident may be an owner	Yes	No	Yes	Yes	Yes
Basic ownership unit	Share	Share	Partnership interest implicitly bifurcated into governance and financial rights	Partnership interest implicitly bifurcated into governance and financial rights	LLC interest implicitly bifurcated into governance and financial rights
Limited liability	Yes	Yes	No	Limited partners have limited liability if they do not participate in management of the partnership. General partners do not have limited liability	Yes
Member participation in management	Management of corporation vested in the board of directors. Shareholders elect directors and vote on organic changes.	Management of corporation vested in the board of directors. Shareholders elect directors and vote on organic changes.	All partners have equal rights to manage and participate in business except as restricted by partnership agreement	Limited partners may not participate in management without losing limited liability. General partner manages partnership	Subject to LLC agreement.
Transferability of interest	Freely transferable, absent restrictions in stockholder agreement	Freely transferable, absent restrictions in stockholder agreement. However, a transfer to an ineligible party may result in termination of S corporation status	General partnership interest generally (in practice) not transferable.	General partnership interest generally (in practice) not transferable. Limited partnership interest may be transferable.	Subject to LLC agreement.
Liquidation	Corporation and shareholders generally recognize gain or loss	Corporation recognizes gain or loss which is taxed to shareholders	Generally, no gain or loss recognized. Gain or loss may be recognized for certain non-pro rata distributions	Generally, no gain or loss recognized. Gain or loss may be recognized for certain non-pro rata distributions	Generally, no gain or loss recognized. Gain or loss may be recognized for certain non-pro rata distributions

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Fringe benefits	Shareholder employees may receive tax-qualified fringe benefits without restriction	Owner of more than 2% of S corporation shares generally cannot receive tax-free benefits. Expenses for benefits are deductible in computing taxable income but amounts used to purchase benefits for more than 2% shareholders flow through as income to them	Partners generally not eligible for tax-free fringes	Partners generally not eligible for tax-free fringes	Members generally not eligible for tax-free fringes
Employment taxes	FICA tax payable by the corporation and employees	FICA tax payable by the corporation and employees	Self-employment tax applies to compensation of partners	Self-employment tax applies to compensation of partners	Self-employment tax applies to compensation of members
IRS election required	None	Yes	None	None	None
Federal tax return	Form 1120	Form 1120-S	Form 1065	Form 1065	Form 1065