

# Fundamentals of Business Organization



Conditions	Sole Proprietorship	General Partnership	Limited Partnership (LP or LLP)	Limited Liability Partnership (LLP)	C-Corp	S-Corp	Limited Liability Company (LLC)
Formation	No state filing requirement	No state filing requirement	Must file with state. Limited to certain professions or unavailable in some states.	Must file with state. Limited to certain professions or unavailable in some states.	Must file with state	Must file with state. Must also qualify to make IRS election.	Must file with state
Tax ID	SSN or EIN	EIN	EIN	EIN	EIN	EIN	EIN
Registered Agent	Not required	Not required	Required	Required	Required	Required	Required
Term of Existence	Limited	Limited	Limited	Limited	Unlimited	Unlimited	Unlimited
Owner liability for business debts	Full liability	Full liability	Full liability for general partner, limited liability for limited partner	Limited liability	Limited liability	Limited liability	Limited liability
Management	Sole Proprietor	Partners	General Partner(s)	Partners	<u>Board of Directors</u>	<u>Board of Directors</u>	Members or Managers
Annual report required?	No	No	Yes	Yes	Yes	Yes	Yes
Pass-through taxation possible?	Yes	Yes	Yes	Yes	No	Yes	Yes
Taxation Options	Pass-through taxation only.	Pass-through taxation only.	Pass-through taxation only.	Pass-through taxation only.	C-Corp	S-Corp or pass-through	Pass-through, C-Corp, <u>or</u> S-Corp
Equity Financing	Can only have one owner	Partners can be added and make contributions	Partners can be added and make contributions	Partners can be added and make contributions	Shares of stock can be sold to raise capital	Shares of stock can be sold to raise capital (pursuant to IRS restrictions)	Members can be added and make contributions
Owner Wages	Withdraw profits as needed	Withdraw profits as needed					
Transferability of Interest	No	Limited	Limited	Limited	Freely transferable	Freely transferable (with IRS restrictions on stock ownership)	Limited

This chart provides extremely basic information to help you compare and contrast the options available for business organization. The chart reflects the most common rules found across the most states, but there are differences from state to state that are not reflected here. Please consult an expert in business and tax law before making decisions about your corporate structure.