

Name \_\_\_\_\_

## S Corporations: Unveiling the Secrets of Small Business Superheroes

### Short Answer Key

1. Limited liability benefits shareholders in an S Corporation by protecting their personal assets from business debts and lawsuits.
2. An advantage of pass-through taxation is that it helps the S Corp avoid double taxation, while a disadvantage is that it may not have access to certain tax benefits available to other structures.
3. If an S Corporation exceeds the limit of 100 shareholders or issues multiple classes of stock, it may lose its S Corporation status and become subject to C Corporation taxation.
4. S Corporations must follow rules such as holding regular meetings, keeping detailed records, and adhering to specific ownership requirements to maintain their status.
5. Answers may vary, but an example could be a family-owned restaurant looking to protect personal assets while enjoying the tax benefits of pass-through taxation. An S Corporation could provide the necessary protection and tax advantages.

