



AskAnyDifference.com

We help you with differences and comparisons of terms, products, and services.

Difference Between S Corp and C Corp

Formation

To form your company as an S Corp, you need to fill IRS FORM 2553. After the registration, you become an S-Corp for federal tax purposes. To be treated as S Corp for state tax, you need to file extra papers at the state level.

The C Corp is the non-remittance type of corporation. It becomes an ordinary C Corp when you submit reports of constituting a company with the secretary of state.

Ownership

S Corp is limited to up to a hundred shareholders. Shareholders must be resident aliens. Besides, there is no variation between shareholders. This makes it hard to raise funds.

C Corp has an unlimited number of shareholders and several classes of shareholders. This provides more flexibility to develop the business.

Taxation

S corporation has a unique tax classification. Shareholders of S Corp report their share of the business profit and losses on the personal tax return.



AskAnyDifference.com

We help you with differences and comparisons of terms, products, and services.

They pay tax once at the personal income tax rate. As a shareholder of S Corp, your business income tax is deducted at a personal level. This is when you file Form 1120S.

C Corp is double taxed. The first taxation takes place at the corporate level when shareholders file corporate income return tax Form 1120.

The second taxation is done on the owner's income tax returns. But this is when the corporate profit is distributed as a dividend to shareholders.

Source and more details: <https://askanydifference.com/difference-between-s-corp-and-c-corp/>