



Knowing the differences between Partnerships, LLCs, S Corporations, C Corporations, and the Sole Proprietor

	Partnership	LLC - Limited Liability Company	S Corporation	C Corporations	Sole Proprietor
Shareholders	Any Amount	Any Amount	1 to 100 Shareholders	Any Amount	One
Shareholder Limitations	None	None	Other S Corps, C Corps, many trusts, LLCs, or partnerships. Also, must be a US resident.	None	Can only be one individual
Liability Protection	No	Yes	Yes	Yes	No
Taxes paid by:	Shareholders	Shareholders	Shareholders	Company & Shareholders	Owner
IRS Form Filed	1065	1065 or Sched C	1120S	1120	Schedule C
Payroll Required	No	No	Yes	Yes	No
Advantages	Easy to form, combined financial strength, diversity of skills, flexibility, and no special taxes.	Limited liability, simple to form, easy operations & flexible.	Limited liability, save on employment taxes, avoid double taxation, deduct losses against other types of income, ease of raising capital, unlimited life.	Limited liability, ease of ownership transfer, unlimited life, more tax deductions, easier to attract financing.	Simple operations, inexpensive to form, easy to dissolve, all profits go to owner.
Disadvantages	Unlimited liability, potential for conflicts, profit sharing, difficult to dissolve, limited life.	Pay employment taxes on all profits, more paperwork than a partnership, more difficult to transfer ownership.	Pay tax on profits not actual money received, limitations on shareholders owning more than 2%, more difficult to form, more Gov't regulations.	Double taxation, more costly to form, formalities and operations are tightly governed.	Unlimited liability, difficult to raise capital, limited managing expertise, personal time commitment, unstable business life.
Equity Transactions	Must be equal to ownership percentage	No restrictions	Must be equal to ownership percentage	Must be equal to ownership percentage	N/A