

COMPARE BUSINESS TYPES

Based upon the factors below, decide which type is best for your situation now and what type you may want to convert to in the future when your business is cash flowing.

BUSINESS TYPE	FORMATION & OWNERSHIP	LIABILITY RISKS	TAXATION	LEGAL MAINTENANCE	RAISING CAPITAL	OWNER INTEREST TRANSFERABLE	COMMON BUSINESSES OF THIS TYPE	OTHER
Sole Proprietor and/or Doing Business As (DBA)	Individual operating a business No state filing required	Risk to personal assets*	Individual pays all taxes and claims all income or loss	Consult with attorney to determine when to convert to another entity type	Difficult – usually personal loan, personal guarantee, or personal funds required	No	Home business Online business	*Mitigate risks to personal assets with proper and adequate insurance coverage & plan to convert when making \$
General Partnership (GP)	2+ Partners No state filing required	Risk to each Partner's assets*	Partners pay all taxes and claim all income or loss	See above. Also, when starting, consult with attorney to draft the partnership agreement	Typically, contributions by each partner, & more partners can be added as set forth in the partnership agreement	No	Online business New business Short-Term Joint Venture	*See above.
Limited Partnership (LP)	2+ Partners At least 1 General Partner & 1 Limited Partner State filing & fee required, Obtain Federal EIN	Risk to General Partner's assets (no risk to limited partners assets if providing \$ only)*	Partners pay all taxes and if all requirements are fulfilled, then partners claim all income or loss	See above DBA & GP. Also, Some formal requirements, e.g., Annual filings, Annual fees, Annual meetings, etc. (however, much less than a corporation)	See above GP.	Yes, pending approval of other partners as set forth in the partnership agreement or by law.	Short-Term Joint Venture 1+ partner has funds, but does not want to otherwise engage in the business	*General Partner should mitigate risks to personal assets with proper & adequate insurance *Limited Partner should not engage in running the

	– may also need sales tax ID, etc.							business or can lose limited status
Limited Liability Partnership (LLP)	2+ Partners State filing & fee required, Obtain Federal EIN – may also need sales tax ID, etc.	If comply with state requirements, then Partners are not typically responsible for the debts of the LLP (except taxes)	If comply with state requirements, then Partners claim all income or loss – consult with CPA	Consult with an attorney to comply with state requirements for forming and maintaining an LLP (less than a corporation)	See above GP.	See above GP.		Typically, required by law to have an escrow account or adequate insurance to cover liabilities of LLP
Limited Liability Company (LLC)	1+ Members (some states require 2+ Members) State filing & fee required, Obtain Federal EIN – may also need sales tax ID, etc.	If Members comply with state requirement, then Members are not typically responsible for the debts of the LLC (except taxes)	If comply with state requirements, then Members claim all income or loss – Consult with CPA May file S-Corp election for federal tax treatment purposes	Consult with an attorney to comply with state requirements for forming and maintaining and LLC, e.g., Annual Meeting Notice, Annual Meeting, Minutes, Member Loans, etc., as well as, drafting an Operating Agreement Although formalities are less than a corporation, very important to maintain to prevent	Typically, contributions by each Member, & more Members can be added as set forth in the Operating Agreement	Yes, as set forth in the Operating Agreement	Almost any business unless worried about tax liability – then S-Corp or C-Corp may be better for the business Consult with CPA	

				piercing the corporate veil and exposure to personal liability for business debts/liabilities				
Series LLC	<p>2+ Members (not allowed in some states)</p> <p>State filing & fee required, Obtain Federal EIN – may also need sales tax id, etc.</p>	<p>See above LLC. Also, isolates the liability of each “baby” in the series to the “baby’s” liabilities, so they can’t reach the assets of the other babies in the series LLC</p> <p>Usually limited number of “babies” in the series</p>	<p>Consult with a CPA – can be very complex</p>	<p>Consult with an Attorney – complex and necessary to maintain series LLC status and prevent piercing the corporate veil an invading assets of other baby LLC’s in the series*</p>	<p>See above LLC.</p> <p>Also, each “baby” in the series LLC can have different Members, different Operating Agreements, etc.*</p>	<p>See above LLC.</p>	<p>Real Estate Investors</p> <p>Businesses with multiple locations &/or use shared assets</p> <p>Businesses with high risk activity in one part of the business & low risk with high income in another part of the business</p>	<p>*Newer type of entity, so riskier due to undecided issues by states and IRS</p>
S-Corp	<p>Limited to 100 or less Shareholders, only 1 type of shareholder, & must meet other requirements</p>	<p>If Shareholders comply with state requirement, then Shareholders are not usually responsible</p>	<p>Avoid double taxation because usually, taxes are paid by shareholders and they claim the income</p>	<p>Consult with an attorney to determine if your business meets the requirements, & to comply with state requirements for forming and maintaining an</p>	<p>Consult with an attorney to comply with state and federal securities laws, e.g., how to raise capital, sell shares of stock, comply with IRS regulations on</p>	<p>Yes, but make sure that the “new” shareholder can own stock pursuant to IRS regulations for S-Corp by consulting with an attorney</p>	<p>Family businesses</p> <p>Small businesses with no intent to exceed 100 shareholders</p>	

	State filing & fee required, Obtain Federal EIN, May need sales tax id, etc.	for the S-Corp debts	&/or losses (unlike a C-Corp)	S-Corp, e.g., issuance of stock certificates, Forming Board of Directors as elected by shareholders, Annual Report filings, Annual Meeting Notice, Annual Meeting, Minutes, etc., More formalities than other entities above (similar to C-Corp)	stock ownership, etc.			
C-Corp	May issue several kinds of shares; number of shareholders only limited by what shares are issues, etc. State filing & fee required, Obtain Federal EIN, May need	See above S-Corp.	Double taxation – tax at both entity level & shareholder level if income distributed as dividends	See above S-Corp.	See above S-Corp.	Yes, stock certificates are sold to raise capital and can be sold as set forth in the certificate and in compliance with securities laws and regulations.	Large businesses with a lot of liabilities and seriously concerned about tax liabilities passing through to their shareholders	

	sales tax id, etc.							
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NOTE: There are other lesser used entity types, e.g., IRA LLC, Professional Corp, Non-Profit Corp, etc. that are not addressed in the table above. Consult with an attorney to determine whether any of these entity types are best for your situation.