

Characteristic	General Partnership	Limited Partnership	Limited Liability Company (LLC)	S Corporation	C Corporation
1. Definition	A business association of two or more persons to conduct a business unless formed under any other statute.	A partnership having one or more general partners and one or more limited partners.	An unincorporated entity organized as an LLC under state law.	A corporation organized under state law. Must elect subchapter S status by filing election with IRS (Form 2553).	A corporation organized under state law.
2. Name	No name restrictions.	Must contain limited partnership without abbreviation. Cannot include a limited partner's name unless that partner is also a general partner.	Must contain limited liability company, L.L.C., L.C., LLC, LC, limited company, ltd. liability company, ltd. company, limited co. or ltd. co.	Must contain corporation, incorporated, company, limited, corp., co., inc. or ltd. Professional corporations must state PC or professional corporation.	Must contain corporation, incorporated, company, limited, corp., co., inc. or ltd. Professional corporations must state PC or professional corporation.
3. Governing Instruments	<ul style="list-style-type: none"> a. Certificate of co-partnership filed with county (usually renewable every 5 years). b. Partnership agreement. No writing necessary to form partnership. 	<ul style="list-style-type: none"> a. Certificate of limited partnership filed with state. b. Partnership agreement. 	<ul style="list-style-type: none"> a. Articles of organization filed with state. b. Operating agreement (not required). 	<ul style="list-style-type: none"> a. Articles of incorporation filed with state. b. Bylaws. c. Various contracts are allowed among shareholders such as stock purchase agreements and voting trusts. 	<ul style="list-style-type: none"> a. Articles of incorporation filed with state. b. Bylaws. c. Various contracts are allowed among shareholders such as stock purchase agreements and voting trusts.
4. Owners	Partners.	General partners and limited partners.	Members.	Shareholders.	Shareholders.
5. Management Authority	Partners.	General partners only.	Managers or members (must choose one).	Directors and officers.	Directors and officers.
6. Permitted Participation in Management	All partners.	General partners only. Participation by limited partners may subject them to liability.	Managers or members (if member-managed company).	Shareholders elect directors who make corporate decisions and who elect officers to perform and carry out directives.	Shareholders elect directors who make corporate decisions and who elect officers to perform and carry out directives.

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7. Voting	Majority vote of general partners if in ordinary course of business; otherwise unanimous vote.	Majority vote of general partners, provided, however, that limited partners also vote on admission of partners, dissolution, continuation after the withdrawal of a general partner, and the compromise of a partner's debt to the partnership. This can be modified by agreement.	One member, one vote. Majority vote of members, except unanimous vote required by statute for some major decisions. This can be modified by agreement and is often modified to provide voting based on ownership interest. The LLCA now references a majority in interest of the members. The method of computing voting rights should be addressed in the operating agreement.	Shareholders vote based on number of shares owned. Majority vote of shares of those entitled to vote controls. There may be a nonvoting class of shares, but otherwise only one class permitted.	Shareholders vote based on number of shares owned. Majority vote of shares of those entitled to vote controls. There may be multiple classes of shares. Voting requirements may be modified by agreement.

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8. Liability for Entity Obligations	Partners are jointly and severally liable for obligations of partnership arising out of a partner's wrongful acts and jointly for all other obligations of the partnership.	General partners are jointly and severally liable for the obligations of the limited partnership. Limited partners are not personally liable for the obligations of the limited partnership, except to the extent they take part in limited partnership management or if the limited partner's name is used in the limited partnership's name and such liability arises out of a third party's belief that such limited partner was a general partner.	Members are not liable for the obligations of the LLC unless the liability veil is pierced.	Shareholders are not liable for the obligations of the corporation, subject to certain instances where creditors have pierced the corporate veil.	Shareholders are not liable for the obligations of the corporation, subject to certain instances where creditors have pierced the corporate veil.
9. Liability of Owners to the Entity and Other Owners	Each partner has a fiduciary duty to the partnership and other partners.	General partners owe a fiduciary duty to the partnership and other partners. Both limited partners and general partners must contribute agreed on capital contributions and are liable for wrongful distributions received.	Members are liable for contributions and wrongful distributions received. Members in a member-managed LLC are generally liable for breaches of fiduciary duties.	Shareholders are generally not liable except for contributions and wrongful distributions received.	Shareholders are generally not liable except for contributions and wrongful distributions received.
10. Piercing the Entity Veil	Partners have liability already.	General partners are already liable. Limited partners that participate in management can be liable.	Body of law relating to corporations will most likely apply.	Shareholders may be liable.	Shareholders may be liable.

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11. Fiduciary Duties of Management	Partners have fiduciary duties and the obligation to act in good faith and with fair dealing.	General partners have a fiduciary duty of care and loyalty with the obligation to act in good faith and fair dealing.	Unless a company is member managed, members have no fiduciary duties. Managers, and members in a member-managed company, do have a fiduciary duty of care and loyalty and the obligation to act in good faith and with fair dealing.	Officers and directors have statutory duties of good faith to act in the best interest of the corporation and not to usurp corporate opportunities. If minority shareholders are oppressed by the majority shareholders, the majority shareholders may be liable.	Officers and directors have statutory duties of good faith to act in the best interest of the corporation and not to usurp corporate opportunities. If minority shareholders are oppressed by the majority shareholders, the majority shareholders may be liable.
12. Who Can Be An Owner	No restrictions.	No restrictions.	No restrictions.	Numerous restrictions, including disallowing ownership by non-resident aliens, partnerships, corporations, and other specific persons and entities.	No restrictions.
13. Number of Owners	Need at least two partners.	Need at least one general partner and one limited partner.	No restrictions.	At least one, but no more than 100, shareholders.	No restrictions.
14. Allocations of Distributions	Partners can agree on any financial arrangements subject to economic reality.	Partners can agree on any financial arrangement as long as it has economic reality. Default rule is that partners will share in proportion to the value of their contributions.	Members can agree on any financial arrangement as long as it has economic reality.	Because only one class of stock is allowed, shareholder's share of distributions must be based on proportionate stock ownership.	Shareholders can establish different classes of stock that can provide for different or preferential returns. Default rule is that distributions are based on proportionate stock ownership.

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15. Transfers of Ownership Interests	Transferable, but the transferee will not be admitted as a partner without the consent of the other partners. Without such consent, the transferee obtains an interest in the profits and losses only. Owners can agree on restrictions.	Transferable, but the transferee will not be admitted as a partner except as provided in the partnership agreement or, if not provided, with the consent of the other partners. Without such consent, the transferee obtains an interest in the profits and losses only. Owners can agree on restrictions.	Membership interests are transferable, but the transferee will not be admitted as a member except as provided in the operating agreement or, if not provided, without the consent of all the other members. Owners can agree on restrictions.	Stock is freely transferable unless restricted by the articles, bylaws, or a shareholders' agreement or by the restrictions imposed under subchapter S.	Stock is freely transferable unless restricted by the articles, bylaws, or a shareholders' agreement.
16. Entity Taxation Under IRC	No tax at entity level.	Unless elected to be treated as a corporation under check-the-box rules, will be taxed as a partnership with pass-through taxation to the owners.	Unless elected to be treated as a corporation under check-the-box rules, will be taxed as a partnership with pass-through taxation to the owners.	Pass-through taxation to owners unless built-in gain, excess passive income, or LIFO recapture exceptions apply. Generally not taxed at corporate level.	Taxed as a corporation at the corporate level.
17. Taxation of Owner on Contribution of Property for Ownership Interest	Partners are generally not taxed on the contribution of property, but if property is encumbered, will be taxed if liabilities exceed partner's basis in the property.	Rules applicable to general partnerships will apply unless it has elected to be treated as a corporation.	Rules applicable to general partnerships will apply unless it has elected to be treated as a corporation.	Contributions of property for stock will be taxable unless it meets the requirements of IRC 351.	Contributions of property for stock will be taxable unless it meets the requirements of IRC 351.
18. Taxation of Owner on Contribution of Services for Ownership Interest	Partners are taxed on the receipt of the interest, but will generally not recognize income if they only receive a share of the future profits.	Rules applicable to general partnerships will apply unless it has elected to be treated as a corporation.	Rules applicable to general partnerships will apply unless it has elected to be treated as a corporation.	Contributions of services for stock will be taxable.	Contributions of services for stock will be taxable.

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19. Taxation of Entity on Receipt of Property	No gain will be recognized.	Rules applicable to general partnerships will apply unless it has elected to be treated as a corporation.	Rules applicable to general partnerships will apply unless it has elected to be treated as a corporation.	The corporation will not recognize gain.	The corporation will not recognize gain.
20. Taxable Year	Same taxable year as majority of partners.	Rules applicable to partnerships will apply unless it has elected to be treated as a corporation.	Rules applicable to partnerships will apply unless it has elected to be treated as a corporation.	Must generally use calendar year, but can use a year that commences on a calendar quarter if tax deposits to offset the benefit of such deferral are made.	Any taxable year may be chosen, but if personal service corporation, limitation to calendar year, or a year which commences on a calendar quarter if tax deposits to offset the benefit of such deferral are made.
21. Owners' Deductibility of Losses	Can deduct against other income to extent of basis. At risk and passive activity loss rules will limit deductibility.	Losses are passed through to the members and can be deducted to extent of basis. At risk rules and passive activity loss rules will limit deductibility. The passive activity loss limitations will be difficult for limited partners to overcome due to the prohibition on their participation in the business of the partnership.	Generally similar to partnership.	Can deduct to extent of stock basis (which will include debts of entity to the shareholder). At risk and passive activity loss rules will limit deductibility. See IRC 1366 regarding pass through and IRC 1367 regarding basis adjustments.	No deduction.

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22. How Gains and Losses of Entity are Recognized by Owners	Partners include shares of income, loss, deduction, and credit of the entity for the year earned.	If the limited partnership is treated as a partnership, the partnership rules will apply. If treated as a corporation, losses not recognized and gain may be recognized on distributions.	If the LLC is treated as a partnership, the partnership rules will apply. If treated as a corporation, losses not recognized and gain may be recognized on distributions.	Separately stated pass through to shareholders.	No pass through. Distributions generally taxable as dividends to extent of earnings and profits.
23. Tax Effect of Entity Liabilities	Partners can include both recourse and nonrecourse liabilities in basis.	Limited partners cannot include recourse obligations in basis unless they bear the economic risk of loss, but may include a share of nonrecourse liability.	Generally cannot include in basis because liabilities of LLC are nonrecourse to the members.	Generally similar to LLC.	No effect on owners' basis.
24. Cash Distributions to Owners	Distribution will be tax-free to extent of basis, with any excess being treated as a capital gain.	Subject to rules of partnership or corporation, depending on how elected to be taxed.	Subject to rules of partnership or corporation, depending on how elected to be taxed.	Treated as return of basis and not taxable to extent of basis. Any excess will be taxed as capital gain.	Will be treated as dividends to extent of earnings and profits, which, through 2012, will be taxed as capital gain.
25. Appreciated Property Distributions to Owners	Generally, no gain or loss to partner or partnership on the distribution of appreciated property.	Subject to rules of partnership or corporation, depending on how elected to be taxed.	Subject to rules of partnership or corporation, depending on how elected to be taxed.	Gain on appreciated property will be recognized and passed through to shareholders and shareholders will recognize income or capital gain as a distribution. No double taxation at both corporate and shareholder levels.	Gain on appreciated property will be recognized and shareholders will recognize income or capital gain as a distribution.

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26. Limitations on Distributions	No statutory limitation, but because partners are personally liable for partnership debt, a partner would have to contribute to partnership the amount necessary to satisfy partnership liabilities, thus, in essence, returning distributions that may have been made before taking into account the partnership liabilities.	No distribution to partners if, after giving effect to it, the liabilities of the partnership, other than liabilities to the partners, exceed the fair value of the partnership's assets	No distribution to owners if, after giving effect to it, LLC would not be able to pay its debts as they become due or its liabilities would exceed its assets.	No distribution to owners if, after giving effect to it, the corporation would not be able to pay its debts as they become due or its liabilities would exceed its assets.	No distribution to owners if, after giving effect to it, the corporation would not be able to pay its debts as they become due or its liabilities would exceed its assets.
27. Conversions and Combinations	Conversion to LLC can be accomplished by filing conversion certificate with the state. Will be deemed to be the same entity and should be tax free. To change form or merge into a corporation would be treated as a contribution of the partnership's assets in exchange for stock.	Conversion to LLC can be accomplished by filing conversion certificate with the state. Will be deemed to be the same entity and should be tax free. To change form or merge into a corporation would be treated as a contribution of the partnership's assets in exchange for stock.	Mergers of LLCs into other business entities and other entities into LLCs are now specifically allowed by statute. To change form or merge into a corporation would be treated as a contribution of the LLC's assets in exchange for stock.	In converting to partnership or LLC, the corporation will be deemed liquidated and assets contributed to the new LLC or partnership.	In electing to become an S corporation, built-in gain rules, LIFO recapture, and passive income rules need to be analyzed. See text for discussion of these issues. In converting to partnership or LLC, the corporation will be deemed liquidated and assets contributed to the new LLC or partnership.
28. Taxation Under Michigan Corporate Income Tax (eff. Jan 1, 2012)	No tax at entity level.	No tax at entity level.	No tax at entity level.	No tax at entity level.	Subject to 6 percent tax on corporation's income tax base.