

Sub-Chapter S Corporation (Sub-S) vs. Limited Liability Company (LLC)

	Sub-S	LLC
Formation	Single Owner Permitted. File Form 532 w/ \$125 fee. ORC 1705.04	Single Owner Permitted. File Form 533 w/ \$125 fee. ORC 1701.04
Governance	Close Corporation Agreement ORC 1701.591 Action by Shareholder without Meeting ORC 1701.54	Operating Agreement ORC 1705.01
Limited Liability	Yes. BUT - Individual employees/owners can be sued for their own negligent acts. Also many tax statutes place unlimited liability upon "responsible persons".	Yes. BUT - Individual employees/owners can be sued for their own negligent acts. Also many tax statutes place unlimited liability upon "responsible persons".
Income Tax	Sub-S shareholders report income from Form K-1.	Owners report income from Form K-1.

Payroll Tax	Shareholder/Employees are subject to payroll tax on reasonable wages which must be at least minimum wage times the number of hours worked.	Active Owners are subject to Self-Employment tax on all Form K-1 income.
Filing Requirements	Sub-S Corps must file Form 1120-S & all payroll tax returns.	Single owner LLC's file Schedule C. Multi-Owner LLC's must file Form 1065. No payroll returns are required for owners.

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