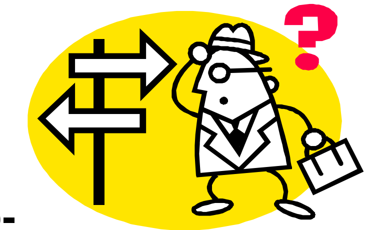
Business entity choice



	Sole Proprietor	Partnership	S Corporation	C Corporation	LLC
Ownership	One responsible owner starts a business.	Two or more responsible owners start a business.	Up to 100 consenting shareholders buy stock.	Any number of shareholders purchase stock.	Any number of members form a legal entity.
Structure	The one responsible owner and the business are inseparable.	Separate registered entity/ Partners contribute money or property and share the profit or loss.	Registered legal entity/ Shareholders buy stock and are employees of the corporation.	Registered legal entity/ Shareholders buy stock and are employees of the corporation.	Members form a legal entity.
Taxation	Not directly taxed/ Owner files Schedule C and pays income and SE tax on net profit on Form 1040.	Separate tax return (Form 1065) divides profit or loss between partners. Net income flows to Form 1040. SE tax applies.	S Corporation status must be elected with Form 2553. Separate tax return (Form 1120S) flows the income to Form 1040.	Corporate income tax is paid with Form 1120. Income is taxed again when the profits are distributed as dividends.	Members can elect corporate taxation, or , single owner LLCs default to sole proprietorships, and multi-owner LLCs default to partnerships.
Advantages	-Easy to set-up -No separate tax return -Formal record-keeping not required -Owner can take money as needed. -Easy to discontinue -Can take advantage of home office and hiring children.	-Relatively easy set-up -Partners can take money according to their mutual agreements.	-Shareholders have limited liability. -The business is a separate entity from the shareholders. -No double taxation of profits	-Shareholders have limited liability. -The business is a separate entity from the shareholders. -Owners qualify for fringe benefits. -Easier to raise capital.	-Members have limited liability. -The business is a separate entity from the shareholders. -Members choose method of taxation.
Disadvantages	-Owner has no liability protection.	-Partners have no liability protection. -Requires a separate tax return -Needs to be formally dissolved.	-Requires a separate tax return -Needs to be formally created, operated, and dissolved	-Requires a separate tax return -Needs to be formally created, operated, and dissolved -Double taxation of profits	-LLC laws can vary from state to state.