HARRISON
LITIGATION TEAM
BUSINESS LAW | CONSTRUCTION LAW

Tennessee Business Entity Comparison Guide

Choosing the right entity is a critical legal decision that affects liability protection, taxes, management, financing, and the future of your business.

QUESTION	LLC	CORPORATION	GENERAL PARTNERSHIP	LIMITED PARTNERSHIP	LLP
Provides limited liability protection?	Yes	Yes	No	Yes, for limited partners only	Yes
Administrative complexity	Low	Moderate to High	Low	Moderate	Moderate
Corporate formalities required?	Few	Yes	Few	Moderate	Moderate
Well suited for a single owner?	Yes	Yes	Generally no	Limited	Yes
Well suited for multiple owners?	Yes	Yes	Yes	Yes	Yes
Flexible ownership and management?	High	Moderate	Moderate	Limited	Moderate
Suitable for raising outside capital?	Moderate	High	Limited	Moderate	Moderate
Typical governing document	Operating Agreement	Bylaws and Shareholder Agreement	Partnership Agreement	Limited Partnership Agreement	LLP Agreement
Often appropriate for construction companies?	Yes	Depending on the business	Rarely	Occasionally	Occasionally
Often appropriate for real estate investors?	Yes	Sometimes	Rarely	Sometimes	Occasionally

This comparison is intended as a general educational guide. The appropriate entity depends on ownership structure, tax planning, financing, succession goals, and the nature of the business.

Practical Business Owner Decision Guide

Different business goals call for different legal structures. Use this guide to identify the entities business owners often consider first.

IF YOUR GOAL IS TO...	ENTITY TO CONSIDER	WHY
Start a construction company	LLC	Provides liability protection while allowing flexible management and ownership.
Start a family-owned business	LLC	An operating agreement can be customized to address ownership, voting rights, succession, and buy-outs.
Purchase rental property	LLC	Separates investment property from personal assets and is relatively easy to administer.
Own multiple rental properties	LLC or Series LLC	Depending on the portfolio, a Series LLC or multiple LLCs may provide greater asset segregation.
Bring in outside investors	Corporation or LLC	The appropriate structure depends on the anticipated ownership and capital structure.
Build a company for long-term growth	LLC or Corporation	The decision should be based on governance, financing, tax considerations, and future business objectives.

IMPORTANT: This information is provided for general educational purposes only and does not constitute legal advice. Business entity selection depends on the specific facts, ownership structure, tax considerations, and goals of each business. You should consult with legal and tax professionals before selecting or changing a business entity.