

Business Entity Comparison Table

	Sole Proprietorship	LLC & LLP	General Partnership	C-Corporation	S-Corporation
Formation Management	No state filing required	State filing required	No state filing required	State filing required	State filing required
Duration of Existence	Dissolved if sole proprietor ceases doing business or dies	Dependent on the requirements imposed by the state of formation	Dissolves upon death or withdrawal of a partner unless safeguards are specified in a partnership agreement	Perpetual	Perpetual
Liability	Sole proprietor has unlimited liability	Members are typically not held responsible for the debts of the LLC/LLP	Partners have unlimited liability	Shareholders are typically not held responsible for the debts of the corporation	Shareholders are typically not held responsible for the debts of the corporation
Operational Requirements	Relatively few legal requirements	Some formal requirements but less formal than corporations	Relatively few legal requirements	-Board of Directors -Annual Meetings -Annual Reporting	-Board of Directors -Annual Meetings -Annual Reporting
Taxation	Not a taxable entity. Sole proprietor pays all taxes.	If properly structured there is no tax at the entity level. Income/loss is passed through to the members.	Not a taxable entity. Each partner pays tax on their share of income and can deduct losses against other sources of income.	Taxed at the entity level. If dividends are distributed to shareholders the dividends are taxed individually as well.	No tax at the entity level. Income/loss is passed through to shareholders.
Pass-through Income/Loss	Yes	Yes	Yes	No	Yes
Double Taxation	No	No	No	Yes if income is distributed to shareholders as dividends.	No
Cost of Creation	None	State filing fee	None	State filing fee	State filing fee
Raising Capital	Often difficult unless individual contributes funds	Possible to sell interests through subject to operating agreement restrictions	Contributions can be made by partners and more partners can be added	Shares of stock are sold to raise capital	Shares of stock are sold to raise capital
Transferability of Interest	No	Possible depending on operating agreement restrictions	No	Shares of stock are easily transferred	Yes as long as IRS regulations on who can own stock are observed

Advantages & Disadvantages of Business Entities

	Advantages	Disadvantages	Additional Information
Sole Proprietorship	<ul style="list-style-type: none"> » Ease of formation » Minimal capital requirements » Retention of all profits » Complete control of the business » Tax benefits 	<ul style="list-style-type: none"> » Unlimited liability » Limited management talent » Few opportunities for employees » Limited credit availability » Instability of the business 	
LLC & LLP	<ul style="list-style-type: none"> » Blend of corporation and partnership » Does not restrict number of owners 	<ul style="list-style-type: none"> » Does not offer tax free ownership 	
General Partnership	<ul style="list-style-type: none"> » Access to capital » Management talent » Ease of formation » Complete control of the business » Tax benefits 	<ul style="list-style-type: none"> » Unlimited liability » Personality conflicts » Life of the partnership » Adding or removing partners » Tax benefits 	
C-Corporation	<ul style="list-style-type: none"> » Limited liability » Unlimited life » Transfer of ownership » Professional management 	<ul style="list-style-type: none"> » Costs and complexity of incorporation » Public disclosure » Double taxation 	
S-Corporation	<ul style="list-style-type: none"> » Limited liability (losses limited to stockholder value) » Tax benefits (flow through income to the shareholders) » Ease of transferring share interests » Tax restructuring can take place tax free » No entity level tax 	<ul style="list-style-type: none"> » Special allocations are not permitted » Corporate debt does not increase stock basis » Appreciated property profit transferred to shareholders » If service providers receive an unrestricted stock interest in an S-corporation, taxable income will be transferred 	<ul style="list-style-type: none"> » No more than 100 shareholders » Shareholders must be individuals, estates, or trusts » Cannot have nonresident alien shareholders » Corporation may only have one class of stock » Cannot be an insurance company or foreign corporation » May not be a domestic international sales corporation