

### Business Entities Comparison Chart

\*\*\*Martin H Chan PC does not provide any legal advice or legal services.

Characteristics	Sole Proprietorship	C Corporation	S Corporation	Limited Liability Company
<b>Formation</b>	No state filing required.	State filing required.	State filing required.	State filing required.
<b>Duration of Existence</b>	Dissolved if entity ceases doing business or upon death of the sole proprietor.	Perpetual	Perpetual	Dependent on the requirements imposed by the state of formation when forming an LLC.
<b>Liability</b>	Sole proprietor has unlimited liability.	Shareholders are typically not responsible for the debts of the corporation.	Shareholders are typically not responsible for the debts of the corporation.	Members are not typically liable for the debts of the LLC.
<b>Operational Requirements</b>	Relatively few legal requirements.	Board of directors, annual meetings and annual reporting required.	Board of directors, annual meetings and annual reporting required.	Some formal requirements but less formal than corporations.
<b>Management</b>	Sole proprietor has full control of management and operations.	Managed by the directors, who are elected by the shareholders.	Managed by the directors, who are elected by the shareholders.	Members have an operating agreement that outlines management.
<b>Taxation</b>	Not a taxable entity. Sole proprietor pays all taxes.	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 the shareholders.	If properly structured there is no tax at the entity level. Income/loss is passed through to members.
<b>Pass Through Income/Loss</b>	Yes	No	Yes	Yes
<b>Double Taxation</b>	No	Yes, if income is distributed to shareholders in the form of dividends.	No	No
<b>Cost of Creation</b>	None	State filing fee required.	State filing fee required.	State filing fee required.
<b>Raising Capital</b>	Often difficult unless individual contributes funds.	Shares of stock are sold to raise capital.	Shares of stock are sold to raise capital.	Possible to sell interests, though subject to operating agreement restrictions.
<b>Transferability of Interest</b>	No	Shares of stock are easily transferred.	Yes, but must observe IRS regulations on who can own stock.	Possibly, depending on restrictions outlined in the operating agreement.
<b>Example</b>	Mom and Pop ice cream shop	Public Corporations	Small business or family business such as print shop, pizza shops, professional services, etc.	Real estate investment properties, motion pictures, non-US partners, etc.
<b>Fee</b>	\$195	\$495	\$495	\$495