

Business Entity Comparison Chart

| Comparison Factors | Sole Proprietorship (SP) | General Partnership (GP) | Limited Liability Company (LLC) | S Corporation (S Corp) | C Corporation - General Stock (C Corp) |
|--|--|---|---|---|---|
| Business formation | City tax license may be required. No state filing required | No state filing required. Some states allow GP's to file at state agency. An Agreement between two or more parties. Partnership agreement should be created | Required to file formation document with the State filing agency. Most states require an Operating Agreement | Required to file formation document with the State filing agency. Most states require annual meetings and bylaws. Must elect S status through the IRS, additional filing required | Required to file formation document with the State filing agency. Most states require annual meetings and bylaws |
| Size | One person ownership | Two or more person ownership | Most states allow single member LLC's but some require 2 or more members | Up to 75 members/ shareholders | Unlimited |
| Length of Existence | Sole proprietorship either ceases doing business or dies | Depending upon partnership agreement. Typically death or withdrawal of a partner dissolves the GP | Some states allow LLC's to have a perpetual existence. Others depend upon the state's requirements | Perpetual | Perpetual |
| Liability | SP has unlimited liability and can lose personal assets | General Partners are equally liable or less the partnership agreement states otherwise | Members are not liable for debts accrued by the company or less a member secured the debt with a personal asset | Shareholders are typically not liable for the debts of the corporation. Some officers can be held liable if there is fraud or severe mismanagement. | Shareholders are typically not liable for the debts of the corporation. Some officers can be held liable if there is fraud or severe mismanagement |
| Operational Procedures | Easiest with few legal requirements | Typically GP's have few legal requirements | Most states have some formal requirements like annual reports but are typically less than a corporation | Annual meetings, filings, and reporting required. Board of Directors and Officers must be maintained. | Annual meetings, filings, and reporting required. Board of Directors and Officers must be maintained |
| Start up cost | Cost of business tax license | Cost of business tax license | State filing fee is required. | State filing fee is required. | State filing fee is required. |
| Management | SP is in complete control of managing operations | Or less the partnership agreement states otherwise, each partner has equal management authority | Management is outlined in the LLC's Operating Agreement. | Officers manage day to day corporate activities. Directors manage the officers and the overall company. Directors are elected and therefore managed by the shareholders | Officers manage day to day corporate activities. Directors manage the officers and the overall company. Directors are elected and therefore managed by the shareholders |
| Taxation | Taxed Once | Taxed Once | Taxed Once | Taxed Once | Double; both the corporation and shareholders are taxed |
| Pass through taxation for both income and loss | Yes | Yes | Yes | Yes | No |
| Interest Transferability | No. Or less business is sold to another party | No. | Depends upon the operating agreement | Yes. Some IRS regulations on stock ownership | Shares of stock are easily transferred |
| Raising Capital | Hard to get outside capital. Owner typically contributes all funds | Partners contribute capital and more capital can be raised by adding new partners | Some operating agreements allow interests to be sold | S Corps can sell stock to raise capital | C Corps can sell stock to raise capital |
| Dissolution | Easiest | Easy | Complex. Requires filing dissolution document with state filing agency. Some states require a tax clearance prior to dissolution. | Most Complex. Requires filing dissolution document with state filing agency. Some states require a tax clearance prior to dissolution. | Most Complex. Requires filing dissolution document with state filing agency. Some states require a tax clearance prior to dissolution. |
| Examples | Mom & Pop Ice cream shop | Land Developer | Real Estate Investment Property. Motion Picture. Any type of business depending upon specific state restrictions. | Small business or Family business such as a print shop, Pizza Parlor, or Interior Design. | Public Corporation. Software company, telecommunications company, etc. |

This Summary of Terms does not constitute the rendering of legal or financial advice or services. This information is intended for informational use only and is not a substitute for legal or financial advice. State laws vary, so consult an attorney on all legal matters and an accountant for professional matters. Taken from <http://www.sundocumentfilings.com/entitycomparisonable.htm>