

REGULAR CORPORATION

Simplicity in Operation and Formation	Requires most formality in establishment and operation.
Liability for Debts, Taxes, and Other Claims	Stockholders are not generally liable for corporation debts, but often have to guarantee loans as a practical matter if the corporation borrows money. Corporate officers may be liable to the IRS for failure to withhold and pay withholding taxes on employee's wages.
Federal Income Taxation of Business Profits	Taxed to the corporation at corporate tax rates.
Double Taxation if Profits Withdrawn from Business	Yes, but not on reasonable compensation paid to owners who are employees of the corporation.
Deduction of Losses by Owners	No. Corporation must carry losses back or forward against profits to realize the tax benefit.
Social Security Tax on Earnings of Owner from Business	Corporation pays half and employee pays half. Above a certain level of wages only Medicare tax is paid.
Unemployment Taxes on Earnings of Owner	Yes. State and federal unemployment taxes apply to salaries paid to owners.
Retirement Plans	Corporate retirement plans are no longer significantly better than Keogh plans. Deduction limits are same now as for Keogh. Participants may be able to borrow from plan.
Tax Treatment of Medical, Disability, and Group-Term Life Insurance on Owners	Corporations may be allowed to deduct corporation medical insurance premium or reimbursements paid under medical reimbursement plan. Generally not taxable to the employee, even if employee is an owner. Similar treatment for disability and group-term life insurance plans.
Taxation of Dividends Received on Investments	Dividends are taxable to the corporation. However, 70% of the dividends received are generally free of federal income tax (unless stock is purchased with borrowed money).

NOTE: This overview is intended as general information only and may not include the latest developments. Check with your accountant or attorney for up-to-date information about which structure makes the most sense for your individual situation.