

Forms of Business Organization Chart

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NH Small Business Development Center



	Proprietorship	Partnership	S Corporation	C Corporation	LLC
Formation	No permission required	Agreement of parties involved. No permission required.	File with state for permission.	File with state for permission.	File with state for permission.
Legal Liability	Unlimited, personal assets at risk	Unlimited, personal assets at risk	Limited	Limited	Limited to investment and varies with terms of LLC agreement
Management	Full control of management and options.	Relatively few legal requirements	Shareholders are not personally liable for the debts of the corporation.	Shareholders are not personally liable for the debts of the corporation.	Members are not personally liable for the debts of the corporation if the LLC is properly structured.
Simplicity of Operation	Relatively few legal requirements.	Relatively few legal requirements.	Formality of board of directors, officers, annual meetings and annual reporting.	Formality of board of directors, officers, annual meetings and annual reporting.	Some formal requirements but less formal than corporations.
Continuation of Business Entity	Limited to the life of proprietor	Limited unless provided for in a partnership agreement	Unlimited unless terminated by agreement of shareholders	Unlimited unless terminated by agreement of shareholders	Unlimited unless terminated by agreement of members
Acquisition of Capital	Limited by the proprietors ability to secure	Limited by the partners' ability to secure	Acquired by issuing stock or other borrowing	Acquired by issuing stock or bonds or other borrowing	Acquired by issuing stock or bonds or other borrowing
Federal tax filing required	Schedule C with owner's form	Form 1065 and K-1 with Owners'	Form 1120S and K-1 to each shareholder	Form 1120	No tax at LLC level, similar to 'S' Corp.*

*No tax at LLC level. A single member LLC defaults to tax treatment as a sole proprietorship and a multi-member LLC defaults to a partnership tax treatment unless a federal tax election is filed to be treated as a corporation.

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Taxation of Income	Directly as owner's income	Directly to each partner as agreed	Distributed to shareholder and taxed directly to each	Taxed at corporate level and again if distributed to shareholders	Generally taxed when distributed to shareholders.
Admin and Legal costs	Lowest	Moderate	Lowest among corporate forms	Higher than 'S' Corp.	Varies
Owner's Fringe Benefits	Not yet fully tax deductible	Not yet fully tax deductible	Deductible, but subject to many regulations	Deductible, but subject to many regulations	Deductible, but subject to many regulations
Pension Plans	Some IRA, Keogh, SEP	Some IRA, Keogh, SEP	Various	Various	Various
Transferability of Interest	No	No	Yes, subject to consent	Shares of stock in a corporation may/may not be easily transferable	Possibly
Major Advantage(s)	Flexibility, minimum paperwork	Flexibility, minimum paperwork	Limited Liability (in most instances) and avoids double taxation	Limited Liability (in most instances) Easier to raise capital than other forms	Limited Liability (in most instances) Simpler to administer than other corp. forms
Major Disadvantages	Unlimited financial liability	Unlimited financial liability, unclear authority can lead to problems	Several Limitations of 'S' status. Limits on some owner benefits	Greater cost and administration, double taxation of owner's income	Complicated in some ways, not valid in all states. May not meet the needs of some owners