

# BUSINESS ENTITY COMPARISON CHART

Details	Sole Proprietorship	General Partnership	C Corporation	S Corporation	Limited Liability Company (LLC)
<b>Business Formation</b>	City tax license may be required. No state filing required.	No state filing required An agreement between two or more parties. Partnership agreement should be created.	Required to file formation documents with the State filing agency. Most states require annual meetings and bylaws.	Same as C corporation. Must elect S status through the IRS, additional filing required.	Required to file formation document with the State filing agency. Most states require an Operating Agreement.
<b>Number of owners</b>	Only one sole proprietor	Minimum two general partners	Most states allow one person corporations; some require two to serve as officers.	Same as C corp. but no more than 100 members/ Shareholders permitted.	Most states allow single member LLCs but some require 2 or more
<b>Raising Capital</b>	Owner typically contributes all funds.	Partners contribute capital. More capital can be raised by adding new partners.	Sell stock to raise capital.	Sell stock to raise capital.	Some operating agreements allow interest to be sold.
<b>Length of existence</b>	Terminated if business ceases or upon owner's death	Dissolves upon partner's death or withdrawal, unless stated in the partnership agreement.	Perpetual as a separate legal entity	Perpetual as a separate legal entity	Perpetual as a separate legal entity
<b>Operational Requirements</b>	Relatively few legal requirements.	Relatively few legal requirements.	Board of Directors, officers, annual meetings, and annual reporting required.	Board of Directors, officers, annual meetings, and annual reporting required.	Some formal requirements but less formal than corporations.
<b>Management</b>	Sole Proprietor has full control of management and operations.	Typically each partner has an equal voice, unless otherwise arranged.	Managed by directors, who are elected by the shareholders.	Managed by the directors, who are elected by the shareholders.	Members have an operating agreement that outlines management.
<b>Liability</b>	Unlimited liability.	Unlimited liability. A partner can be held liable for the acts of the other partners, increasing personal liability	Shareholders are typically not personally liable for the debts of the Corporation	Shareholders are typically not personally liable for the debts of the Corporation.	Members are not typically liable for the debts of the LLC
<b>Taxation</b>	Taxed once. Owner is responsible for any taxes due.	Taxed once. Partners are responsible for any taxes due.	Double; both the corporation and shareholders are taxed.	Taxed once. Owners responsible for any taxes due.	Taxed once. Owners responsible for any taxes due.
<b>Pass through taxation for income &amp; loss</b>	Yes. Profits increase owner's personal taxes.	Yes. Profits increase owner's personal taxes.	No	Yes. Profits increase owners' personal taxes.	Yes. Profits increase owners' personal taxes.
<b>Interest transferability</b>	No unless business is sold to another party.	No.	Shares of stock are easily transferred.	Yes. Some IRS regulations on stock ownership.	Depends on operating agreement.
<b>Dissolution</b>	Easiest.	Easy.	Most complex.	Most complex.	Complex.
<b>Best suited for</b>	Single owner business. Taxes or product liability not a concern.	Business with partners. Taxes or product liability are not a concern.	Single or multiple owner business. Owners need company funded fringe benefits and liability protection.	Same as C corporation.	Single or multiple owner business. Owners need limited liability but want to be taxed as partnership.
<b>Example</b>	Mom & Pop Ice cream Shop.	Land Developer.	Software company.	Print shop, Pizza parlor, Interior Design.	Real Estate Investment, Motion Picture.