



Checklist:

Choosing Between an S-Corporation and a Limited Liability Company

FACTOR	S-CORP	LLC
Limited liability for all owners	Yes	Yes
Single level of tax on income	Yes	Yes
Number of owners	Maximum of 100	No restrictions
Type of owners	Generally, individuals, with some exceptions	No restrictions
Type of business	Any business except banking, insurance	Any business except banking
Type of ownership interests	One class of stock (voting and non-voting are OK)	No restrictions
Allocation of income / losses	Pro-rata by share	No restrictions
Type of subsidiaries	No restrictions	No restrictions
Limits on redemption of own interests	Permitted unless insolvent or net assets are less than \$0	Permitted unless insolvent or assets less than sum of liabilities and preferred interests
Tax election	Required	Not required
Transferability of owner interests	Freely transferable, but transfer to ineligible shareholder terminates S-election	Distributional interests freely transferable, but member interests may require consent of all members
Step-up of tax basis in entity assets when buying owner interests	Not available	Available if election is made
Sale of business by selling assets held more than 1 year	Taxable at shareholder level only as capital gain, with some exceptions	Taxable at member level only as capital gain
Employment taxes	Apply if shareholder renders services	None
Self-Employment Taxes	None	Apply if member receives guaranteed payments, provides professional services, is liable for LLC debts, can contract for LLC, or works more than 500 hours
Operating rules provided by Illinois statute	Very detailed	Relatively sparse. LLC is governed by its Operating Agreement
Case law	Well developed	Sparse
Filing fee upon organization	\$150	\$500
Minimum annual fee	\$100	\$250