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ENTITY INFORMATION PAMPHLET

CHOICE OF ENTITY

What type of entity is best for my personal circumstance and business? There are many factors that need to be considered to determine the choice of entity that best suits the owner of an entity and their respective business.

Is the business service oriented or is it product driven?

Will any assets of the business appreciate significantly in value?

What are the estate planning goals of the owners?

Who or what type of entities are the owners?

What will be contributed to the entity in exchange for the ownership interests of the entity?

What are the goals of the business?

How will profits and losses be allocated?

What industry is the business involved in?

How many owners will the business have?

Will the entity have subsidiaries?

What will the management structure of the business be and how will the owners make decisions to govern the entity?

What will the financing arrangement of the business be?

What type of creditors will the business have and how many?

C Corporations:

- Liability protection for its owners.
- Well settled principals of corporate law for state law purposes.
- Subject to double taxation (not a flow-through entity).
- Generally recommended for large scale businesses with particular goals or requirements.

General Partnerships:

- No liability protection.
- Well settled principals of partnership law for state law purposes.
- Flow-through entity.
- Based on partnership tax law.

S Corporations:

- Liability protection for its owners.
- Well settled principals of corporate law for state law purposes.
- Flow-through entity.
- Has both C corporation and partnership tax characteristics with specific rules applicable only to S corporations.

Disregarded Entities (“DREs”):

- Single Member LLCs
- Q-Subs

Limited Partnerships:

- Liability protection extends only to the “limited partners” of this entity. The entity must have one “general partner” that is subject to personal liability for the partnership obligations.

- Well settled principals of partnership law for state law purposes.
- Flow-through entity.
- Based on partnership tax law.

Limited Liability Partnerships:

- Partners are liable to the extent of their contribution to the partnership for their actions or omissions.
- Well settled principals of partnership law for state law purposes.
- Flow-through entity.
- Based on partnership tax law.

Limited Liability Companies:

- Liability protection for its owners.
- Relatively new vehicle for purposes of state law.
- Flow-through entity.
- Based on partnership tax law.
- Greatest protection from creditors of its owners.

Important to remember for all types of entities:

- The “actor is always liable.”
- All entity owners must recognize the formalities associated with the particular entity.

This pamphlet contains general concepts and should not be used to base a decision on your choice of entity without consulting an attorney at Manley & Brautigam, P.C.