

## Business Entity Choice Quick Facts

| <b>Business Type</b> | <b>Liability</b>   | <b>Number of Owners</b>                      | <b>Type of Owners</b>   | <b>Taxation</b>    | <b>Advantages</b>  | <b>Disadvantages</b>   |
|----------------------|--|--|---|--------------------|--|--|
| Sole Proprietorship  | Owner Personally liable.<br><br>Owner's assets at risk.  | One  | No Restrictions   | No Corporation Tax | Easy and inexpensive to create and operate<br><br>Owner reports profit or loss on personal tax return                                    | Owner personally liable for business debts<br><br>Not a separate legal entity  |
| General Partnership  | Full partner liability, each partner's personal and business assets at risk for business debts | At least two partners                        | Any individual or entity may be a partner   | No Corporation Tax | Simple and inexpensive to create and operate<br><br>Owners report a profit or loss on personal tax return                                | Owners personally liable for business debts<br><br>Two or more owners required<br><br>No beneficial employment tax treatment |
| Limited Partnership  | General partner is liable for business debts and limited partner is not                        | At least one general and one limited partner | Any individual or entity may be a general or limited partner. Limited partners cannot exercise any control or direction over the business | No Corporation Tax | A way to get financial investors that do not have management control<br><br>Owners report a profit or loss on their personal tax returns | General partners personally liable for business debts  |

## Business Entity Choice Quick Facts (Cont)

|                                 |   |                       |   |   |  |  |
|---------------------------------|---|-----------------------|---|---|--|--|
| "C" Corporation                 | No shareholder liability for business debts | No restrictions       | No restrictions                         | Federal corporation tax                                     | <p>Owners have limited personal liability for business debts</p> <p>Owners can deduct fringe benefits as a business expense</p> <p>Owners can split the corporate profits among owners and corporation, playing lower overall tax rate</p> | <p>More expensive to create and operate than sole proprietorship or partnership</p> <p>Double taxation potential if assets are taken out of the company</p> <p>A separate taxable entity</p> |
| "S" Corporation                 | No shareholder liability for business debts | 1 to 100 shareholders | Excludes alien corporations             | <p>No Federal Tax</p> <p>Colorado corporate minimum tax</p> | <p>Owners have limited personal liability for business debts</p> <p>Owners can use corporate losses to offset income from another source</p> <p>Owners can save on employment taxes by taking distributions instead of salary</p>          | <p>More expensive to create and operate than sole proprietorship or partnership</p>  |
| Limited Liability Company (LLC) | No shareholder liability for business debts | No restrictions       | An individual or entity may be a member | No Federal Tax  | <p>Owners have limited liability for business debts if they participate in management</p> <p>Profit and loss can be allocated differently than ownership interests</p>   | <p>More expensive to create and operate than a sole proprietorship</p>   |