



# Popular Business Entity Choices

# Sole Proprietorship/Partnership

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## Advantages

- **Simple to Form**
  - Register the business name via a DBA if using a name different than your own.
  - If business name is your own name, you don't need a DBA.
- **Simple to Maintain**
  - No financial statements or lengthy paperwork to stay compliant.
- **Simple to Tax**
  - Income earned by the business is considered income earned by owner.
  - Track income and expenses and report on Schedule C with personal tax return.

## Disadvantages

- **No Separation of Personal and Business Assets**
  - Sole Proprietorship owners are personally liable for any debts of the business.
  - High risk of personal assets in the case of a lawsuit.
- **Use of Personal Information**
  - Sole Proprietorship owners generally have to sign contracts and paperwork in their own name because the business does not have a separate identity under the law.
- **No Business Credit**
  - Sole Proprietorships cannot gain business credit, take out business loans, or raise capital in other ways.

# C Corporation

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## Advantages

- **Asset Protection**
  - A C Corporation provides the most personal liability protection for shareholders in a company.
- **Growth Potential**
  - A C Corporation has more potential to raise capital and grow. It can issue multiple classes of stock, and it may have an unlimited number of shareholders.
- **Longevity**
  - Unlike with a sole proprietorship (and in the case of some LLCs), a C Corporation will survive beyond its owners' life spans.

## Disadvantages

- **Cost and Complexity**
  - A C Corporation has more compliance requirements and costs more to register than other business entity types.
- **Double Taxation**
  - Generally, C Corporations are subject to double taxation - when profits distributed to shareholders as dividends are taxed again at the individual tax rate on shareholders' tax returns.

# Limited Liability Company

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## Advantages

- **Easy to Form and Manage**
  - Less formation paperwork and ongoing compliance requirements. No need to create a board of directors, create annual reports or hold annual shareholders meetings.
- **Asset Protection**
  - When you form an LLC, you legally separate your personal self from your business creating a level of protection for personal assets.
- **Tax Flexibility**
  - LLC's can opt to have taxes treated as an S-Corporation or have business profits pass through to personal federal income tax return which can lower your personal income tax obligation.
- **Professional Credibility**
  - Forming an LLC can help instill confidence and trust in the eyes of customers, prospects, vendors and the business community when they see the "LLC" following your company name.

## Disadvantages

- **Possible Confusion Over Roles**
  - If your LLC has multiple members, you may clash over who should be doing what and who is authorized to make certain decisions.
- **Self-employment Tax**
  - If you don't select S-Corporation tax treatment, all LLC profits will flow to your personal income tax return and get hit with the social security and Medicare taxes. Depending on your situation, that could result in more tax than if you'd be taxed as a corporation.
- **Challenge to Grow**
  - LLCs don't sell stock. With no shareholders as a source for generating funds, you may find it challenging to grow your business as quickly or to the degree you'd like.

	Initial Filing Requirements	Annual Compliance Requirements	Registered Agent Required
<b>Sole Proprietorship</b>	<i>None</i>	<i>None</i>	<i>No</i>
<b>General Partnership</b>	<i>None</i>	<i>None</i>	<i>No</i>
<b>Limited Partnership</b>	<i>Initial Filing (Some States)</i>	<i>Annual Reports (Some States)</i>	<i>Yes (Some States)</i>
<b>C Corporation</b>	<i>Initial Filing Initial Report Publication Fees</i>	<i>Annual Reports Annual Meetings Meeting Minutes</i>	<i>Yes</i>
<b>S Corporation</b>	<i>Initial Filing Initial Report Publication Fees</i>	<i>Annual Reports Annual Meetings Meeting Minutes</i>	<i>Yes</i>
<b>Limited Liability Company</b>	<i>Initial Filing</i>	<i>Annual Reports</i>	<i>Yes</i>
<b>Professional Corporation</b>	<i>Initial Filing Initial Report Publication Fees</i>	<i>Annual Reports Annual Meetings Meeting Minutes Additional Licensing or Board Certification May Be Required</i>	<i>Yes</i>