

Choice of Business Formation can cost you additional insurance dollars you never expected... call us for the rest of the story before launching your business. Know all the facts... Call Lanzo, Lutz & Associates... 888-722-2770, Ted Lanzo, CPIA

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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Type of Entity	Main Advantages	Main Drawbacks
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>