

BUSINESS ENTITY COMPARISON TABLE

Characteristics	Sole Proprietorship	General Partnership	Limited Partnership (LP)	Limited liability Partnership (LLP)	C corporation	S corporation	Limited liability Company (LLC)
Formation	No state filing Required.	Agreement between two or more parties.	State filing required.	State filing required. In California the use of LLP is limited to accountants & lawyers.	State filing required.	State filing required.	State filing required.
Duration of Existence	Dissolved if entity ceases doing business or upon death of the sole proprietor.	Dissolves upon death or withdrawal of a partner, unless safeguards are specified in a partnership agreement.	Perpetual	Dependent on the requirements imposed by the state of formation.	Perpetual	Perpetual	Dependent on the requirements by the state of formation.
Liability	Sole proprietor has unlimited liability	Partners have unlimited liability.	At least one general partner has unlimited liability.	Partners are not typically responsible for the debts of the LLP.	Shareholders are typically not responsible for the debts of the corporation.	Shareholders are typically not responsible for the debts of the corporation.	Members are not typically responsible for the debts of the LLC.
Operational Requirements	Relatively few legal requirements.	Relatively few legal requirements.	Some formal requirements, but less formal than corporation.	Delaware, Georgia, Pennsylvania, Texas, and Virginia require and LLP to carry insurance or an escrow account to cover liabilities.	Board of directors, annual meetings, and annual reporting.	Board of directors, annual meetings, and annual reporting.	Some formal requirements, but less formal than corporations.
Management	Sole proprietor has full control of management and operations.	Typically each partner has an equal voice, unless otherwise arranged.	Limited partners are excluded from management unless they serve on the board of directors.	All partners have the right to manage the business directly.	Managed by directors who are elected by shareholders.	Managed by directors who are elected by shareholders.	LLC has an operating agreement that outlines management.
Taxation	Not a taxable entity. Sole proprietor pays all taxes.	Not a taxable entity. Each partner pays tax on his/her share of income and can deduct losses against other sources of income.	Files taxes as a separate entity, and must meet certain criteria to avoid being taxed as a corporation.	Files taxes as a separate entity, must meet certain criteria to avoid being taxed as a corporation.	Taxed at the entity level. If dividends are distributed to shareholders, dividends are also taxed at the individual level.	No tax at the entity level. Income/loss is passed through to shareholders.	If properly structured, there is no tax at the entity level. Income/loss is passed through to members.
Pass-through Income/loss	Yes	Yes	Yes, if requirements are fulfilled.	Yes, if requirements are fulfilled.	No	Yes	Yes
Double taxation	No	No	No	No	Yes, if income distributed to shareholders as dividends.	No	No
Cost of creation	None	None	State filing fee required.	State filing fee required.	State filing fee required.	State filing fee required.	State filing fee required.
Raising capital	Often difficult unless individual contributes funds.	Contributions can be made from partners, and more partners can be added.	Contributions can be made from partners, and more partners can be added.	Contributions can be made from partners, and more partners can be added.	Shares of stock are sold to raise capital.	Shares of stock are sold to raise capital.	Possible to sell interests, though subject to operating agreement restrictions.
Transferability Of interest	No	No	Yes, pending approval of other limited partners and the general partners.	Possible, dependent of partnership agreement restrictions.	Shares of stock are easily transferred.	Yes, observing IRS regulations on who can own stock.	Possible, dependent on operating agreement restrictions.