Advantages of the Six Formal Structures.

Sole Proprietorship

Is where as a owner is exposed and liable to all of your business debts. This structure is also known as DBA "Doing Business As"

C- Corporation

C corporation is the most common corporate structure. The corporation is a separate legal entity owned by the shareholder(s).

Note the shareholders cannot be held personally responsible for the debts of the corporation. The shareholders' personal liability is typically limited only to the amount the shareholder invested in the company.

Be careful taxation implications to form a C corporation are usually consideration when deciding which corporate structure to choose. The shareholders of C corporations in most cases will experience double taxation, which simply means that corporate profits are taxed at both the entity and individual levels. Profits of the business are reported and taxed at the entity level first

S-Corporation

An S corporation is a standard corporation that has elected a special tax status with the Internal Revenue Service (IRS). The formation requirements for an S corporation are the same as those for a C-Corporation where as documents must be filed with the appropriate state agency and the necessary state filing fees paid.

One reason why many small business owners choose S corporation status with the IRS is that the S corporation's special tax status eliminates the possibility of double taxation common to C corporations. With a S corporations, a corporate income tax return is filed but no tax is paid at the entity level. However, the profits or losses of the corporation are "passed-through" to the shareholders and are reported on their individual tax returns

Non-Profit Corporation

Forming a non-profit corporation is much like creating a regular corporation, except that nonprofits have to take the extra steps of applying for tax-exempt status with the IRS and their state tax division. As is mainly used to apply for 501(c)(3)

Limited Liability Company:

(LLC), is often referred to as a limited liability corporation, a entity that offers limited liability protection and pass-through taxation. An LLC can be managed by either the members or by company managers.

When opening a LLC, you are eligible to receive pass-through taxation as its income is not taxed at the entity level. A tax return for the LLC must be completed. Any income or loss of the LLC as shown on this return is passed through to the owner(s). The owners, also called members, must then report the income or loss on their personal tax returns and pay any necessary tax.

LLC legally exists as a separate entity from its owners. Therefore, the owners cannot be held personally responsible for the debts and liabilities of the LLC.

Limited Liability Partnership

Designed for professional organization such as CPAs ,Attorneys etc.. this type of structure consists of at least one general partner and other limited partner or general partner is personally liable for the partnership debts. Limited partners are not personally liable, as long as they don't materially participate in the partnership management, partners are taxed based on ownership percentage and required to file a partnership registration with the Secretary of State.