

BUSINESS ENTITIES COMPARED

	Sole Proprietorship	Partnership	Limited Partnership	Limited Liability Partnership	Limited Liability Company	Business Corporation
Creation	Decision of individual proprietor	Oral or written agreement of 2 or more parties	Secretary of state's acceptance of LP Certificate	Secretary of state's acceptance of LLP Application	Secretary of state's acceptance of Articles of Incorporation	Secretary of state's acceptance of Articles of Incorporation
Organization & Regulation	May need license and fictitious business name Statement	No requisites, but written partnership agreement is prudent	Filing fees; must file and maintain LP certificate; written LP agreement is usual	Filing fees; name requirements; annual renewal is required in many states	Filing fees; operating agreement; name requirements; annual reports usually required	Filing fees; annual reports; name requirements; articles and bylaws govern
Management & Control	Sole Proprietor makes all Management Decisions	Partners free to agree on structure; equal rights absent contrary agreement	General partners have full responsibility; limited partners precluded from management	Partners may decide among themselves	Either members or appointed managers	Board of directors elected by shareholders
Profits & Losses	Sole Proprietor retains all profits; may use losses to offset income	Partners agree on allocations; equal shares regardless of capital contribution absent contrary agreement	Agreement controls allocations, which generally accord with contributions	Agreement controls allocations, which generally accord with contributions	Agreement controls allocations, which generally accord with contributions	Shareholders share in profits via increased stock value and by receiving dividends, if declared
Liability	Sole Proprietor personally liable for all debts and obligations	All partners jointly and severally personally liable	Unlimited for general partners; limited partners' liability limited to amount contributed or invested	In full shield states, partners have no personal liability; in partial shield states, partners retain personal liability for contractual obligations	Limited to member's contribution; no personal liability	Limited; shareholders not liable for corporate debts or obligations
Duration	Termination upon death of sole proprietor	Termination upon stated term, mutual agreement, or death or withdrawal of a partner under UPA; under RUPA many events result in a buyout of partner's interest rather than termination	Termination upon stated term, mutual agreement, or death or withdrawal of general partner	In a few states term is one year; in most states term is perpetual	Usually perpetual; limited to 30 years in a few states	Perpetual existence
Transfers of Interest	Sale possible, but new sole proprietorship created	Interest in profits transferable, but transferee does not become partner absent agreement of remaining partners	New partners admitted per agreement to terms; absent agreement, admission by unanimous consent	Interest in partner's profits assignable; unanimous consent needed for admission of new partner in absence of other agreement	Admission of new members requires unanimous consent, unless operating agreement provides otherwise	Shares of stock readily transferable
Taxation	Payment at appropriate individual tax bracket	Each partner declares pro rata share on tax return, whether distributed or not; entity files information tax return	Each partner declares pro rata share on tax return, whether distributed or not; entity files information tax return	Each partner declares pro rata share on tax return, whether distributed or not; entity files information tax return	Each partner declares pro rata share on tax return, whether distributed or not; entity files information tax return	Double taxation; corporations pay on earned income and shareholders taxed on distributed cash dividends