

# Business Structures

Compare and consider your formation options to get it right from the start.



| Entity Type                | Summary   | Liability & Taxation  | Key Considerations   |
|----------------------------|---|---|--|
| <b>Sole Proprietorship</b> | <ul style="list-style-type: none"> <li>• Easy, but a bit risky. Best to file for a DBA.</li> <li>• One owner; no filing requirement.</li> </ul>   | <ul style="list-style-type: none"> <li>• No liability protection.</li> <li>• Easy set-up, no need to file any paperwork, no separate tax returns.any paperwork, no separate tax returns.</li> </ul>   | <ul style="list-style-type: none"> <li>• You're the only investor (help from friends and family is optional!).</li> </ul>  |
| <b>LLC</b>                 | <ul style="list-style-type: none"> <li>• Flexible, offers liability protection, great for new businesses.</li> <li>• Unlimited number of members allowed.</li> <li>• Separate legal entity, filing required with the state</li> </ul> | <ul style="list-style-type: none"> <li>• You have liability protection and tax flexibility.</li> <li>• Allows you to add members to raise money for your business.</li> </ul>   | <ul style="list-style-type: none"> <li>• Not the right choice for companies who plan to go public and/or do business internationally.</li> <li>• Limited admin upkeep.</li> </ul>  |
| <b>C Corporation</b>       | <ul style="list-style-type: none"> <li>• Great if you plan to go public or international.</li> <li>• Unlimited number of shareholders allowed.</li> <li>• Separate legal entity, filing required with the state.</li> </ul>           | <ul style="list-style-type: none"> <li>• You have liability protection, and it's the preferred structure if you want to secure funds from outside investors, go public, and/or go international.</li> <li>• Shareholders can buy an interest in the business.</li> <li>• Subject to double taxation.</li> </ul> | <ul style="list-style-type: none"> <li>• Not flexible.</li> <li>• A lot of admin upkeep.</li> <li>• Ongoing need to provide additional documentation.</li> </ul>   |
| <b>S Corporation</b>       | <ul style="list-style-type: none"> <li>• The choice of smaller corporations.</li> <li>• Up to 100 shareholders allowed.</li> <li>• Separate legal entity, filing required with the state.</li> </ul>                                  | <ul style="list-style-type: none"> <li>• An S Corp has only one level of taxation.</li> <li>• Shareholders must be US citizens.</li> <li>• The corporation can only have one class of stock.</li> </ul>   | <ul style="list-style-type: none"> <li>• Not flexible.</li> <li>• Not suitable if you plan to go public or do business internationally.</li> <li>• A lot of admin upkeep. Ongoing need to provide additional documentation.</li> </ul> |
| <b>Nonprofit</b>           | <ul style="list-style-type: none"> <li>• Allows you to build awareness, and support a cause that matters to you.</li> <li>• No individual ownership.</li> <li>• Separate legal entity, filing required with the state*</li> </ul>     | <ul style="list-style-type: none"> <li>• Often no income tax.</li> <li>• You can raise money for your cause (those contributions can be tax deductible!).</li> </ul>  | <ul style="list-style-type: none"> <li>• Filing and application fees are higher.</li> <li>• Reporting requirements are more substantial.</li> <li>• More admin requirements.</li> </ul>  |