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

<table>
<thead>
<tr>
<th></th>
<th>Advantages</th>
<th>Disadvantages</th>
<th>Additional Information</th>
</tr>
</thead>
</table>
| **Sole Proprietorship** | Ease of formation  
Minimal capital requirements  
Retention of all profits  
Complete control of the business  
Tax benefits | Unlimited liability  
Limited management talent  
Few opportunities for employees  
Limited credit availability  
Instability of the business |           |
| **LLC & LLP** | Blend of corporation and partnership  
Does not restrict number of owners | Does not offer tax free ownership |           |
| **General Partnership** | Access to capital  
Management talent  
Ease of formation  
Complete control of the business  
Tax benefits | Unlimited liability  
Personality conflicts  
Life of the partnership  
Adding or removing partners  
Tax benefits |           |
| **C-Corporation** | Limited liability  
Unlimited life  
Transfer of ownership  
Professional management | Costs and complexity of incorporation  
Public disclosure  
Double taxation | 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 |
| **S-Corporation** | 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 | 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 |           |