

# BUSINESS ENTITIES COMPARISON TABLE

	Sole Proprietorship	Partnership	Limited Liability Company (“LLC”)	Corporation	
<b>Description:</b>	Single person or married couple in business.	Two or more individuals that agree to share the profits of a business venture.	A legal entity separate from its owner(s). Owners are called members. Formed by filing a Certificate of Formation with the Secretary of State.	A legal entity separate from its owner(s). Owners are called shareholders. Formed by filing Articles of Incorporation with the Secretary of State	
<b>Advantages:</b>	Simple; requires only a business license.	No formalities required. Takes advantage of talents of more than one person. Flexibility. Profits and losses need not be allocated in proportion to percentage ownership.	Personal assets of owners protected from most business losses. Flexibility. Profits and losses need not be allocated in proportion to percentage ownership.	Personal assets of owners protected from most business losses. Owners can be paid salaries. Benefits and salaries paid to owners can be deducted. Can elect to be tax to be taxed as S-Corp (C-Corp is default).	
				<b>S-Corp</b>	<b>C-Corp</b>
<b>Disadvantages:</b>	Unlimited personal liability. May not be able to take advantage of certain tax deductions.	Unlimited personal liability. Joint and several liability shared between the partners. May not be able to take advantage of certain tax deductions.	Requires state filings. Must follow certain formalities. More difficult form to bring in investment capital (i.e. angels, venture capital).	Limited number of shareholders; all must be individuals and US residents. One class of share only. Profits must be allocated in accordance with percentage owned. More formalities.	Double taxation. The profits of the corporation are taxed at the entity level and then any profits paid as dividends are taxed when paid to shareholders.
<b>Tax Treatment:</b> (federal)	“Pass through” profits and losses to owner. Owner reports business activity on Schedule C. All income from business is subject to self-employment tax.	“Pass through” profits and losses to partners. Partnership files a form 1065 and issues K-1 to partners. Partners report income on Schedule C. All income subject to self-employment tax.	Default is to be taxed as either a sole proprietorship (single member) or partnership (multi-member). LLC may elect to be treated as a corporation (S or C) for tax purposes.	“Pass through” profits and losses to shareholders. Corp. files form 1120S and issues a K-1; shareholders who are employees also receive a W-2.	Corporation files a form 1120 and pays tax on its net income. Shareholders pay capital gains on any dividends paid by company.
<b>Required Documents:</b>	Business License	Business License; SS-4	Certificate of Formation; Business License; SS-4	Articles of Incorporation; Bylaws; Annual Meeting Minutes; Business License; SS-4	
				Form 2553 (S election)	
<b>Recommended Documents</b>		Partnership Agreement	Operating Agreement; Annual Meeting Minutes	Shareholder Agreement	