

## COMPARISON OF ENTITY CHOICES

ENTITY	CONTROL	LIABILITY	TAXES	FORMAL ORGANIZATION	ADMINISTRATION
<b>SOLE PROPRIETORSHIP</b>	Sole Proprietor has total control of business and complete share of profits.	All of Sole Proprietor's personal and business assets are at risk.	Taxes reported on Sole Proprietor's tax return.	No formal organization. Simply "begin conducting business".	No administrative requirements other than obtaining business license and registering trade name.
<b>GENERAL PARTNERSHIP</b>	Management and profits shared between partners per the terms of the Partnership Agreement.	General Partners are generally liable for obligations of General Partnership and tort damages incurred by other General Partners.	"Pass-Through" Entity. Each general partner is taxed directly upon his/her share of profits.	Yes – but no filing with Secretary of State	No formal administrative requirements other than obtaining proper licenses and permits. The rights of the Partners are defined through a Partnership Agreement.
<b>LIMITED PARTNERSHIP</b>	General and Limited partners share in control and profits of the partnership per the terms of the Partnership Agreement.	Limited Partners: not personally obligated for liabilities of partnership. General Partners: same as partners in General Partnership.	Pass-through entity. Each partner is taxed directly upon his/her share of profits.	Yes. LPs are organized through the Secretary of State.	Registration requirements similar to corporations, but less burdensome record-keeping requirements.
<b>CORPORATION</b>	Shareholders: ownership rights & elect directors. Directors: govern general affairs and appoint officers. Officers: manage business operations.	Neither officers, Directors or Shareholders are liable for debts incurred by the Corporation or torts committed in conducting the Corporation's business.	"Double-taxation" unless "S" Corporation, which is a "Pass-through" entity akin to a General Partnership.	Yes. Corps are organized through the Secretary of State.	Formal incorporation process and annual registration with Secretary of State. Comprehensive record-keeping and tax filing requirements.
<b>LIMITED LIABILITY COMPANY</b>	Members share profits per Operating Agreement which specifies management procedures.	Generally, Members risk only their investment in the LLC.	May be taxed as Partnership or Corporation, depending upon the election filed with the IRS.	Yes. LLCs are organized through the Secretary of State.	Similar to Corporation's requirements with regard to formation and operation.
<b>SINGLE MEMBER LIMITED LIABILITY COMPANY</b>	May be managed by the sole Member or by Manager(s). Profits will belong to sole Member.	Generally, sole Member risks only his/her investment in the LLC.	Generally a "disregarded entity" taxable to the sole Member. May elect to be taxed as a Corporation.	Yes. All LLCs are organized through the Secretary of State.	Similar to Corporation's requirements with regard to formation and operation.

*In accordance with the disclosure rules of Internal Revenue Service Circular 230, the content of this letter was not intended or written to be used—and cannot be used—for purposes of avoiding tax penalties, nor for purposes of promoting, marketing, or recommending to another party an arrangement involving any tax-related matters addressed herein.*