

Entity Selection Comparison Chart Under Tax Reform



	C-Corporation	Partnership	S-Corporation	SMLLC/Sole Proprietor
Income Tax Rate	Permanent flat 21% rate	Subject to individual graduated rates – highest rate is 37%.	Subject to individual graduated rates – highest rate is 37%.	Subject to individual graduated rates – highest rate is 37%.
Tax on Distributions	Qualified dividends taxed at long-term cap rates 15%/20%. Nonqualified dividends taxed at individual graduated rates – highest rate is 37%.	Distributions that are return of tax basis are not subject to additional taxation.	Distributions that are return of tax basis are not subject to additional taxation.	N/A
Net Investment Income Tax (NIIT)	Corporations not subject to NIIT. Dividends could be subject to 3.8% NIIT at shareholder level.	Pass-through income passive in nature could be subject to 3.8% NIIT.	Pass-through income passive in nature could be subject to 3.8% NIIT.	N/A
Pass-Through Deduction	N/A	20% deduction of qualified business income (subject to certain limitations and excluding specific industries). Deduction expires 12/31/25.	20% deduction of qualified business income (subject to certain limitations and excluding specific industries). Deduction expires 12/31/25.	20% deduction of qualified business income (subject to certain limitations and excluding specific industries). Deduction expires 12/31/25.
Cash Method of Accounting	Cash method of accounting is available for businesses that have average gross receipts of \$25 million or less.	Cash method of accounting is available for businesses that have average gross receipts of \$25 million or less.	Cash method of accounting is available for businesses that have average gross receipts of \$25 million or less.	Cash method of accounting is available for businesses that have average gross receipts of \$25 million or less.
Losses	Can only offset corporate income in future years. Net operating losses (NOLs) are carried forward indefinitely and limited to 80% of taxable income.	Can offset other taxable income on 1040 (if non-passive) but may be limited if excess business loss. NOLs are carried forward indefinitely and limited to 80% of taxable income.	Can offset other taxable income on 1040 (if non-passive) but may be limited if excess business loss. NOLs are carried forward indefinitely and limited to 80% of taxable income.	Can offset other taxable income on 1040 (if non-passive) but may be limited if excess business loss. NOLs are carried forward indefinitely and limited to 80% of taxable income.
AMT	Corporate AMT is eliminated.	Individual AMT has not been eliminated. Income from pass-through income could be subject to AMT.	Individual AMT has not been eliminated. Income from pass-through income could be subject to AMT.	Individual AMT has not been eliminated. Income from pass-through income could be subject to AMT.
Sale of Business	Shareholder subject to capital gains tax and NIIT on sale of stock – could qualify for small business exclusion.	Partner generally subject to capital gains tax on sale (portion could be ordinary income), possibly NIIT on gain of passive investment.	Shareholder subject to capital gains tax on sale, possibly NIIT on gain of passive investment.	Subject to capital gains tax on sale (portion could be ordinary income).