



Business Entity Comparison Chart

Sprague & Jackson

ACCOUNTANTS AND ENROLLED AGENTS

The Seneca Building • 121 E Seneca St • Ithaca, NY 14850

David W. Sprague, EA, ABA Principal
Angie Jackson, EA, MSA Principal

Phone: (607) 273-5322

Fax: (607) 273-8138

Email: Admin@sprjac.com

Entity	Accounting and Recordkeeping	Fringe Benefits	Liability
<p>Sole proprietor, single-member LLC, and spouses-owned business</p> <ul style="list-style-type: none"> Schedule C (Form 1040), <i>Profit or Loss From Business</i> Schedule F (Form 1040), <i>Profit or Loss From Farming</i> Schedule SE (Form 1040), <i>Self-Employment Tax</i> IRS Pub. 334, <i>Tax Guide for Small Business</i> 	<ul style="list-style-type: none"> Accounting is less involved than partnerships and corporations. Double-entry bookkeeping is not required as no balance sheet is needed when filing Schedule C or Schedule F. A non-LLC business owned solely by two spouses may elect not be taxed as a partnership and may file as two sole proprietorships to minimize bookkeeping requirements. Cannot file as a fiscal year business unless owner files Form 1040 under the fiscal year rules. 	<p>Excludable fringe benefits are generally not allowed for the owner.</p> <p>Exceptions: Health insurance is deductible if the spouse is an employee of the sole proprietorship, and the owner is covered as a family member of the employee-spouse. The spouse is also eligible for dependent care assistance fringe benefits, de minimis fringe benefits, and working condition fringe benefits.</p>	<p>Owner is personally liable for all debts and lawsuits against the business. Exception: If organized as an LLC, liability is usually limited to owner's investment and his or her own malpractice or debt guarantees.</p>
<p>Partnership</p> <ul style="list-style-type: none"> Form 1065, <i>U.S. Return of Partnership Income</i> IRS Pub. 541, <i>Partnerships</i> IRC Subchapter K, §701 through §761 	<ul style="list-style-type: none"> Small partnerships are not required to provide a balance sheet and can use the same bookkeeping system as a sole proprietor. Larger partnerships must provide a balance sheet with the return, which requires double-entry bookkeeping. A partnership must generally use the same tax year as its partners, but can use a fiscal year if there is a business purpose or an IRC section 444 election was made. Complex books and records are needed when a partner exchanges property, other than cash, for a partnership interest or for special allocations and basis elections. 	<p>Partners are eligible for some excludable fringe benefits. Taxable benefits are reported as guaranteed payments or an adjustment to a partner's distributable share of profits.</p>	<p>A general partner is personally liable for all debts and lawsuits brought against the partnership. Exception: If the partner is a limited partner, or the business is organized as an LLC, liability is generally limited to the partner's investment, plus his or her own malpractice or debt guarantees.</p>
<p>S corporation</p> <ul style="list-style-type: none"> Form 1120-S, <i>U.S. Income Tax Return for an S Corporation</i> IRC Subchapter S, §1361 through §1379 	<ul style="list-style-type: none"> Double-entry bookkeeping may be required depending on income and other factors affecting the need for a balance sheet on the return. Must use a calendar year unless it establishes a business purpose for using a fiscal year, or it makes an IRC section 444 election. 	<p>Shareholder/employees are eligible for some excludable fringe benefits. Benefits added to taxable wages on Form W-2 of more than 2% shareholders include accident and health plans, up to \$50,000 of group health insurance, and meals and lodging furnished for the employer's convenience.</p>	<p>A shareholder's liability is limited to the amount invested, plus his or her own malpractice or debt guarantees.</p>
<p>C corporation</p> <ul style="list-style-type: none"> Form 1120, <i>U.S. Corporation Income Tax Return</i> IRS Pub. 542, <i>Corporations</i> IRC Subchapter C, §301 through §385 	<ul style="list-style-type: none"> Double-entry bookkeeping may be required if the tax return requires a balance sheet. No restriction on use of a fiscal year. Exception: A personal service corporation (PSC) must use a calendar year unless it establishes a business purpose for using a fiscal year or makes an IRC section 444 election. Required to use accrual method of accounting if average annual gross receipts exceed \$29 million. 	<p>Shareholder/employees eligible for excludable fringe benefits, generally to the same extent as any other employee, with exceptions under the nondiscrimination rules. Benefits can include health insurance and reimbursement, education, life insurance, etc.</p>	<p>A shareholder's liability is limited to the amount invested, plus his or her own malpractice or debt guarantees.</p>