

Business Structure Summary Comparison Table – Advantages & Disadvantages*

Business Structure	Summary of Advantages	Summary of Disadvantages
Sole Proprietorship	Default for single-owner business; requires little to no paperwork; owner has total control over business; net income reported on owner's personal tax return (even if business done with fictitious name (such as a DBA))	Owner may be personally liable for the debts and other liabilities of the business; not a good business structure for raising money from investors
General Partnership	Default setup for multi-owner business; requires little/no paperwork; owners can divide control as they see fit; business profits pass through to owners' personal tax returns	Owners may be personally liable for the debts and other liabilities of the business; possibility of partner conflicts; not a good business structure for raising money from investors
Limited Partnership	Provides partnership structure; potential for limited liability of limited partners; general partner still has unlimited liability; easier to raise external capital relative to a general partnership	Limited partners have no control in the day-to-day management of the business
Limited Liability Company (LLC)	Protection from personal liability; less record-keeping than corporation; profits & responsibilities can be easily divided among members; depending on state law; can be single-member LLC if only one owner/member	Not appropriate to raise venture capital or investor money. Entire income of LLC members subject to self-employment tax contributions (<i>e.g.</i> , Medicare and Social Security), which may be avoidable with an S- or C-corporation
C Corporation	Protection from personal liability (subject to risk of "corporate veil" being "pierced" if paperwork and other governance and operating requirements not properly followed); easier to raise capital; often viewed as a more established entity by investors	Costly to form; double taxation; extensive paperwork requirements; risk of "corporate veil" (which provides limited liability) being "pierced" if paperwork & other governance & operating requirements not properly followed
S Corporation	Protection from personal liability (subject to risk of "corporate veil" being "pierced" if paperwork and other governance and operating requirements not properly followed); Net income passes through to owners' personal tax returns	Only some companies eligible; more limits on issuing shares compared to C-corp. (<i>e.g.</i> , can have only one class of stock) & on types and number of shareholders; same risk of "corporate veil" being pierced as C-corporations (see above)

*** IMPORTANT NOTE: This document is intended to be a summary only and is NOT intended as, nor may it be used as, legal or tax advice. It is intended to facilitate discussions with appropriate legal/tax advisors and/or counsel. Appropriate legal/tax advisors and/or counsel should ALWAYS be consulted first for all entity formation and tax issues.**