Guide to Business Entity Types

Selecting the right type of company for your new business helps maximize your chances of financial and operational success. Common business structures include:

Sole Proprietorships

- Owner remains personally liable for lawsuits filed against the business.
- No state filing required to form a sole proprietorship.
- Easy to form and operate.
- Owner reports business profit and loss on their personal tax return.

C Corporations

- Independent legal and tax structures separate from their owners.
- Help separate your personal assets from your business debts.
- No limit to the number of shareholders.
- Taxed on corporate profits and shareholder dividends.
- Must hold annual meetings and record meeting minutes.

The most common type of corporation in the U.S. is the **C Corporation**.

By forming a C Corporation, business owners create a separate legal structure that helps shield their personal assets from judgments against the company. C Corporations have a specific structure that includes shareholders, directors, and officers.

The C Corporation is a time-tested business formation. It has many advantages, including:

- **Limited liability** for directors, officers, shareholders, and employees
- **Perpetual existence**, even if the owner leaves the company
- **Enhanced credibility** among suppliers and lenders
- **Unlimited growth potential** through the sale of stock
- **No limit** on the number of shareholders, although once the company has $10 million in assets and 500 shareholders, it is required to register with the SEC under the Securities Exchange Act of 1934
- **Certain tax advantages**, including tax-deductible business expenses

The C Corporation structure does have its drawbacks. For instance, a C Corporation's profits are taxed when earned and taxed again when distributed as shareholders' dividends, what's known as "double taxation." Shareholders in a C Corporation also can't deduct any corporate losses. To avoid these concerns, many small business owners choose to form an **S Corporation** instead.

What is a C Corporation?

A C Corporation (also known as a general corporation) is a unique business structure separate from its owners. Corporations are formed under the laws of a particular state and are then subject to the laws and regulations of that state. Corporations allow owners to separate and protect their personal assets from the debts and obligations of the business. In a properly formed and managed

C Corporation, a judgment against the business should not affect an owner's home, car, savings, or other personal assets.

Shareholders own a corporation and appoint a board of directors to oversee corporate decisions and policies. Directors typically elect officers to manage a C Corporation's day-to-day affairs. Since a C Corporation has a perpetual existence, it does not dissolve if an owner dies or leaves the business.

What is a C Corporation vs an S Corporation?

Ownership of an S corporation is only available to persons who are U.S. citizens or naturalized, resident aliens. Other entities are not permitted to own shares of an s corporation. One of the "pros" in the pros and cons of owning an s corp vs. a c corp is the fact that s corporation taxes are passed to the company's owners who must report their profits and losses directly on their personal income tax return at the end of each year. Because of this, s corps do not have to file taxes for their business. C corps, however, must file taxes with both the IRS, and the owners must additionally report their company share of profits on their personal tax return.

Do I need an attorney to form a corporation?

No. You can prepare and file necessary paperwork yourself.

What are the main differences between a C Corporation and an S Corporation?

C Corporations file IRS form 1120 to report corporate income to the Internal Revenue Service. The IRS taxes company profits at corporate tax rates and dividends paid to shareholders at individual tax rates. For this reason, you may hear tax professionals refer to "double taxation" of a C Corporation.

C Corporations can elect "pass-through" taxation by applying to the IRS for status as a Subchapter S Corporation (IRS form 2553). The S Corporation provides the same protection from personal liability. However, owners can report their share of profit and loss in the company on their individual tax returns. The S Corporation files IRS form 1120S to report income.

S Corporations have a number of restrictions. Most notably, only U.S. citizens or permanent residents may own an S Corporation. An S Corporation may not have more than 100 shareholders.

What forms are required to form a C Corp?

Articles of Incorporation or Certificate of Incorporation, depending on the state.

What is double taxation?

C Corporations file IRS form 1120 to report corporate income to the Internal Revenue Service. The IRS taxes company profits at corporate tax rates and dividends paid to shareholders at individual tax rates. For this reason, you may hear tax professionals refer to "double taxation" of a C Corporation.

What is the organizational structure of a C Corporation?

The company is owned by shareholders, who elect directors. The directors set a vision for the corporation and are responsible for the management of the corporation. The officers and managers hired by the directors are responsible with carrying out the vision on a day-to-day basis.

Where should I incorporate my business?

Most companies form C Corporations in the state in which they will primarily operate or the state of Delaware so that they can have access to the State's courts and business-friendly laws. Advantages of forming a C Corporation in your home state include:

- Typically the least complicated, if you only plan to operate the business in your home state.
- Avoid paying franchise taxes and filing annual reports in more than one state.
- Usually costs less to incorporate locally.

Many companies conduct business throughout the United States and abroad. A C Corporation with business locations in multiple states may incorporate in a single state, then register to do business in other states. This means that C Corporations must formally register, file annual reports, and pay annual fees in every state in which they conduct business.

Is a corporation required to have a registered agent?

Yes. State laws require all corporations to maintain a registered address with the Secretary of State in each state where they do business. The person or company located at that address, known as the Registered Agent, must remain available during all business hours. A Registered Agent receives and forwards important legal documents and state correspondence on behalf of the business.

What do I need to do after I form my C-Corporation?

Most states require C Corporations to file annual reports and pay franchise taxes to maintain their good standing. Failure to file annual reports and pay franchise taxes can result in fines, notices, and the inability to conduct business.

State laws require C Corporations to hold annual meetings of shareholders and directors and record meeting minutes. Owners and directors of a C Corporation use corporate minutes to reflect changes in management and important corporate activities.

Additionally, almost all state, county, and local governments require C Corporations to complete business license, permit, and tax registration applications before beginning to operate.

Can the personal asset protection provided by forming a C Corporation be taken away?

Generally the owners of a corporation cannot be held liable for the debts and obligations of the corporation. However, if owners treat the corporation as an extension of themselves - sometimes referred to as "disregarding the corporation form" - such as, by commingling personal and corporate funds or making important decisions without holding board meetings or passing resolutions, then creditors can attempt to hold owners liable for the debts and obligations of the

company - often called "piercing the corporate veil." The "corporate veil" can also be lost if a corporation is terminated by a state for failure to file required forms or failure to pay required fees and taxes.

Can a C Corp own an LLC?

Since a c corp is its own legal identity (separate from that of its owner), a c corp can own an interest in an LLC.

Can a C Corp own an S Corp?

An s corp can own a c corp. However, a c corporation cannot own an s corporation. Much of this has to do with the structuring of a c corp vs an s corp. To learn more about what is an s corporation and how it differs from a c corporation.

S Corporations

- Independent legal and tax structures separate from their owners.
- Help separate your personal assets from your business debts.
- Owners report their share of profit and loss in the company on their personal tax returns.
- Limits on number of shareholders, who must be U.S. citizens or residents.
- Must hold annual meetings and record meeting minutes.

Corporations that meet certain requirements can elect an s corporation status with the IRS. **This federal tax status enables companies to "pass through" their taxable income or losses to owners/investors in the business**, according to their ownership stake in the business.

By default, companies that do not specify a tax status with the IRS are considered to be c corporations – which means that they will be taxed as a c corporation. On the other hand, **by electing s corporation status, a corporation can eliminate the disadvantage of "double taxation" of corporate income and shareholder dividends** associated with the c corporation tax status.

The cost of a s corp can vary. Say a corporation makes $300,000 in a given year – if it is an s corporation, the business itself will not be taxed for that amount; instead, the company's shareholders will be required to pay taxes according to their share of the company. In this scenario, if the company has three shareholders, each with an equal share of company stock, each shareholder will pay taxes on $100,000.

If the c corporation makes $300,000 in a year, then the company would pay taxes at the current federal corporate tax rate of about 35%. If the remaining profits of $198,000 are distributed to the three shareholders as dividends, each shareholder will pay taxes on $66,000 in dividend income at the current federal dividend tax rate of 15%.

S corporations, like other types of corporate entities, also keep owners' personal assets safe from company debt and judgments against the business.

In short, the s corporation status offers the following advantages:

- **Limited liability:** Company directors, officers, shareholders, and employees enjoy limited liability protection
- **Pass-through taxation:** Owners report their share of profit and loss on their individual tax returns
- **Elimination of double taxation of income:** Income is not taxed twice; once as corporate income and again as dividend income
- **Investment opportunities:** The company can attract investors through the sale of shares of stock
- **Perpetual existence:** The business continues to exist even if the owner leaves or dies
- **Once-a-year tax filing requirement** (vs. quarterly for a c corporation)

What is an S Corporation?

S Corporations are formed under the laws of a particular state and are then subject to the laws and regulations of that state. Corporations allow owners to separate and protect their personal assets from the debts and obligations of the business. In a properly formed and managed S Corporation, a judgment against the business should not affect an owner's home, car, savings, or other personal assets.

Shareholders own a corporation and appoint a board of directors to oversee corporate decisions and policies. Directors typically elect officers to manage a C Corporation's day-to-day affairs. Since an S Corporation has a perpetual existence, it does not dissolve if an owner dies or leaves the business.

Do I need an attorney to form a corporation?

No. You can prepare and file necessary paperwork yourself.

What are the main differences between a C Corporation and an S Corporation?

C Corporations file IRS form 1120 to report corporate income to the Internal Revenue Service. The IRS taxes company profits at corporate tax rates and dividends paid to shareholders at individual tax rates. For this reason, you may hear tax professionals refer to "double taxation" of a C Corporation.

C Corporations can elect "pass-through" taxation by applying to the IRS for status as a Subchapter S Corporation. The S Corporation provides the same protection from personal liability. However, owners can report their share of profit and loss in the company on their individual tax returns. The S Corporation files IRS form 1120s to report income. Entities that have assets in excess of $10 million or file over 250 forms each year must file these s corp forms online.

S Corporations have a number of restrictions. Most notably, only U.S. citizens or permanent residents may own an S Corporation. An S Corporation may not have more than 100 shareholders.

Should I elect S Corporation status? What are S Corp benefits?

While we can't give legal advice, the benefits of forming an S Corporation include:

- less risk from government audits, compared to a sole proprietorship.

- limited personal liability for business debts.
- ability to deduct the cost of benefits as a business expense.
- opportunity to raise additional funds through the sale of stock.
- owners can report profit and loss on their individual tax returns.

What forms are required to form an S Corporation?

- Form your S Corporation the preliminary name search.
- Complete Articles of Incorporation on your behalf. A few states require your signature on the completed documents before submission.
- File your documents with the state.
- You apply for S Corporation status through the IRS by filing Form 2553 (this form is included with your formation package).

What is pass-through taxation?

One possible tax advantage of an S Corp is pass-through taxation. Corporations can elect "pass-through" taxation by applying to the IRS for status as a Subchapter S Corporation. The S Corporation provides the same protection from personal liability as a C Corporation. However, owners of an S Corporation can report their share of profit and loss in the company on their individual tax returns. An S Corporation files IRS Form 1120s to report income.

S Corporations have a number of restrictions. Most notably, only U.S. citizens or permanent residents may own an S Corporation. An S Corporation may not have more than 100 shareholders.

What is the organizational structure of an S corporation?

The company is owned by shareholders, who elect directors. The directors set a vision for the corporation and are responsible for the management of the corporation. The officers and managers hired by the directors are responsible for carrying out the vision on a day-to-day basis.

Where should I incorporate my business?

Most companies form their corporations in the state in which they will primarily operate or in the state of Delaware in order to have access to its courts and business-friendly laws. Advantages of forming a corporation in your home state include:

- Fewer complications, if you only plan to operate the business in your home state.
- No need to pay franchise taxes or file annual reports in more than one state.
- Less cost.

Many companies conduct business throughout the United States and abroad. An S Corporation with business locations in multiple states may incorporate in a single state, then register to do business in other states. This means that S Corporations must formally register, file annual reports, and pay annual fees in every state in which they conduct business.

Remember, you must separately apply for S Corporation tax status through the IRS by filing Form 2553.

Is an S corporation required to have a registered agent?

Yes. State laws require all corporations to maintain a registered address with the Secretary of State in each state where they do business. The person or company located at that address, known as the Registered Agent, must remain available during all business hours. A Registered Agent receives and forwards important legal documents and state correspondence on behalf of the business.

What do I need to do after I form my S Corporation?

Most states require S Corporations to file annual reports and pay franchise taxes to maintain their good standing. Failure to file annual reports and pay franchise taxes can result in fines, notices, and the inability to conduct business. You may be able to file many of these S Corp documents online.

State laws require S Corporations to hold annual meetings of shareholders and directors and record meeting minutes. Owners and directors of an S Corporation use corporate minutes to reflect changes in management and important corporate activities.

Additionally, almost all state, county, and local governments require S Corporations to complete business license, permit, and tax registration applications before beginning to operate.

Can the personal asset protection provided by forming an S Corporation be taken away?

Generally the owners of a corporation cannot be held liable for the debts and obligations of the corporation. However, if owners treat the corporation as an extension of themselves – sometimes referred to as "disregarding the corporation form" - such as by commingling personal and corporate funds or making important decisions without holding board meetings or passing resolutions, then creditors can attempt to hold owners liable for the debts and obligations of the company-often called "piercing the corporate veil." The "corporate veil" can also be lost if a corporation is terminated by a state for failure to file required forms or pay required fees and taxes.

Can an S Corp own an LLC?

An s corp can own an LLC. However, only single-member LLCs can own a stake in an s corp. One of the tax advantages of an s corp is similar to that of an LLC in that both can pass their profits and losses through to their personal income tax report each year.

What is the cost of setting up an S Corp?

The costs associated with setting up an s corp, LLC, and c corp are similar. However, there are other intangible factors you must take into account. Every s corporation is unique and comes with its own set of advantages and disadvantages. Among the subchapter s corporation requirements you must weigh when considering this particular status is that s corporations must file articles of incorporation, keep a record of corporate minutes, hold shareholder and director meetings, as well as allow their shareholders to weigh in with a vote concerning company decisions. S corporations can also only offer common stock to investors, making fund-raising more difficult.

Limited Liability Companies (LLCs)

- Independent legal structures separate from their owners.
- Help separate your personal assets from your business debts.
- Taxed similarly to a sole proprietorship (if one owner) or a partnership (if multiple owners).
- No limit to the number of owners.
- Not required to hold annual meetings or record minutes.
- Governed by operating agreements.

When looking at business types, many business owners choose to form a limited liability company (LLC). **Creating an LLC is a good way to "wall off" your personal assets from your company's liabilities**, offering protection for your personal assets in the event of a judgment against your business. For this reason, forming an LLC is a better fit for many owners than a sole proprietorship or a general partnership.

A limited liability company (LLC) also has certain tax advantages. The business itself is not responsible for taxes on its profits. Instead, the LLC's owners, known as "members," report their share of business profit and loss on their personal tax returns, similar to tax reporting for a general partnership. This is known as "pass-through" taxation.

The LLC Advantage

In short, there are many benefits of a limited liability company, including:

- **Pass-through taxes.** There's no need to file a corporate tax return. Owners report their share of profit and loss on their individual tax returns.
- **No residency requirement.** Owners need not be U.S. citizens or permanent residents.
- **Legal protection.** Owners have limited liability for business debts and obligations.
- **Enhanced credibility.** Partners, suppliers and lenders may look more favorably on your business when you've formed an LLC.

What are the advantages of an LLC?

The benefits of forming an LLC include:

- Owners have limited liability for business debts and obligations, protecting their personal savings and possessions.
- Owners can report their share of profit and loss on their individual tax returns without filing a separate corporate tax return.
- Owners need not be U.S. citizens or permanent residents.
- LLCs need not hold annual meetings or record meeting minutes (though we recommend it).

How does forming an LLC help protect my personal assets?

Unlike sole proprietorships and partnerships, LLCs allow their owners to separate and protect their personal assets from business debts and liabilities. A sole proprietor or general partner remains personally liable for business obligations, leaving their home, car, and personal savings at risk.

In contrast, forming an LLC creates a business structure separate from its owners. In a properly formed and managed LLC, only business assets remain at risk in a judgment against the company. Owners can protect their personal savings and possessions from business debts.

How are LLC profits taxed?

Like a sole proprietorship or partnership, an LLC enjoys pass-through taxation. This means that owners (also known as "members") report their share of profits or losses in the company on their individual tax returns. The Internal Revenue Service (IRS) does not assess taxes on the company itself. This avoids the "double taxation" that general, or "C," corporations experience. In a C corporation, the IRS taxes profits at the corporate level and dividends at the shareholder level.

When creating an LLC, owners need not distribute profits and losses in the LLC in proportion to ownership (pursuant to IRS guidelines). The owners of an LLC can agree to allocate the company's profits and losses among themselves however they see fit, not necessarily based on the percentage of the company each owner controls.

A Limited Liability Company (LLC) is a business structure allowed by state statute. Each state may use different regulations, and you should check with your state if you are interested in starting a Limited Liability Company.

Owners of an LLC are called members. Most states do not restrict ownership, and so members may include individuals, corporations, other LLCs and foreign entities. There is no maximum number of members. Most states also permit “single-member” LLCs, those having only one owner.

A few types of businesses generally cannot be LLCs, such as banks and insurance companies. Check your state’s requirements and the federal tax regulations for further information. There are special rules for foreign LLCs.

Depending on elections made by the LLC and the number of members, the IRS will treat an LLC as either a corporation, partnership, or as part of the LLC’s owner’s tax return (a “disregarded entity”). Specifically, a domestic LLC with at least two members is classified as a partnership for federal income tax purposes unless it files Form 8832 and affirmatively elects to be treated as a corporation. And an LLC with only one member is treated as an entity disregarded as separate from its owner for income tax purposes (but as a separate entity for purposes of employment tax and certain excise taxes), unless it files Form 8832 and affirmatively elects to be treated as a corporation.

An LLC that does not want to accept its default federal tax classification, or that wishes to change its classification, uses Form 8832, Entity Classification Election, to elect how it will be classified for federal tax purposes. Generally, an election specifying an LLC’s classification cannot take effect more than 75 days prior to the date the election is filed, nor can it take effect later than 12 months after the date the election is filed. An LLC may be eligible for late election relief in certain circumstances. See Form 8832 General Instructions for more information.

If the LLC is a partnership, normal partnership tax rules will apply to the LLC and it should file a Form 1065, U.S. Return of Partnership Income. Each owner should show their pro-rata share of partnership income, credits and deductions on Schedule K-1 (1065), Partner’s Share of Income, Deductions, Credits, etc. Generally, members of LLCs filing Partnership Returns pay self-employment tax on their share of partnership earnings.

If the LLC is a corporation, normal corporate tax rules will apply to the LLC and it should file a Form 1120, U.S. Corporation Income Tax Return. The 1120 is the C corporation income tax return, and there are no flow-through items to a 1040 from a C corporation return. However, if a qualifying LLC elected to be an S Corporation, it should file a Form 1120S, U.S. Income Tax Return and S corporation laws apply to the LLC. Each owner reports their pro-rata share of corporate income, credits and deductions on Schedule K-1 (Form 1120S).

How does an LLC compare to a C Corporation?

For many small business owners, a Limited Liability Company (LLC) offers advantages over a "C" corporation (also known as a "general" corporation). Creating an LLC combines the tax advantages of a sole proprietorship or partnership with the liability protection of a corporation.

The IRS taxes the profits of a C corporation at corporate tax rates. Then, if the C corporation pays dividends to shareholders, the IRS taxes those dividends a second time at the personal income tax rates of the shareholders. The LLC business structure avoids this "double taxation." The Internal Revenue Service (IRS) does not consider an LLC itself a taxable entity. Instead, the company's earnings "pass through" to the owners, who report their share of profits or losses on their individual tax returns.

Small business owners who want the flexible structure of an LLC but the advantages of corporate taxation can elect corporate taxation for their LLC. To elect corporate taxation, owners file Form 8832, "Tax Classification Election," with the IRS. Electing this status may also make an LLC eligible for certain deductions available only to corporations. For specific guidance, small business owners should consult their accountant or tax advisor regarding this election.

How does an LLC compare to an S Corporation?

The Limited Liability Company (LLC) and the Subchapter S Corporation ("S Corp") share the benefit of pass-through taxation. This means that owners in the company report their share of profits and losses on each owner's individual tax return. The Internal Revenue Service (IRS) assesses no separate tax on the company itself. In contrast, "double taxation" occurs when the IRS taxes both a C Corporation's profit and dividends paid to shareholders.

Despite the similarity of pass-through taxation, an LLC formation can offer advantages over an S Corporation:

- Not required to hold annual meetings or record meeting minutes (though we recommend it)
- LLC owners need not worry about the formalities of issuing stock, since an LLC does not have stock
- No limit to the number of owners
- LLC owners need not be U.S. citizens or permanent residents

What is a Series LLC?

A Series LLC consists of a Limited Liability Company with more than one series of members, managers, or LLC interests. In some cases, a series LLC can have a separate business purpose or investment objective. For years, Delaware law has permitted an LLC to register separate series. Use of this structure remains uncommon due to uncertainty over federal income tax consequences. Advantages include:

- The Series LLC permits separate liability-insulated divisions within a single entity.
- A Series LLC could be used as a holding company owning intangible assets, or tangible assets such as real estate, or as an operating company conducting different lines of business.
- The Series LLC reduces costs associated with forming and maintaining multiple LLCs.

What state should I form my LLC in?

Most businesses form LLCs in the state in which they primarily operate. Advantages of choosing your home state include:

- Typically the least complicated option
- Usually costs less than forming your LLC in a different state and registering with your home state
- Avoids paying franchise taxes and filing annual reports in more than one state

Many companies conduct business throughout the U.S. and abroad. An LLC with business locations in multiple states may form an LLC in a single state and then register to do business in the additional states. This means that companies must formally register, file annual reports, and pay annual fees to conduct business in multiple states.

What do I need to do to maintain my LLC?

Nearly all states require LLCs to file annual reports or pay franchise taxes to maintain the company's good standing. The Secretary of State may forward a renewal notice directly to your company or to your Registered Agent. Failure to file reports and pay franchise taxes by the state deadline can result in fines, notices, and the inability to conduct business.

State laws do not require LLCs to hold annual meetings or record meeting minutes. However, we recommend that LLCs update their records at least annually to reflect any changes in management or activities.

Almost all state, county, and local governments require LLCs to complete business license, permit, and tax registration applications before beginning to operate.

Partnerships

- Partners remain personally liable for lawsuits filed against the business.
- Usually no state filing required to form a partnership.
- Easy to form and operate.
- Owners report their share of profit and loss in the company on their personal tax returns.

A limited partnership (LP) is much like a general partnership, but with a few significant differences.

Management of a limited partnership rests with the "general partner," who also bears unlimited liability for the company's debt and obligations. A limited partnership allows for any number of "limited partners," whose liability is limited to the total amount of their investment in the company.

Limited partners are sometimes referred to as "silent partners" - in other words, they can make investments in the company but have no voting power or control over its day-to-day operations. They can be a valuable source of capital in this business structure.

Limited partnership is the entity of choice for many law, accounting and finance firms. It's also a popular among businesses that focus on time-restricted projects, such as real estate and film production companies.

Advantages of a limited partnership include:

- **Personal asset protection:** The limited partnership structure offers liability protection up to the amount of the investment for the company's limited partners.
- **Pass-through taxation.** A limited partnership's income is not taxed at the business level; instead, business profit and loss are "passed through" to the partners for reporting on their personal tax returns.
- **Full oversight:** The general partner has complete management control of the limited partnership.
- **Investment potential:** Limited partnerships can generate capital investments by adding more limited partners.

It is important to note that certain issues must be addressed in the formation of an LP that can affect the limited liability provided by the LP, such as the role of the limited partners and the effect of the death, bankruptcy or insolvency of the GP or LP on the continued existence of the LP.

What is a Limited Partnership?

A Limited Partnership is a partnership consisting of a general partner, who manages the business and has unlimited personal liability for the debts and obligations of the Limited Partnership, and a limited partner, who has limited liability but cannot participate in management.

What are the differences between a general partnership and a Limited Partnership?

A Limited Partnership offers protection from liability for the debts and obligations of the Limited Partnership to the limited partners. In a General Partnership, all of the partners are jointly and severally liable for the debts of the partnership.

How are Limited Partnerships taxed?

The Limited Partnership is taxed as a partnership. Each partner reports his or her share of profit or loss on his or her individual tax return.

How many owners are required to form a Limited Partnership?

At least one.

Do I need an attorney to form a Limited Partnership?

No. You can prepare and file the necessary paperwork yourself.

Is a Limited Partnership required to have a registered agent?

Yes. Limited Partnerships must designate someone to receive official state correspondence and legal notices, called service of process. Most states refer to this delegate as a "Registered Agent." Some states also use the terms "statutory agent" or "resident agent." Some states will not allow a business to serve as its own Registered Agent. Other states allow a company to designate an owner or director as its Registered Agent. However, that agent must:

- Remain available during normal business hours
- Maintain a physical address located in the state where the business is registered, and any states where the company is doing business
- List their name and address in public records

Because of these requirements, most businesses choose to name a third-party Registered Agent like The Company Corporation.

Failure to respond to a legal notice can result in a default judgment against your company. This means that a court can order your business to pay significant penalties without hearing your side of the argument.

After I form my Limited Partnership, how do I remain in compliance?

Most states require a Limited Partnership to pay an annual tax. The failure to pay that tax can result in the state terminating the Limited Partnership, exposing the limited partners to liability for the debts and obligations of the Limited Partnership. Additionally, there may be other compliance requirements, such as obtaining licenses with the city, county and or state.

Business Comparison Chart

Before you begin the incorporation process, you will need to choose a business structure. There are plenty of options when it comes to deciding whether to incorporate or form a partnership or act as a sole proprietor time. The Business Comparison Chart help you through the process. Please review our chart below for the advantages of forming a C Corporation, Subchapter S Corporation, or LLC.

	C Corp	S Corp	LLC	General Partnership	Sole Proprietor
Owners have limited liability for business debts and obligations	x	x	x		
Created by a state-level registration that usually protects the company name	x	x	x		
Business duration can be perpetual	x	x	x		
May have an unlimited number of owners	x		x	x	
Owners need not be U.S. citizens or residents	x		x	x	x
May be owned by another business, rather than individuals	x		x		
May issue shares of stock to attract investors	x	x			
Owners can report business profit and loss on their personal tax returns		x	x	x	x
Owners can split profit and loss with the business for a lower overall tax rate	x				
Permitted to distribute special allocations, under certain guidelines			x	x	
Not required to hold annual meetings or record meeting minutes			x	x	x