

BUSINESS ENTITY COMPARISON TABLE

Criteria	Sole Proprietorship	Partnership	LLC	Corporation (C-Corp)	S-Corporation	Limited Partnership (LP)	Limited Liability Partnership (LLP)
Formation	Simple, no formal action	Agreement between two or more parties.	Filed with state (Articles of Organization)	Filed with state	Filed with state + IRS S-election	Filed with state	Filed with state
Duration of Existence	Tied to owner's life	Dissolves upon death or withdrawal of a partner, unless safeguards are specified in a partnership agreement.	Dependent on the requirements by the state of formation.	Perpetual	Perpetual (with restrictions)	Defined by agreement	Dependent on the requirements imposed by the state of formation.
Liability	Unlimited personal liability	Unlimited personal liability (except LPs and LLPs)	Members are not typically responsible for the debts of the LLC.	Shareholders are typically not responsible for the debts of the corporation.	Shareholders are typically not responsible for the debts of the corporation.	General partners: unlimited; Limited partners: limited	Partners are not typically responsible for the debts of the LLP.
Operational Requirements	Minimal	Moderate	Some formal requirements, but less formal than corporations.	Board of directors, annual meetings, and annual reporting.	Board of directors, annual meetings, and annual reporting.	Some formal requirements, but less formal than corporation.	Delaware, Georgia, Pennsylvania, Texas, and Virginia require and LLP to carry insurance or an escrow account to cover liabilities.
Management	Owner-managed	Partners share management	LLC has an operating agreement that outlines management.	Board of Directors, Officers	Board of Directors, Officers	General partners manage. Limited partners are excluded from management unless they serve on the board of directors.	All partners have the right to manage the business directly.
Taxation	Not a taxable entity. Sole proprietor pays all taxes	Not a taxable entity. Each partner pays tax on his/her share of income and can deduct losses against other sources of income	Choice (default pass-through)	Taxed at the entity level. If dividends are distributed to shareholders, dividends are also taxed at the individual level.	No tax at the entity level. Income/loss is passed through to shareholders.	Files taxes as a separate entity, and must meet certain criteria to avoid being taxed as a corporation.	Files taxes as a separate entity, must meet certain criteria to avoid being taxed as a corporation.
Pass-Through Income/Loss	Yes	Yes	Yes	No	Yes	Yes	Yes
Double Taxation	No	No	No (unless elected as corporation)	Yes	No	No	No
Cost of Creation	Minimal	Low to moderate	State filing fee required.	State filing fee required.	State filing fee required.	State filing fee required.	State filing fee required.
Raising Capital	Often difficult unless individual contributes funds.	Contributions can be made from partners, and more partners can be added.	Flexible; attractive to investors	Easier through stock issuance	Restricted (limit on shareholders)	Better than general partnerships	Better than general partnerships
Transferability of Interest	Difficult	Requires agreement	Possible, dependent on operating agreement restrictions.	Shares of stock are easily transferred.	Yes, observing IRS regulations on who can own stock.	Depends on partnership agreement	Depends on partnership agreement



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