

# Common Business Entities \*

This table provides an at-a-glance reference to how partnership-related business entity types compare in a number of key characteristics.

Characteristics	<b>Sole Proprietorship</b>	<b><u>C</u> Corporation</b>	<b><u>S</u> Corporation</b>	<b><u>Limited Liability</u> <u>Company</u></b>
<b>Formation</b>	No state filing required.	State filing required.	State filing required.	State filing required.
<b>Duration of Existence</b>	Dissolved if entity ceases doing business or upon death of the sole proprietor.	Perpetual	Perpetual	Dependent on the requirements imposed by the state of formation.
<b>Liability</b>	Sole proprietor has unlimited liability.	Shareholders are typically not responsible for the debts of the corporation.	Shareholders are typically not responsible for the debts of the corporation.	Members are not typically liable for the debts of the LLC.
<b>Operational Requirements</b>	Relatively few legal requirements.	Board of directors, annual meetings and annual reporting required.	Board of directors, 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.	Managed by the 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>Taxation</b>	Not a taxable entity. Sole proprietor pays all taxes.	Taxed at the entity level. If dividends are distributed to shareholders, dividends are also taxed at the individual level.	No tax at the entity level. Income/loss is passed through to the shareholders.	If properly structured there is no tax at the entity level. Income/loss is passed through to members.
<b>Pass Through Income/Loss</b>	Yes	No	Yes	Yes
<b>Double Taxation</b>	No	Yes, if income is distributed to shareholders in the form of dividends.	No	No
<b>Cost of Creation</b>	None	State filing fee required.	State filing fee required.	State filing fee required.
<b>Raising Capital</b>	Often difficult unless individual contributes funds.	Shares of stock are sold to raise capital.	Shares of stock are sold to raise capital.	Possible to sell interests, though subject to operating agreement restrictions.
<b>Transferability of Interest</b>	No	Shares of stock are easily transferred.	Yes, but must observe IRS regulations on who can own stock.	Possibly, depending on restrictions outlined in the operating agreement.

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# Partnership Entities \*

This table provides an at-a-glance reference to how partnership-related business entity types compare in a number of key characteristics.

Characteristics	Sole Proprietorship	General Partnership	Limited Partnership	Limited Liability Partnership
<b>Formation</b>	No state filing required.	Agreement between two or more parties. No state filing required.	State filing required.	State filing required.
<b>Duration of Existence</b>	Dissolved if entity ceases doing business or upon death of the sole proprietor.	Dissolves upon death or withdrawal of a partner unless safeguards are specified in a partnership agreement.	Perpetual	Dependent on the requirements imposed by the state of formation.
<b>Liability</b>	Sole proprietor has unlimited liability.	Partners have unlimited liability.	At least one general partner has unlimited liability.	Partners are not typically responsible for the debts of the LLP.
<b>Operational Requirements</b>	Relatively few legal requirements.	Relatively few legal requirements.	Some formal requirements, but less formal than corporations.	PA requires an LLP to carry insurance or an escrow account to cover liabilities.
<b>Management</b>	Sole proprietor has full control of management and operations.	Typically each partner has an equal voice, unless otherwise arranged.	Limited partners are excluded from management unless they serve on the board of directors.	All partners have the right to manage the business directly.
<b>Taxation</b>	Not a taxable entity. Sole proprietor pays all taxes.	Not a taxable entity. Each partner pays tax on his/her share of income & can deduct losses against other sources of income.	Files taxes as separate entity, must meet certain criteria to avoid being taxed as a corporation.	Files taxes as a separate entity, must meet certain criteria to avoid being taxed as a corporation.
<b>Pass Through Income/Loss</b>	Yes	Yes	Yes, if requirements are fulfilled.	Yes, if requirements are fulfilled.
<b>Double Taxation</b>	No	No	No	No
<b>Cost of Creation</b>	None	None	State filing fee required.	State filing fee required.
<b>Raising Capital</b>	Often difficult unless individual contributes funds.	Contributions can be made from partners and more partners can be added	Contributions can be made from partners and more partners can be added.	Contributions can be made from partners and more partners can be added.
<b>Transferability of Interest</b>	No	No	Yes, pending approval of other limited partners and the general partners.	Possible, dependent on operating agreement restrictions.

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