

Business Entity Comparison Chart

Entity formation will vary from state to state, so competent legal representation is recommended. Comments about the entities assume the entity was properly formed and filed by competent attorney.

| Elements | Solo | General Partnership | Subchapter C Corporation** | Subchapter S Corporation** | LLC | PS/PLLC*** |
|-------------------------|---|---|--|---|---|---|
| Formation | No state filing * | Agreement between two or more – no state filing* | State filing | State Filing | State Filing | State Filing |
| Taxation | Solo pays | Partners pay share of P/L | Taxed at entity level and dividends are taxed to shareholders | No tax at entity level, P/L passed through to shareholders | No tax at entity level if properly formed | No tax at entity level if properly formed |
| Liability | Solo has unlimited liability | Partners have unlimited liability | With rare exceptions, shareholders not responsible for liability | With rare exceptions, shareholders not responsible for liability | With rare exceptions, members not responsible for liability | With rare exceptions, or for malpractice, members not responsible for liability |
| Duration | Dissolved upon cessation of business or death of solo | Absent safeguards in agreement, dissolves upon death or withdrawal of partner | Perpetual | Perpetual | Dependent on state requirements and agreement | Dependent on state requirements and agreement |
| Management | Solo has full control | Partners have equal voice absent agreement | Managed by directors elected by shareholders | Managed by directors elected by shareholders | Operating agreement details management | Operating agreement details management |
| Pass-through P/L | Yes | Yes | No | Yes | Yes | Yes |
| Double taxation | No | No | Yes for dividends to shareholders | No | No | No |
| Operational Requirement | Few | Few | Board of director and shareholder meetings and annual reporting | Board of director and shareholder meetings and annual reporting | Member meetings but less formal | Member meetings but less formal |
| Creation Cost | None | None | State filing fee | State filing fee | State filing fee | State filing fee |
| Transfer Interest | Sale of business | Difficult | Shares of stock transferable absent buy sell restrictions | Restrictions on stock ownership | Depends on operating agreement | Limited to other professionals and depends on operating agreement |
| Seeking Capital | Difficult-owner invests | Difficult – partners invests | Shares of stock can be sold subject to state and federal securities regulation | Within limitations of Sub S, shares of stock can be sold subject to state and federal securities regulation | Subject to operating agreement, may sell units, but also subject to state and federal securities regulation | Subject to operating agreement, professional limitations, may sell units, but also subject to state and federal securities regulation |

(*) No state filing refers to filing for the establishment of an entity. Businesses must still file with their state employment, workmen compensation, revenue departments, and under certain professions, their state's licensing authority.

(**) The reference to Subchapter C and S pertains to the U.S. Internal Revenue Code treatment of corporate entities.

(***) Available only for certain defined licensed professionals