

Comparison of Business Structures

	Sole Proprietorship/General Partnership	S-corporation	C-corporation	Limited Liability Company (LLC)
Formation	File with county clerk if doing business under an assumed name; register with state in most cases.	State filing required, typically within 60 days of formation	State filing required	State filing required
Personal Liability	Owners have unlimited liability	Shareholders typically not liable for corporate debts	Shareholders typically not liable for corporate debts	Members typically not liable for corporate debts
Requirements	Relatively few	Board and shareholder meetings and minutes required; annual state reports required	Board and shareholder meetings and minutes required; annual state reports required	Formal meetings and minutes not required; annual state reports required
Management	Sole proprietor has full control. Partnerships have flexible management structure.	Managed by directors who are elected by shareholders	Managed by directors who are elected by shareholders	Management is flexible with operating agreement typically outlining management duties. Board of managers optional.
Taxation	Not a separate entity. Income/loss passed through to owners	No tax on S-corp. Income/loss passed through to shareholders	C-corp is taxed. If dividends are distributed to shareholders, dividend income is taxed at individual level.	By default there is no tax on LLC. Income/loss passed through to members.
Tax Reporting	Sole proprietorship: Form 1040, Schedule C. Partnerships: Form 1065 with distributions via Schedule K-1	Form 1120-S. Profit/loss distributions on Schedule K-1	Form 1120. Profit/loss distributions on 1099-DIV	Same as sole proprietorship/general partnership. LLCs may elect to be taxed as a C- or S-corp.
Recommended for:	Owners wanting minimal formalities, maximum flexibility, not worried about liability	Owners wanting liability protection of a corporation with the simplicity of pass-through taxation of income.	Owners needing maximum tax and ownership flexibility with liability protection	Owners wanting liability protection of a corporation and the simplicity of pass-through taxation of income with less formality