

**Business Entity Pros and Cons**

	<b>Sole Proprietorship</b>	<b>Single Member LLC</b>	<b>Multimember LLC</b>	<b>General Partnership</b>	<b>Limited Liability Partnership</b>	<b>C Corporation</b>	<b>S Corporation</b>
<b>Pros</b>	<ul style="list-style-type: none"> <li>No formal creation process.</li> <li>Easy to operate and dissolve.</li> <li>No separate tax return.</li> <li>Easy to integrate business use of home deductions.</li> <li>No double taxation of profits.</li> <li>Husband and wife business may be eligible to file as Qualified Joint Venture.</li> </ul>	<ul style="list-style-type: none"> <li>Simple creation process.</li> <li>Easy to operate and dissolve.</li> <li>No separate tax return.</li> <li>Easy to integrate business use of home deductions.</li> <li>Liability protection for member, except for malpractice.</li> <li>No double taxation of profits.</li> </ul>	<ul style="list-style-type: none"> <li>Limited liability for all members, except for malpractice.</li> <li>Unlimited number of members.</li> <li>Separate entity from members, allowing for greater flexibility in operations.</li> <li>Ownership is in the form of membership interest and can be transferred more easily than ownership in a single member LLC.</li> <li>No double taxation of profits.</li> </ul>	<ul style="list-style-type: none"> <li>Easy to create.</li> <li>No limit on partner number or type.</li> <li>Can be used to hold investments in other businesses and consolidate multiple lines of business.</li> <li>Flexible allocation of profit, loss, and distributions.</li> <li>Favorable tax treatment when liquidated.</li> <li>No double taxation of profits.</li> </ul>	<ul style="list-style-type: none"> <li>Liability protection for limited partners.</li> <li>Separate entity from partners.</li> <li>Ownership can be transferred within the rules of the partnership agreement.</li> <li>Limited partners' liability is limited to their investment in the business.</li> <li>Limited partners pay self-employment tax on guaranteed payments only.</li> <li>No double taxation of profits.</li> </ul>	<ul style="list-style-type: none"> <li>No liability for non-active stockholders.</li> <li>No restrictions on ownership.</li> <li>Ownership can be transferred through the sale of stock.</li> <li>Separate entity from stockholders.</li> <li>Fringe benefits for owner-officers.</li> <li>Can have ownership interest in any other business entity.</li> <li>Perpetual existence.</li> <li>Raising capital can be achieved by issuing stock.</li> </ul>	<ul style="list-style-type: none"> <li>Liability protection similar to that of C corporations.</li> <li>No double taxation of profits.</li> <li>Ownership is easily transferred through the sale of stock.</li> <li>Separate entity from stockholders.</li> <li>Self-employment tax is not assessed on the entire profit of the business.</li> <li>Losses can offset shareholders' other taxable income.</li> </ul>
<b>Cons</b>	<ul style="list-style-type: none"> <li>No liability protection except through insurance.</li> <li>Self-employment tax is assessed on entire profit of the business.</li> <li>Transfer of ownership through sale of assets and can be complex.</li> <li>Owner cannot raise equity financing.</li> <li>Limited access to fringe benefits for owners.</li> </ul>	<ul style="list-style-type: none"> <li>Self-employment tax is assessed on entire profit of the business.</li> <li>Transfer of ownership through sale of assets and can be complex.</li> <li>Owner may be required to give personal repayment guarantee to obtain financing.</li> <li>Failure to follow statutory requirements may result in loss of LLC status.</li> <li>Limited access to fringe benefits for owners.</li> <li>Laws regulating LLCs vary widely among states.</li> </ul>	<ul style="list-style-type: none"> <li>Requires a separate tax return.</li> <li>Laws regulating LLCs vary widely among states.</li> <li>Failure to follow statutory requirements can result in loss of LLC status.</li> </ul>	<ul style="list-style-type: none"> <li>Requires a separate tax return.</li> <li>Unlimited liability for all partners.</li> <li>Difficult to dissolve or change ownership without substantial planning.</li> <li>Requires tracking of basis for partners, both inside and outside the partnership.</li> <li>Individual partner's share of income is subject to self-employment taxes.</li> </ul>	<ul style="list-style-type: none"> <li>Must have one general partner with unlimited liability.</li> <li>Limited liability status for damages can be lost for a variety of administrative reasons.</li> <li>Restrictions on partners based on entity type.</li> <li>Requires a separate tax return.</li> <li>Requires tracking of basis for partners, both inside and outside the partnership.</li> </ul>	<ul style="list-style-type: none"> <li>Double taxation of profits.</li> <li>Complex and expensive to create and maintain.</li> <li>Require regular board of directors' meetings and minutes.</li> <li>Requires a separate tax return.</li> </ul>	<ul style="list-style-type: none"> <li>Complex and expensive to create and maintain.</li> <li>Requires a separate tax return.</li> <li>Requires regular board of directors' meetings and minutes.</li> <li>Requires tracking of basis for stockholders.</li> <li>Ownership is limited to specific types of entities.</li> <li>Deductibility of fringe benefits for owner-employees is limited.</li> </ul>
<b>Likely Businesses</b>	<ul style="list-style-type: none"> <li>Seasonal or part-time businesses.</li> <li>Businesses with little liability.</li> <li>Home based businesses.</li> <li>Businesses intended to operate for the owner's life only.</li> </ul>	<ul style="list-style-type: none"> <li>Businesses with potential liability in operations.</li> <li>Businesses intended to operate for the owner's life only.</li> </ul>	<ul style="list-style-type: none"> <li>Businesses requiring equity capital.</li> <li>Businesses with potential liability in operations.</li> <li>Businesses intended to exist beyond the lives of the members.</li> <li>Businesses expecting changes in ownership over time.</li> </ul>	<ul style="list-style-type: none"> <li>Two established businesses who wish to work as one.</li> <li>Partners wishing to consolidate multiple entities into one entity.</li> </ul>	<ul style="list-style-type: none"> <li>Businesses with partners not actively involved in business.</li> <li>Businesses with equity capital needs.</li> <li>Businesses with exposure to liability.</li> </ul>	<ul style="list-style-type: none"> <li>Businesses with ownership in multiple other entities.</li> <li>Businesses with significant exposure to liability.</li> <li>Businesses intended to exist eternally.</li> </ul>	<ul style="list-style-type: none"> <li>Businesses with significant exposure to liability.</li> </ul>