

# FORMATION COMPARISON TABLE



BELOW IS A SHORT COMPARISON CHART OF EACH BUSINESS ENTITY SIDE BY SIDE.

Issue	Sole Proprietor	General Partnership	Limited Partnership	C Corporation	S Corporation	LLC
Who owns business?	Individual	Partners	Limited Partners & General Partners	Shareholders	Up to 100 Shareholders	Members
Personal Assets Protected	No	No	Limited Partners only	Yes	Yes	Yes
Minimum owners required?	One	Two	Two	One	One	One (Mass. Requires two)
Maximum number of owners?	One	Many	Many	Almost Unlimited	100	30 to 40 realistic (not generally restricted by law)
Issue	Sole Proprietor	Partnership	Limited Partnership	C Corporation	S Corporation	LLC
What if owner dies?	Automatically dissolves	Automatically dissolves unless treated in partnership agreement	Depends on how treated in partnership agreement	Corporation continues (if one owner, ownership passes with estate)	Corporation continues (if one owner, ownership passes with estate)	Depends on how treated in operating agreement
Who manages?	Owner	Partners	General Partner	Directors	Directors	Manager(s) or Member(s)
How is business profit taxed?	At owner's individual rate	At partners' individual rates	At limited and general partners' individual rates	Taxed at corporate rates plus shareholders' rate if distributed	At shareholders' individual rates	At members' individual rates (unless corporation status is elected)
Issue	Sole Proprietor	Partnership	Limited Partnership	C Corporation	S Corporation	LLC
Are employee-owner's fringe benefits tax deductible?	Yes for IRA or Keogh retirement plan and a portion of medical insurance	Yes for IRA or Keogh retirement plan and a portion of medical insurance	General Partners same as Partnership. No for Limited Partners	Yes for retirement plans, medical insurance and reimbursement of medical expenses	Employee-owners with more than 2% of stock are restricted from fringe benefits	Same as sole proprietor for single member LLCs; same as partnership for multiple member LLCs
Starting Requirements?	Minimal	Minimal, partnership agreement recommended	State filing required; Partnership agreement recommended	State filing required ( <a href="http://www.SOWGlobal.com">SOW Global, Inc!</a> ); Bylaws and annual shareholder meeting generally required	State filing required ( <a href="http://www.SOWGlobal.com">SOW Global, Inc!</a> ); Bylaws and annual shareholder meeting generally required	State filing required ( <a href="http://www.SOWGlobal.com">SOW Global, Inc!</a> ); Operating agreement and meeting recommended
Ability to raise capital	Difficult; Owners personal assets at risk	Difficult; Partners personal assets at risk	Difficult; General Partners personal assets at risk	Easy once established	Easy once established	Easy once established