

## CHOICE OF BUSINESS ENTITY

	C CORPORATIONS	S CORPORATIONS	LIMITED LIABILITY CO	PARTNERSHIP	SOLE PROPRIETORSHIP
LIMITED LIABILITY PROTECTION	Yes	Yes	Yes	General partners – No Limited partners – Yes	No
SEPARATE TAXABLE ENTITY	Yes	No	No	No	No
TAXATION OF INCOME	Taxed to corporation. Distributions are taxable to shareholders. "Double tax" may result.	Income is "passed through" to shareholders based upon percentage of ownership.	Income is "passed through" to members based upon the Organizational Agreement. Special allocation if it has substantial economic effect	Income is "passed through" to partners based upon partnership agreement. Special allocation if it has substantial economic effect	One level of tax - to the owner.
DEDUCTION OF LOSSES ON OWNER'S TAX	No. Deductible against corporate income.	Yes. Deductible by shareholders to the extent of basis in stock and loans from shareholder to corporation.	Yes. Deductible by members to extent of basis in member's interest. A member's share of debt is reflected in basis but share can be specified.	Yes. Deductible by partners to the extent of basis in partnership interest. A partner's share of debt is reflected in basis.	One level of tax - to the owner.
TAX RETURN AND FILING FEDERAL REQUIREMENTS	Form 1120 due by the 15th day of the 3rd month following close of tax year; automatic extension(Form 7004) for six months.	Form 1120-S due by the 15th day of 3rd month following close of tax year; automatic extension(Form 7004) for six months.	Form 1065 due by the 15th day of the 4th month following close of tax year; automatic extension(Form 8736) for three months. Possible additional extension (Form 8736) for up to three months.	Form 1065 due by the 15th day of the 4th month following close of tax year; automatic extension(Form 8736) for three months. Possible additional extension (Form 8736) for up to three months.	Form 1040 due by the 15th day of the 4th month following close of tax year; automatic extension(Form 4868) for four months. Possible additional extension (Form 2688) for up to two months.
NEW MEXICO FORMS	Corporation Income Tax (CIT)	Pass-through Entity (PTE)	Pass-through Entity (PTE)	Pass-through Entity (PTE)	Personal Income Tax (PIT-1)
CONTRIBUTION OF PROPERTY IN EXCHANGE FOR OWNERSHIP INTERESTS	No gain or loss recognized if the transferors are in control of the company after the exchange. Possible exception if contributed property is subject to debt.	No gain or loss recognized if the transferors are in control of the company after the exchange. Possible exception if contributed property is subject to debt.	No gain or loss recognized unless contributed property is subject to debt.	No gain or loss recognized unless contributed property is subject to debt.	N/A
CONTRIBUTION OF SERVICES IN EXCHANGE FOR OWNERSHIP INTERESTS	Taxable.	Taxable.	Taxable. Possible exception if ownership interest is only a profits interest.	Taxable. Possible exception if ownership interest is only a profits interest.	N/A
MAXIMUM NUMBER OF OWNERS	No limit	Number of shareholders may not exceed 75.	Limited by publicly traded partnership rules.	Limited by publicly traded partnership rules.	Two - Husband and wife.

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<b>CAN TRUSTS AND ESTATES BE OWNER</b>	Yes	Yes	Yes	Yes	N/A
<b>CORPORATION MAY BE AN OWNER</b>	Yes	No	Yes	Yes	N/A
<b>LIMITED LIABILITY CO MAY BE AN OWNER</b>	Yes	No	Yes	Yes	N/A
<b>PARTNERSHIP MAY BE AN OWNER</b>	Yes	No	Yes	Yes	N/A
<b>NONRESIDENT OF U.S. MAY BE AN OW</b>	Yes	No	Yes	Yes	N/A
<b>ACTION REQUIRED TO BECOME THIS TYPE OF TAXABLE ENTITY ***</b>	Incorporate under NM law.	Incorporate under NM law. Timely file Form 2553 and then maintain eligibility for S status.	File Articles of Organization with the New Mexico Public Regulation Commission.	Two or more persons conduct business together with intent to make a profit.	One person (or married couple) operates a trade or business not formally in conjunction with others.
<b>EMPLOYMENT TAX IMPLICATIONS</b>	Multiple, related corporations must pay multiple FICA and FUTA liabilities, unless common paymaster relief elected. IRC Sec 3121(s). FICA tax paid by both corporation and employees.	Distributions on S corporation stock may be reclassified as employment taxable wages. Same multiple corporation concern as for C corporations. FICA tax paid by both corporation and employees.	SE tax payable on trade or business income and guaranteed payments received for personal services.  (SE tax or self-employment tax is similar in effect to FICA withhold from employee's salary, except that the owner pays both the company's and the individual's share of the tax.)	SE tax payable on trade or business income and guaranteed payments received for personal services.	SE tax payable on net earnings from self-employment

\*\*\* We recommend that you consult with legal counsel regarding the specific steps to be followed.