

2017 STANLEY M. JOHANSON  
ESTATE PLANNING WORKSHOP

December 15, 2017  
Austin, Texas

# Choice of Entities: When to S Corporation, When to LLC, When to FLP, and Why

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## Attachments

1. Choice of Entity Matrix
2. Look at that S Car Go: Subchapter S Stock Ownership by Trusts – Drafting the Trust Instrument and Elections, Understanding Deadlines
3. Basic Partnership Allocations
4. The Series LLC – The Next Frontier
5. The Ascendancy of Income Tax Planning – Supplemental Basis Step-up Examples



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## Who Earns Pass-Through Business Income?

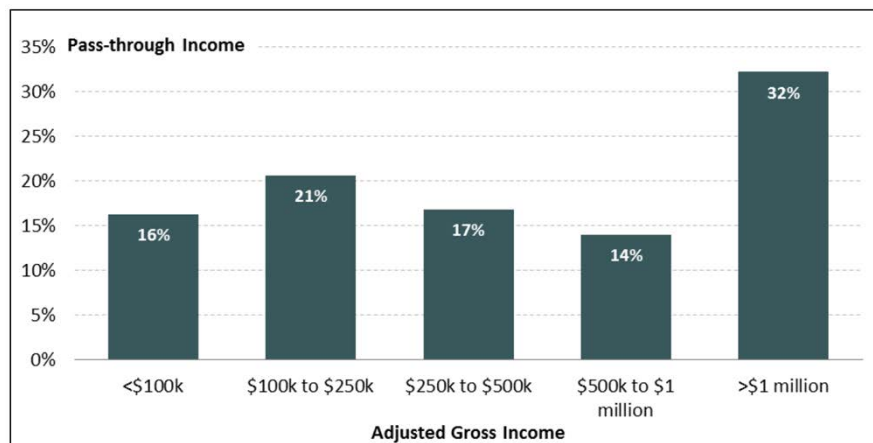
- More than half of business income is generated by sole proprietorships, partnerships, and S corporations
- Approximately 28.7 million (or one in five) taxpayers reported pass-through business income (or loss) totaling more than \$687 billion in 2011
- The average amount reported was \$26,011, excluding capital gains income from pass-throughs and farming income

Mark P. Keightley, *Who Earns Pass-Through Business Income? An Analysis of Individual Tax Return Data*. Congressional Research Service. October 24, 2017



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## Distribution of Net Pass-Through Income by AGI (2011)

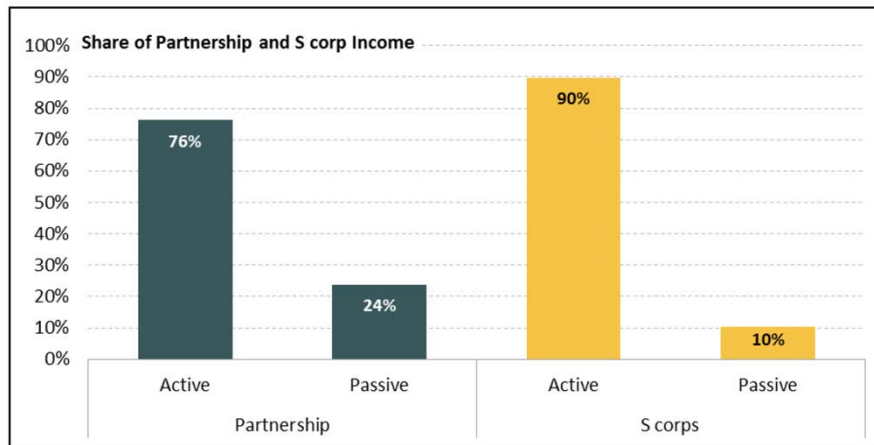


Mark P. Keightley, *Who Earns Pass-Through Business Income? An Analysis of Individual Tax Return Data*. Congressional Research Service. October 24, 2017



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## Distribution of Active and Passive Income by Business Type (2011)



Mark P. Keightley, *Who Earns Pass-Through Business Income? An Analysis of Individual Tax Return Data*. Congressional Research Service. October 24, 2017



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## Why Pass-Throughs Are Popular

- Limited liability
- Single layer of tax
  - Provide cash flow to owners, especially passive owners
  - Increased basis for reinvested earnings
- Generally have better taxation upon a sale
- Inside basis step-up on sale and death for partnerships



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Also available as part of the eCourse

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First appeared as part of the conference materials for the  
2017 Stanley M. Johanson Estate Planning Workshop session

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