

BUSINESS STRUCTURES

When starting a business, one of the most important aspects relating to taxes and ultimately the business's sellability is the type of legal structure you choose for your company. This chart is meant to give a general overview of each, a starting point for discussions with your financial advisors. For more information about business structures, visit www.FinanciallySimple.com/entity

INDIVIDUALS

SOLE PROPRIETORSHIP

- No Forms or Documents Required
- Easy Maintenance & Transference of Assets
- Owner is In Complete Control of the Business
- Few Accounting Requirements
- Can File a DBA
- File Personal Income Tax, Schedule C
- Flow-Through Taxation
- Flow-Through Assets
- Business Inextricable from Owner
- Must Pay Self-Employment Tax
- Flow-Through, Personal Liability

GENERAL PARTNERSHIP

- No Forms or Documents Required
- Easy Maintenance & Transference of Assets
- Shared Risks & Responsibilities
- Few Accounting Requirements
- Can File a DBA
- File Personal Income Tax, Schedule C
- Flow-Through Taxation
- Flow-Through Assets
- Business Inextricable from Owners 50/50
- Shared Profits
- Flow-Through, Personal Liability

BUSINESSES

LIMITED LIABILITY COMPANY (LLC)

- Owner(s)/Member(s) Separated from Co.
- Personal Liability Protection
- Can Be Taxed as an Individual, a Partnership, or a Corporation
- Few Accounting Requirements
- Member Contracts Recommended
- Flow-Through Taxation
- Flow-Through Assets
- Additional Franchise/ Capital Values Tax Possible
- Abide by State Laws (Meetings & Reports)
- License & Fees Required

C CORPORATION

- Owners/Shareholders Separated from Co.
- Highest Corporate Veil of Liability Protection
- Ability to Be a Publicly Traded Company
- Can Sell & Transfer Ownership Stock
- Lower Tax Rate on Retained Profits
- Tax Deductions for Medical, Travel, Entertainment
- Managed by Elected Board of Directors
- Run by Appointed Officers - CEO, President, Etc.
- Abide by Corporate Bylaws
- Double Taxation & Complex Accounting Rules
- License & Fees Required

S CORPORATION

- Owners/Shareholders Separated from Co.
- Corporate Veil of Liability Protection
- Can Sell & Transfer 1 Class of Stock
- Fairly Simple Accounting Rules and Flow-Through Taxation by Ownership %
- Restricted to 100 U.S. Citizen Shareholders
- Managed by Elected Board of Directors
- Run by Appointed Officers - CEO, President, Etc.
- Required to be Paid a Salary
- Abide by Corporate Bylaws
- Cannot deduct Medical, Travel, or Entertainment
- License & Fees Required

KEY

Pros and Cons of each business structure:

- Considered a "Pro" of the structure
- Either/or Depending on Need
- Considered a "Con" of the structure

Disclaimer:

This graphic is an over-simplification of complex information and variable topics. To decide which type of business structure will be best for your company, CONSULT WITH YOUR OWN PROFESSIONAL TEAM that includes a good attorney, a seasoned CFP®, and a strong CPA.

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