

COMPARISON CHART

Type of Entity	Main Advantages	Main Drawbacks
Sole Proprietorship	<p>Simple and inexpensive to create and operate.</p> <p>Owner reports profit or loss on his or her personal tax return.</p>	<p>Owner personally liable for business debts.</p>
General Partnership	<p>Simple and inexpensive to create and operate.</p> <p>Owner (partners) reports profit or loss on his or her personal tax returns.</p>	<p>Owner (partners) personally liable for business debts.</p>
Limited Partnership	<p>Limited partners have limited personal liability for business debts as long as they don't participate in management.</p> <p>General partners can raise cash without involving outside investors in management of business.</p>	<p>General partners personally liable for business debts.</p> <p>More expensive to create than general partnership.</p> <p>Suitable mainly for companies that invest in real estate.</p>
Regular C-Corporation	<p>Owners have limited personal liability for business debts.</p> <p>Fringe benefits can be deducted as business expense.</p> <p>Owners can split corporate profit among owners and corporation, paying lower overall tax rate.</p>	<p>More expensive to create than partnership or sole proprietorship.</p> <p>Paperwork can seem burdensome to some owners.</p> <p>Separate taxable entity.</p>
S-Corporation	<p>Owners have limited personal liability for business debts.</p> <p>Owners report their share of corporate profit or loss on their personal tax returns.</p> <p>Owners can use corporate loss to offset income from other sources.</p>	<p>More expensive to create than partnership or sole proprietorship.</p> <p>More paperwork than for a limited liability company which offers similar advantages.</p> <p>Income must be allocated to owners according to their ownership interests.</p> <p>Fringe benefits limited for owners who own more than 2% of shares.</p>
Professional Corporation	<p>Owners have no personal liability for malpractice of other owners.</p>	<p>More expensive to create than partnership or sole proprietorship.</p> <p>Paperwork can seem burdensome to some owners.</p> <p>All owners must belong to the same profession.</p>
Non-Profit Corporation	<p>Corporation doesn't pay income taxes.</p> <p>Contributions to charitable corporation are tax-deductible.</p> <p>Fringe benefits can be deducted as business expense.</p>	<p>Full tax advantages available only to groups organized for charitable, scientific, educational, literary or religious purposes.</p> <p>Property transferred to corporation stays there; if corporation ends, property must go to another nonprofit.</p>

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Limited Liability Company	<p>Combines a corporation's protection from personal liability for business debts and pass-through tax structure of a partnership.</p> <p>Significantly easier to maintain than a corporation.</p> <p>IRS rules now allow LLCs to choose between being taxed as partnership or corporation.</p>	<p>More expensive to create than partnership or sole proprietorship.</p> <p>State laws for creating LLCs may not reflect latest federal tax changes.</p>
Professional Limited Liability Company	<p>Same advantages as a regular limited liability company.</p> <p>Gives state licensed professionals a way to enjoy those advantages.</p>	<p>Same as for a regular limited liability company.</p> <p>Members must all belong to the same profession.</p>
Limited Liability Partnership	<p>Mostly of interest to partners in old line professions such as law, medicine and accounting.</p> <p>Owners (partners) aren't personally liable for the malpractice of other partners.</p> <p>Owners report their share of profit or loss on their personal tax returns.</p>	<p>Unlike a LLC or a professional limited liability company, owners (partners) remain personally liable for many types of obligations owed to business creditors, lenders and landlords.</p> <p>Not available in all states.</p> <p>Often limited to a short list of professions.</p>

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