

Comparison of Five Types of Business Organizations

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| FEATURE | Sole Proprietorship | Partnership | C-Corporation | S-Corporation | Limited Liability Company (LLC) |
|-----------------------------------|--|--|--|--|---|
| Created By | The sole proprietor | Oral or written agreement between partners | Articles of incorporation filed with the state | Articles of incorporation filed with the state | Articles of Organization filed with the state |
| Owned By | Sole proprietor; not a separate entity | Partners; not a separate entity | Shareholders; a separate entity | Shareholders; a separate entity | Members; a separate entity |
| Duration | Terminates at the sole proprietor's death | Dissolved at a partner's death | Perpetual; continues after a shareholder's death | Perpetual; continues after a shareholder's death | May be disrupted by death, retirement or resignation (see applicable state law) |
| Personal Liability? | Yes; the sole proprietor is personally liable for all business debts | Yes; each partner is personally liable for the full debt of the partnership | No; shareholder liability is limited to the assets of the corporation | No; shareholder liability is limited to the assets of the corporation | No; member liability is limited to the assets of the LLC |
| Income Taxation | Taxed to the sole proprietor on his/her individual tax return | Taxed proportionately to the partners on their individual tax returns | Corporation pays taxes as a separate tax entity; reported on a corporate tax return | Income and expenses are passed through on a proportional basis to the shareholders | Taxed proportionately to the members on their individual tax returns |
| Accumulated Earnings Tax | Not applicable | Not applicable | Applies | Not applicable | Not applicable |
| Impact of an Owner's Death | Sole proprietorship terminates; assets may be sold or retained by family | Without an agreement to the contrary, partnership is automatically dissolved | Stock can be sold by the deceased shareholder's estate or heirs, or retained by the family | Stock can be sold by the deceased shareholder's estate or heirs, or retained by the family | Depends on state law; most states allow remaining members to vote to continue the LLC |