

Which business structure is right for me?

	S Corporation	C Corporation	LLCs	DBA
Recommended For	Owners wanting the liability protection of a corporation, with the simplicity of pass-through taxation of income	Owners needing maximum tax and ownership flexibility, combined with liability protection	Owners wanting the simplicity of pass-through income taxation and the liability protection of a corporation with fewer formalities. Great for passive income and real estate investments.	Owners wanting to legally do business as a particular name without having to create an entirely new or amend an existing business entity
Ownership	Shareholders (restrictions against corporate shareholders, nonresident aliens, and > 100 shareholders)	Shareholders	Members	Owners
Personal Liability	Shareholders typically not liable for corporate debts	Shareholders typically not liable for corporate debts	Members typically not liable for debts of LLC	Owners are personally liable for all debts of the business
Formalities & Record Keeping Requirements	Formal board and shareholder meetings and minutes Annual state reports	Formal board and shareholder meetings and minutes Annual state reports	Annual state reports	Must renew your application and publish (if required) every 4-5 years depending on state
Taxation	No tax at entity level Income/loss passed through to shareholders	Taxed at entity level If dividends distributed to shareholders, dividend income taxed at individual level	By default, no tax at the entity level if properly structured Income/loss is passed through to members (as in a partnership or sole proprietorship) May opt to be taxed as C or S corporation.	No tax at entity level Income/loss passed through to shareholders
Tax Reporting	Income on Form 1120S Salaries on Form W-2 Profit distribution on Schedule K-1	Income on Form 1120 Salaries on Form W-2 Profit distribution on Form 1099-DIV	Income on Form 1040, Schedule C OR Form 1065 & Schedule K-1 for profit distributions	Schedule C If Partnership Schedule K-1
Management & Operation	Managed by directors, elected by shareholders Day-to-day operations run by officers appointed by directors	Managed by directors, elected by shareholders Day-to-day operations run by officers appointed by directors	Flexibility similar to a partnership An operating agreement typically outlines management duties Optional board of managers	Managed by owners
Formation Requirements	State filing Subchapter S election with IRS typically required within 60 days of formation. Form 2553.	State filing	State filing	State or county DBA filing required generally before using your DBA, and in some cases within 30-40 days of your first business transaction Some states require a published notice in local newspaper along with proof of fulfillment

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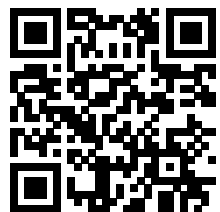
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