Comparison factor	Sole Proprietorship	C Corporation	S Corporation	General Partnership	Limited Partnership	LLC/ LLP
Formation requirements	No state filings required.	Must file formation documents with Secretary of State. Must have bylaws and annual meetings.	Must file formation documents with Secretary of State. Must have bylaws and annual meetings.	No state filing required. Created by an oral or written agreement between two or more people.	Must file for certificate with Secretary of State. Limited partners invest in venture, but have limited other involvement. General partners execute the business plan.	Must file articles of organization with Secretary of State.
Liability	Owner has unlimited liability and can lose personal assets.	Shareholders typically not liable for debts of corporation unless there is fraud or severe mismanagement	Shareholders typically not liable for debts of corporation unless there is fraud or severe mismanagement	Partners are equally liable for debts of partnership unless partnership agreement specifies otherwise.	Limited partner is only liable up to the amount of their investment. General partners are liable as in a general partnership.	Except as otherwise specified in its foundational documents, members not liable for debts of LLC, unless there is fraud or severe mismanagement
Pass through taxes both income and loss	Yes. Owner is taxed on income or can take losses.	No. Corporation is taxed on its income. Shareholders taxed on dividends.	Yes. Income and dividends pass through to shareholders.	Yes. Income and losses pass through.	Yes. Income and losses pass through.	Yes. Income and losses pass through.
Dissolution	Business is dissolved when owner decides to stop.	Must file dissolution documents with Secretary of State.	Must file dissolution documents with Secretary of State.	Dissolution occurs by agreement of partners or disassociation by partner.	Dissolution occurs under terms of agreement, when certificate expires, or when court orders.	Dissolution occurs under terms of agreement, or when court orders.
Examples	Mom and Pop Ice Cream Shop, small farm	Large, publically held business	Small business, family business	Varied. Usually businesses with many moving parts, such as a land developer.	Start up business with passive investors.	Varied. Usually medium sized businesses looking for liability protection.

LLC federal tax election:

- IRS Form 8832 allows an election for how an entity is taxed at the federal level.
- An LLC can typically elect to be taxed as a pass through or a corporation upon formation.
- After an initial election is made, an LLC can change its election once at any time, but once a different election is made, that different election must stay in place for 60 months.
- Federal election likely falls through to Vermont
    - 32 V.S.A. 5811(3):
    - "Corporation" means any business entity subject to income taxation as a corporation, and any entity qualified as a small business corporation, under the laws of the United States …"

Federal pass through deduction:

- Allows 20% of qualified business income as a deduction.
    - A qualified business is any pass through business (partnership, LLC, SCorp, sole prop) other than a specified service business, or the business of being an employee.
    - A specified service business involves the provision of services in the fields of health, law, consulting, athletics, financial services, brokerage services, or any trade or business where the principal asset of the trade or business is the reputation or skill of one or more of the owners or employees.
- There is a threshold of $315,000 for joint filers, and $157,500 for individuals.
    - If your taxable income is below these thresholds, you can take the 20% deduction, even if all or some portion of the income is from a specified service business.
    - If your pass through income is above those thresholds, two things happen simultaneously – an exclusion of any deduction for income from a specified service business is phased in, and a limit on any deduction based on the W-2 wages of your business is also applied. These two limitations can also interact with each other (more on that below).
- *Specified service business phase out.* If your income is from a specified service business, you can take all of the deduction if you are under the threshold amount (as mentioned above), but your ability to take any deduction is completely phased out over the threshold amount. For joint filers, the phase out amount is $100,000, and for individuals, it is $50,000. If you are a joint filer with more than $415,000 in specified service income ($315,000 threshold plus $100,000), or an individual with more than $207,500 ($157,500 threshold plus $50,000) you cannot take the deduction. If you are in between $315,000 and $415,000, you get to take a partial deduction (basically your deduction is phased out under a complicated formula that results in the calculation of your "applicable percentage.")
- *Wage limit phase out.* The wage limit also applies above the threshold, regardless of the source of your income. If you have either qualified business income or service income below the thresholds, you can take the full deduction. Above the thresholds, you take the lesser of the 20% deduction, or either 50% of your W-2 wages, or 25% of your W-2 wages, plus 2.5% of your unadjusted basis for certain qualified property, whichever is greater.