

	PROPRIETORSHIP	PARTNERSHIP	CORPORATION (S or C)	LIMITED LIABILITY CORPORATION/PARTNERSHIP
<b>Best Suited For:</b>	<ul style="list-style-type: none"> <li>• Single owner business where taxes or product liability are not a concern.</li> <li>• Best for small businesses and early start-up phases.</li> </ul>	<ul style="list-style-type: none"> <li>• Business with two or more persons where taxes or product liability are not a concern and profits or losses are shared.</li> </ul>	<ul style="list-style-type: none"> <li>• Single or multiple owner business where owner(s) need(s) company-funded fringe benefits and liability protection.</li> <li>• An entity which is separate and distinct from the individual.</li> <li>• Need to raise capital.</li> </ul>	<ul style="list-style-type: none"> <li>• Single or multiple owner business where owner(s) need(s) limited liability but want to be taxed as a partnership.</li> </ul>
<b>Type of Organization:</b>	<ul style="list-style-type: none"> <li>• Inseparable from owner.</li> </ul>	<ul style="list-style-type: none"> <li>• Inseparable from owner but can have debt and own property in its name.</li> <li>• Created by agreement of individuals.</li> </ul>	<ul style="list-style-type: none"> <li>• Separate legal entity created under State Law.</li> </ul>	<ul style="list-style-type: none"> <li>• Separate legal entity created under State Law.</li> </ul>
<b>Advantages:</b>	<ul style="list-style-type: none"> <li>• Inexpensive to set up.</li> <li>• Few administrative duties.</li> </ul>	<ul style="list-style-type: none"> <li>• Inexpensive to set up.</li> <li>• Few administrative duties.</li> <li>• Partners contribute time, money or property to receive equity interest.</li> <li>• Can provide for contingencies of partners' death, incapacity or desire to sell.</li> </ul>	<ul style="list-style-type: none"> <li>• Liability limited to investment.</li> <li>• Company-paid fringe benefits (C Corp.).</li> <li>• Tax savings through income splitting (C Corp.).</li> <li>• Capital raised through sale of stock.</li> <li>• Owners not held personally liable for corporate actions.</li> <li>• Continues in existence until formally shut down.</li> <li>• Stockholders' sale of shares, may/may not be restricted.</li> </ul>	<ul style="list-style-type: none"> <li>• Liability limited to the entity's assets (LLC) or limited partners' investment (LLP).</li> <li>• Pass-through entity.</li> <li>• Unlimited number of owners.</li> <li>• Capital raised <ul style="list-style-type: none"> <li>a) LLP: Similar to general partnership.</li> <li>b) LLC: Similar to C Corporation.</li> </ul> </li> </ul>
<b>Disadvantages:</b>	<ul style="list-style-type: none"> <li>• Unlimited liability and personal assets at risk.</li> <li>• Few tax benefits.</li> <li>• Business dissolves upon death of owner.</li> <li>• Capital based on personal resources and collateral.</li> </ul>	<ul style="list-style-type: none"> <li>• Unlimited liability; also each partner liable for other partner's acts.</li> <li>• Each partner's individual assets at risk.</li> <li>• Few tax benefits.</li> <li>• Legally dissolves upon change or death of partner.</li> <li>• Agreements on each partner's interest, obligations and rights can be complex.</li> <li>• Partners with different views on running business.</li> <li>• Capital based on personal resources and collateral.</li> </ul>	<ul style="list-style-type: none"> <li>• Can be costly to form.</li> <li>• More administrative duties.</li> <li>• S Corp. limited to 35 shareholders.</li> <li>• Special laws and tax rules apply.</li> <li>• Complex to form.</li> </ul>	<ul style="list-style-type: none"> <li>• Can be costly so form.</li> <li>• More administrative duties.</li> <li>• Few laws interpreted by Courts; results in questions on proper business operation.</li> <li>• Lose some company-funded benefits.</li> <li>• Unlimited liability to General Partner (LLP).</li> </ul>
<b>Taxes:</b>	<ul style="list-style-type: none"> <li>• Owner is responsible.</li> <li>• File Schedule C with Form 1040.</li> <li>• Taxed at personal income rate.</li> <li>• Carry forward losses.</li> </ul>	<ul style="list-style-type: none"> <li>• Partners are responsible.</li> <li>• File Form 1065 and K-1.</li> <li>• Profits/Losses are distributed to partners pro-rata.</li> </ul>	<p style="text-align: center;"><u>C Corp</u></p> <ul style="list-style-type: none"> <li>(a) Pays its own at corporate rate.</li> <li>(b) File Form 1120.</li> </ul> <p style="text-align: center;"><u>S Corp</u></p> <ul style="list-style-type: none"> <li>(a) Passes through to owners.</li> <li>(b) Taxed as a partnership.</li> <li>(c) File Form 1120S.</li> </ul>	<ul style="list-style-type: none"> <li>• Usually taxed as a partnership, but can be taxed as a corp. in some states.</li> <li>• Usually Form 1065.</li> </ul>