MONTANA Cooperative DEVELOPMENT CENTER

Business Model Comparison

MODEL	OWNERSHIP AND CONTROL	BENEFITS	CONSIDERATIONS
Cooperative Create wealth and benefit members	**Members:** Ownership based on holding a share of common stock. Financed by the sale of shares to members. Members democratically elect a board of directors. One member, one vote. The board sets policy.	Social business founded to provide services for members and community. Legally considered a corporation. Earnings from business are taxed once. Limited Legal Liability	Profits are allocated to members based on level of use (patronage). Each member has equal voting power.
Sole Proprietorship Generate wealth for the owner	**Individual Owner:** Financed by owner. Full legal liability. The owner sets policy and manages the business.	Simple and inexpensive to start. Owner reports on personal tax returns.	Owner personally liable for business debts.
General Partnership Generate wealth for partners	**Partner Owners:** Financed by partners. Full legal liability. Partners vote in proportion to investment. Partners set policy and manage business.	Partners report on personal tax returns.	Partners are personally liable for business debts. Profits are distributed in proportion to investment.
Corporation Generate wealth for shareholders	**Stockholder Ownership:** Ownership is determined by the number of shares held. Policy set by Board of Directors elected by majority stockholders.	Owners have limited personal liability for business debts. Owners can split corporate profit among owners and corporation, paying lower overall tax rate.	Most expensive to start. Sperate taxable entity. Taxed twice, once at the corporate level and then at the individual level.
Nonprofit Corporation Benefit the public	**Board of Directors:** Elected or appointed Board of Directors. The board sets policy based on set bylaws and articles of incorporation documents.	Founded around societal interests or causes. Can be tax-exempt.. Contributions to charitable corporations are tax-deductible.	Cannot return any profit to their members. Membership does not grant ownership. The full tax advantage is available only to certain nonprofits types
Limited Liability Company Generate wealth for partners	**Partner Ownership:** Financed by two or more partners. Limited legal liability. Partners vote in proportion to investment. Partners set policy and manage the business.	Owners have limited personal liability for business debts.	Profit and loss can be allocated differently based on ownership interests.