

Entity Comparison Chart

	Business Types			
<u>Characteristics</u>	<u>Sole Proprietor</u>	<u>C-Corporation</u>	<u>S-Corporation</u>	<u>Limited Liability Company</u>
Formation	No State filing required. However, if conducting business under another name a DBA/Trade Name will need to be filed.	State filing required to secure the name.	State filing required to secure the name. Must file Federal election and, in some cases, State election for "S" Status.	State filing required to secure the name.
Duration of Existence	Existence ceases upon death of the sole proprietor.	Perpetual existence, unless stated otherwise in the formation document or the entity ceases to comply with state annual requirements and becomes administratively dissolved.	Perpetual existence, unless stated otherwise in the formation document or the entity ceases to comply with state annual requirements and becomes administratively dissolved.	Perpetual existence, unless stated otherwise in the formation document or the entity ceases to comply with state annual requirements and becomes administratively dissolved.
Liability	Sole proprietor is subject to unlimited personal liability for the debts, losses and liabilities of the business.	Shareholders are typically not responsible for the debts or obligations of the corporation. Exceptions for fraudulent or illegal activities, etc. exist.	Shareholders are typically not responsible for the debts or obligations of the corporation. Exceptions for fraudulent or illegal activities, etc. exist.	Members are typically not responsible for the debts or obligations of the LLC. Exceptions for fraudulent or illegal activities, etc. exist.
Annual Requirements	Little, or no, legal requirements.	Annual meeting of the Board of Directors and/or shareholders. Most states have an annual report filing requirement.	Annual meeting of the Board of Directors and/or shareholders. Most states have an annual report filing requirement.	Few formal requirements for meetings and management structure. Most states have an annual report filing requirement.
Management Structure	Sole proprietor is fully in control of company management and operations.	Shareholders (owners) elect Directors to manage the company. Directors elect officers (ex. President, Vice President, Secretary & Treasurer) to operate the company.	Shareholders (owners) elect Directors to manage the company. Directors elect officers (ex. President, Vice President, Secretary & Treasurer) to operate the company.	Members (owners) operate the company directly or select managers to operate the company on their behalf.
Taxes	Sole proprietor pays taxes directly.	Entity files corporate tax return and pays taxes separate from its shareholders.	Entity files S-Corp tax return but, does not typically pay taxes as they are "passed through" to the shareholders.	Entity does not typically pay taxes or file a return. Unless it is a multi-member LLC, taxed as a partnership, or elects to be treated as a corporation or s-corporation.
Pass Through Income/loss	Yes	No	Yes	Yes
Double Taxation	No	Yes, if income is distributed to shareholders as dividends.	No	No
Formation Costs	None. Unless, DBA/Trade Name needs to be filed.	State filing fees, and other possible formalities (ex. Initial reports or mandatory legal publication), will be required.	State filing fees, and other possible formalities (ex. Initial reports or mandatory legal publication), will be required.	State filing fees, and other possible formalities (ex. Initial reports or mandatory legal publication), will be required.
Equity Funding	Difficult due to increased investor risk.	Stock can be sold to raise capital. But, subject to restrictions in the corporate bylaws.	Stock can be sold to raise capital. But, subject to S-Corp stock ownership rules and to restrictions in the corporate bylaws.	Membership Interest can be sold. But, subject to restrictions in the LLC operating agreement.
Transfer of Interest	No	Shares of stock can be transferred. But, subject to restrictions in the corporate bylaws.	Shares of stock can be transferred. But, subject to S-Corp stock ownership rules and to restrictions in the corporate bylaws.	Possible. But, subject to restrictions in the LLC operating agreement.

NOTE: This chart is not intended to provide legal, accounting or other professional advice and should not be relied upon as such. Accumera LLC's products and services are not a substitute for the advice of an attorney.