

Entities Characteristics	Sole Proprietor	LLC Limited Liability Company	Partnership	S Corporation	C Corporation
Ownership Rules	One owner	Unlimited number of members allowed	Two or more partners allowed	Up to 100 shareholders; only one class of stock allowed	Unlimited number of shareholders; no limit on stock classes
Personal Liability of the Owners	Owner is personally liable for business debts	Generally no personal liability of the members	Owner is personally liable for business debts	Generally no personal liability of the shareholders	Generally no personal liability of the shareholders
Tax Treatment	Not a legal entity; taxed on net profit and losses on schedule C	The entity is not taxed (unless it elects to be taxed as a corporation); profits and losses are passed through to the members	The entity is not taxed (unless it elects to be taxed as a corporation); profits and losses are passed through to the members	With the filing of IRS Form 2553, a corporation becomes a S Corporation, where the profits and losses are passed through to the shareholders	Corporation taxed on its earnings at a corporate level and shareholders are taxed on any distributed dividends
Key Documents Needed for Formation	No documents needed; generally owner can use their own SSN	Articles of Organization / Certificate of Formation; Operating Agreement	Articles of Organization / Certificate of Formation; Operating Agreement	Organizational Shareholder and Board Resolutions; Stock Certificates; Stock Ledger; IRS (& sometimes a state) S Corporation election	Articles of Incorporation; Bylaws; Organizational Shareholder and Board Resolutions; Stock Certificates; Stock Ledger
Management of the Business	The owner is the sole manager of the business	The Operating Agreement sets forth how the business is to be managed; a Member (owner) or Manager can be designated to manage the business	The Operating Agreement sets forth how the business is to be managed; a managing partner can be designated to manage the business	Board of Directors has overall management responsibility; Officers have day-to-day responsibility	Board of Directors has overall management responsibility; Officers have day-to-day responsibility
Capital Contributions	The owner typically contribute money or services to the business	The members typically contribute money or services to the LLC and receive an interest in profits and losses	The partners typically contribute money or services to the LLC and receive an interest in profits and losses	Shareholders typically purchase stock in the corporation, but only one class of stock is allowed	Shareholders typically purchase stock in the corporation, either common or preferred