

## TYPES OF BUSINESS STRUCTURES:

### Sole Proprietorship

- Owned by one individual
- Title to all business assets
- Right to all business income
- Obligation for all business debts
- Income is taxed to individual
- and includes Self-Employment Tax

### Partnership

- Owned by two or more individuals or entities
- Title to all business assets
  - RATHER than the partners having title
- Partners have right to business income based on their share or interest in the partnership
- Partners are jointly liable for debts and obligations (each obligated for the whole, offset by the contribution of the other)
- Income is taxed to partners based on their share of the partnership
- and includes Self-Employment Tax

### Limited Liability Corporation

- Owned by one or more members
  - Other entities may become members
- LLC holds title to all business assets
  - Members do not have title interest
- Members may be actively involved in business
- Members have a right to income based on their share of interest in the LLC
- Members are not generally liable for debts and obligations (unless they have issued a personal guarantee)
- Income is taxed to members based on their share interest in the LLC
- and includes Self-Employment Tax

## S Corporation

- Owned by one or a limited number of shareholders
  - Other entities may NOT become members
- Corporation holds title to all business assets
  - Shareholders do not have title interest
- Shareholders are not active in the business
  - Officers and Board have decision making authority
  - (shareholders can also be officers or board members)
- Shareholders have a right to income based on their share of interest in the corporation
- Shareholders are not liable for debts and obligations (unless they have issued a personal guarantee or failed to maintain the separate identity of the entity)
- Possible to pay salary, pay tax including SE tax and then have remainder of gain as distribution

## C Corporation

- Owned by shareholders which can include other entities
- Corporation holds title to all business assets
  - Shareholders do not have title interest
- Shareholders are not active in the business
  - Officers and Board have decision making authority
  - (shareholders can also be officers or board members)
- Shareholders own their percentage interest in the value of the business. Shareholders are not entitled to income from the business.
- Corporation is taxed on the income and has authority to decide what to do with it
- Shareholders may receive distributions from the corporation as dividends on the value of their interest and pay tax on the dividends
- Shareholders are not liable for debts and obligations