

CITIZEN MEDIA LAW PROJECT'S BUSINESS FORM COMPARISON CHART

	<u>Sole Proprietor</u>	<u>Partnership</u>	<u>Limited Liability Company</u>	<u>Corporation</u>	<u>Nonprofit Organization</u>
Ease of Formation	Easiest. Springs into existence upon commencing business for oneself. Some <u>minor steps</u> to ensure compliance with business naming, licensing, tax, and employment regulations.	Easy. No filing requirements to <u>form</u> , but partners should sign a <u>partnership agreement</u> . Some minor steps to ensure compliance with business naming, licensing, tax, and employment regulations.	Moderate. <u>Articles of organization</u> filed with state filing office, accompanied by filing fee. An <u>operating agreement</u> should be negotiated and executed. The usual <u>steps</u> to ensure compliance with licensing, tax, and employment regulations. Somewhat less burdensome than forming a corporation.	Moderate. <u>Articles of incorporation</u> filed with state filing office, accompanied by filing fee. Other <u>requirements</u> include drafting <u>bylaws</u> , holding an organizational meeting, and issuing stock. The usual steps to ensure compliance with licensing, tax, and employment regulations.	Moderate to Difficult. <u>Articles of incorporation</u> (containing specific information required by the IRS) filed with the state, accompanied by filing fee. Time-consuming <u>application for 501(c)(3) exempt-status</u> required unless you are under gross receipts threshold. Additional <u>requirements</u> include recruiting directors, drafting <u>bylaws</u> , and holding an organizational meeting.
Ownership Rules	One owner. The sole proprietor owns all the assets of the business and is entitled to all the profits.	Two or more partners. The partnership owns its own assets. The partners are entitled to profits as set in <u>partnership agreement</u> or, absent a partnership agreement, state law (usually split equally per-capita or based on initial capital contribution).	One or more members. The LLC owns its own assets. Members entitled to share in profits, distributions, and other financial benefits. Allocation of profits among members generally set in the <u>operating agreement</u> or, absent a provision in the operating agreement, state law (usually split equally per-capita or based on initial capital contribution).	One or more shareholders. The corporation owns its own assets. Shareholders own stock that represents their percentage share of ownership in the business. Profits of the business may be distributed to shareholders in the form of dividends; distribution is based on share ownership.	<u>No owners</u> . No personal benefit may accrue to anyone who controls or operates the organization.
Liability	Sole proprietor faces <u>personal liability</u> for the debts and obligations of the business, including for unlawful acts of employees.	Partners face <u>personal liability</u> for the debts and obligations of the business, including for unlawful acts of other partners and employees.	Members enjoy <u>limited liability</u> for the debts and obligations of the LLC, including for the unlawful acts of others involved in the business.	Shareholders enjoy <u>limited liability</u> for the debts and obligations of the corporation, including for the unlawful acts of others involved in the business.	Directors, officers, and employees ordinarily have <u>no liability</u> for the debts and obligations of the business, including for unlawful acts of others involved in the organization.
Ease of Operation	Relatively easy. Few to no formalities required, but a sole proprietor must meet those tax and other regulatory <u>obligations</u> imposed on all small businesses.	Relatively easy. Few to no formalities required, but a partnership must meet those tax and other regulatory <u>obligations</u> imposed on all small businesses.	Moderate. Generally fewer formalities required than for corporations. Reporting and <u>record-keeping</u> requirements apply, as well as those tax and other regulatory <u>obligations</u> imposed on all small businesses.	Moderately difficult. A number of formalities required, including director and shareholder meetings. Reporting and record-keeping requirements apply, as well as those tax and other regulatory <u>obligations</u> imposed on all small businesses.	Moderate to Difficult. A number of <u>formalities</u> required, including formal director meetings. Many record-keeping and reporting requirements apply, both to state offices and the IRS. This in addition to many of the tax (such as employment tax) and other regulatory <u>obligations</u> imposed on all small businesses.
Management Structure	Owner has full control.	Partners have equal, full control unless otherwise arranged in a <u>partnership agreement</u> .	Flexible structure like a partnership with rights and responsibilities outlined in an <u>operating agreement</u> .	Managed by directors who are elected by shareholders. Directors appoint officers to run day-to-day operations. One person can fulfill all of these roles, but they are distinct roles.	<u>Managed</u> by directors who appoint officers to run day-to-day operations.
Tax Treatment	Not taxed as an entity. The owner reports business profits and/or losses on his or her personal tax return.	Generally not taxed as an entity. The partners report business profits and/or losses on their personal tax returns.	Usually not taxed as an entity. The member(s) report business profits and/or losses on their personal tax returns, unless they choose to have the LLC taxed as a corporation.	Subject to corporate tax on earnings. If earnings are paid out to shareholders as dividends, the individual shareholders <u>also pay tax</u> on the distribution.	Subject to corporate tax on earnings unless able to achieve IRS and state <u>tax-exempt status</u> . Liable for tax on unrelated business income, and other taxes such as property and sales (unless local and state exemptions apply).