

## Forms of Organization: Key Differentiating Factors

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Form:	Liability	Taxation	Complexity/Cost	Flexibility	Other
Sole Proprietorship	Total personal liability	Personal tax paid by owner on profits; no Corp tax	No paperwork or fees needed to form	Can't sell or bequeath business, just assets	Unlimited liability makes this a bad choice
General Partnership	Each partner has total personal liability	Personal tax paid by partners on profits; no Corp tax	Can be as simple or complicated as desired	Unlimited number and type of partners	Unlimited liability makes this a bad choice
Limited Partnership	Limited Partners can't lose more than invested; General Partners have total personal liability	Personal tax paid by partners on profits; no Corp tax	Can be as simple or complicated as desired	Unlimited number and type of partners (as long as there is at least 1 GP)	LPs can't be involved in business; GP personal liability still an issue
C-Corp	The "business" bears all liability (unless employees broke a law)	Corp tax on all profits PLUS personal tax on distributions to owners: "double taxation"	Complex, costly paperwork to set up and maintain	Unlimited number and type of owners; easy to set up stock options & preferred stock	Preferred structure for VC investors and IPOs
S-Corp ("small" corp)	The "business" bears all liability (unless employees broke a law)	Personal tax paid by owners on profits	Need a legal specialist to set it up right	Max 99 owners, no corporate or foreign owners, only 1 stock class	Intended to help family businesses; being replaced by LLC
LLC (Limited Liability Company)	The "business" bears all liability (unless employees broke a law)	Personal tax paid by owners on profits	Can be cheap and easy or more complex for stock options & other features	Unlimited number and type of owners; can convert to C-Corp easily	Best choice for small businesses without outside investors
B-Corp (Beneficial Corp)	Uses one of above structures	Uses one of above structures; now lobbying for additional tax benefits	Additional layer of setup and maintenance paperwork and cost	Depends on which of above structures it uses	Prioritizes mission over profits; attracts customers, employees, investors?