

# EMPLOYEE INCENTIVE CONSIDERATIONS

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Navigating the complexities of forming a new company can often feel overwhelming. The abundance of information available is frequently contradictory, leaving many entrepreneurs and business owners uncertain about the best course of action. One of the critical aspects of establishing a new business is understanding the various employee incentive options available, which can significantly impact your company's ability to attract and retain top talent.

This guide simplifies the complexities of employee incentives across various business entities, offering clear and concise insights tailored to your needs. Whether you're forming a C-Corporation, S-Corporation, LLC, GP, RLLP, or LP, understanding the unique benefits and limitations of each structure for equity compensation is essential. With this resource, you'll confidently navigate the intricacies of employee incentives, making informed decisions that align with your company's goals.



This chart simplifies key employee incentive options like stock options, profits interests, and other equity compensation arrangements, providing a clear comparison to help you make informed decisions that align with your business goals and inspire a motivated workforce.

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Employee Incentive Consideration	C-Corporation	S-Corporation	LLC	GP & RLLP	LP
Stock Options (ISOs available)					
Stock Appreciation Rights (SARs)					
Restricted Stock					
Restricted Stock Units (RSUs)					
Performance Awards					
Profits Interests					
Non-Qualified Options (to acquire membership or partnership interest)					
Other Equity Compensation Arrangements (e.g. RSUs)					

- **C-Corporation and S-Corporation:** Stock options, including ISOs, SARs, restricted stock, RSUs, and performance awards are common.
- **LLC:** Profits interests and non-qualified options (to acquire a membership interest) are available and provide favorable tax treatment. ISOs are not available. RSUs and other equity compensation arrangements can be replicated but are uncommon.
- **GP, RLLP, and LP:** Profits interests and non-qualified options (to acquire a partnership interest) are available and provide favorable tax treatment. ISOs are not available. RSUs and other equity compensation arrangements can be replicated but are uncommon.