

Comparison of Basic Business Structures

TYPE OF BUSINESS	DEGREE OF LIABILITY	CONTROL OVER MANAGEMENT	TAX IMPLICATIONS	TAX FORM(S)
SOLE PROPRIETORSHIP	Unlimited personal liability.	Owner has total control.	Taxed at individual rates.	Schedule C
GENERAL PARTNERSHIP	Unlimited liability for any and all partnership debts and other liabilities.	Majority rule, unless otherwise agreed.	Taxed at individual rates on share of net income.	1065 K-1 Schedule E
LIMITED PARTNERSHIP	Liability of limited partners is limited to investment.	General partners have operational control.	Taxed at individual rates on share of net income.	1065 K-1 Schedule E
CORPORATION	Liability limited to investment.	Officers selected by board of directors (often the same in closely held corporations).	"Double taxation" treatment: 1. Taxed at corporate rate. 2. Distributed earnings (dividends to shareholders) also taxed at individual rates.	1120 1125-E
S CORPORATION	Liability limited to investment.	Officers selected by board of directors (often the same in S corporation).	Taxed at individual rates on share of net income.	1120S K-1 Schedule E
LIMITED LIABILITY COMPANY (LLC)	Liability limited to investment.	Depends on provisions of LLC agreement. Generally, LLC members have direct control.	Taxed at individual rates on share of net income.	Depends on type: Schedule C, 1065 or 1120S