

Newsletter

Comparison of LLCs, LLPs, and Professional Corporations

	Professional C corporation	Professional S corporation	Limited liability company (LLC)¹	Limited liability partnership (LLP)
Limited liability	Yes ²	Yes	Yes	Yes
Pass-through tax treatment	No	Yes	Yes	Yes
Difficult to form/maintain	Yes	Yes	Somewhat	Somewhat
Continuity of life	Yes	Yes	State law may limit LLC life to a set number of years ³	No
Centralized management	Yes	Yes	Generally yes, since members can elect a committee of managers	Generally no, but the partnership agreement can centralize somewhat
Interests freely sold/transferred	Only within specified profession(s) or specialty(ies)	Only within specified profession(s) or specialty(ies) and not to ineligible "S" shareholders	Yes, but transferee often has more limited rights, unless all other members approve sale/transfer	No
Available in all states	Yes	Yes	Yes	No
Minimum number of owners	One	One	Generally two	Two

¹ Assumes that the LLC opts for tax treatment as a partnership.

² Professionals remain liable for their own professional negligence.

³ Generally, termination dates for LLCs provided for under state law may be overridden in the LLC agreement.

