

Comparing practice entity types

Entity type	Professional Association	Professional Limited Liability Company	Limited Liability Partnership
Limited liability of owners for entity obligations?	Yes	Yes	Yes
Filing requirements	Certificate of formation and \$750 filing fee	Certificate of formation and \$300 filing fee	Annual registration \$200 filing fee per partner
Number of owners	Minimum of 1	Minimum of 1	Minimum of 2
Taxation of income	Texas franchise tax; Federal: Double taxed once at the corporate level and again at the member level (unless "S" status is elected)	Texas franchise tax; Federal: Taxed at member level only unless PLLC elects to be taxed as corporation	Texas franchise tax; Federal: Taxed at partner level only
Advantages	Limited liability for members; single member allowed; can elect "S" corporate status	Limited liability for members; pass-through taxation; can add an unlimited number of members; single member allowed; fewer corporate formalities than PA (no minutes, resolutions required).	Limited liability for partners; pass-through taxation; few corporate formalities
Disadvantages	Corporate formalities must be followed; more expensive to form than PLLC; annual statement required	More corporate formalities than an LLP	Annual renewal required; \$200 fee per year, per partner; 2 or more partners required

** Because each professional entity-type offers similar liability protections, the decision of which entity best suits a particular practice may often come down to the tax implications. Note that it is important to consult with a health care attorney regarding formation issues and a tax expert concerning tax implications for your entity.*