

Business Entities

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Choice of Business Entity

"I'm starting a widget manufacturing business.

Do I need to form a legal entity to conduct the business, and if so, what's the best type of entity to use?"

Choice of Business Entity

• **Most commonly used business entities:**

- Sole proprietorship
- General partnership (GP)
- Limited partnership (LP)
- Corporation
 - C corporation (CC)
 - S corporation (SC)
- Limited liability company (LLC)
- Non-Profit Corporation (501-3C)

Considerations when choosing a business entity:

- Cost / Maintenance
- Tax Liability
- Legal Liability
- Ownership / Management



Sole Proprietors

- Simplest Form of Business
- Cost / Maintenance
- Tax Liability
- Legal Liability
- Ownership / Management

Sole Proprietors

- Simplest Form of Business
 - You and the Business are the same
- Cost / Maintenance
- Tax Liability
- Legal Liability
- Ownership / Management

Sole Proprietors

- Simplest Form of Business
- Cost / Maintenance
 - No Organizational requirements
- Tax Liability
- Legal Liability
- Ownership / Management

Sole Proprietors

- Simplest Form of Business
- Cost / Maintenance
- Tax Liability
 - Money taxed once, at your income tax rate
- Legal Liability
- Ownership / Management

Sole Proprietors

- Simplest Form of Business
- Cost / Maintenance
- Tax Liability
- Legal Liability
 - No Liability protection
- Ownership / Management

Sole Proprietors

- Simplest Form of Business
- Cost / Maintenance
- Tax Liability
- Legal Liability
- Ownership / Management
 - No more than 1 owner

Sole Proprietorship: Example

- Grandma's homemade sweaters that she sells on eBay and to family and friends.
- Jimmy's grass-cutting services.
- Any business can, in theory, be a sole proprietorship.



Sole Proprietorships

Don't do it

Partnerships

- Shouldering the burden
- Cost / Maintenance
- Tax Liability
- Legal Liability
- Ownership / Management