

# SWEET VALLEY SURIS

*Boutique Breeding & Financial Expertise*

## Entity Selection - *Brion R. Smoker, CFO/CPA*

### What's an "Entity" and why should I select one?

Entities are various descriptions used by the government to determine your tax attributes. You'll want to select one so that you can either minimize taxes or reduce risk, or both.

### What "Entity" choices do I have to select from?

As far as the government is concerned, you can be any of the following:

- Sole Proprietorship or Partnership
- Corporation: Either a C Corporation or S Corporation
- Limited Liability Partnership
- Limited Liability Company

### How do I know what's the right "Entity" for my situation?

Here are the Pros and Cons of each. But, to be sure or to get clarification on any of them, talk to your accountant or tax preparer.

#### Sole Proprietorship or Partnership

- Pros:
  - You can be in business TODAY!
  - You can be out of business TOMMOROW!
- Cons:
  - Maximum exposure to IRS Audit

*In my opinion, there is really NO sound business reason to operate as either of these two entities*

#### C Corporation

- If you are like The Hershey Company, or you have other very successful C corporations, then have one more
- Not a pass thru entity

#### S Corporation

- Your liability for the business has limits (and the rest is insurable)
- Transfer of shares (or income to lower taxed individuals)
- Some loss of tax benefit for group term and disability insurance (really not that bad)

#### Limited Liability Partnership

- Partners are jointly and severally liable for the obligations of the LLP
- Partners not liable for wrongful acts by other partners, employees, agents
- Question who will be the General Partner (suggests a "C" corporation with no real assets)

#### Limited Liability Company

- Single member files same as a sole proprietorship; Dual member files as a partnership
- A member is typically not liable for the entity debt
- You can elect to file as an "S" corporation