

Newsletter

Table: Choosing a Business Entity

	Sole Proprietorship	General Partnership	Limited Partnership	C Corporation
Limited Liability	No	No	Yes ²	Yes
Pass-through Tax Treatment ³	Yes	Generally yes	Generally yes	No
Difficult to Form/Maintain	No	Not very	Not very	Yes
Continuity of Life	No	No	No	Yes
Centralized Management	Yes	Generally no, but partners can elect a committee of managers	Yes	Yes
Interests Freely Sold/Transferred	Yes ⁵	Generally no	Generally no	Yes
Available in All States	Yes	Yes	Yes	Yes
Minimum Number of Owners	One	Two	Two	One
	S Corporation	Limited Liability Company (LLC) ¹	Limited Liability Partnership (LLP)	
Limited Liability	Yes	Yes	Yes	
Pass-through Tax Treatment ³	Generally yes	Yes	Yes	
Difficult to Form/Maintain	Yes	Somewhat	Somewhat	
Continuity of Life	Yes	State law may limit LLC life to a set number of years ⁴	No	
Centralized Management	Yes	Generally yes, since members can elect a committee	The partnership agreement can centralize	

		of managers	management	
Interests Freely Sold/Transferred	Not to ineligible S shareholders	Yes, but transferee often has more limited rights unless all other members approve of a sale/transfer	No	
Available in All States	Yes	Yes	No	
Minimum Number of Owners	One	Generally two	Two	

¹ Assumes that the LLC opts for tax treatment as a partnership.

² Limited liability is available only to the limited partners.

³ In certain circumstances, partnerships and S corporations may be taxed at the entity level.

⁴ Generally, termination dates for LLCs provided for under state law may be overridden in the LLC agreement.

⁵ Sole proprietor sells business assets rather than an interest in a business entity.