WAYS TO ORGANIZE YOUR BUSINESS

In choosing which type of business entity to use, the "best" structure depends on many factors: the ownership of the business, how money is raised, the type of the business, and tax ramifications to owners. To determine which form of business entity to choose, a person must thoroughly consider the advantages and disadvantages of each form as it relates to the facts and circumstances of the particular business.

TYPE OF ENTITY	MAIN ADVANTAGES	MAIN DRAWBACKS
Sole Proprietorship	• Ease of formation • Low start-up costs • Greatest freedom from regulation • Owner in direct control • Minimal working capital • Tax advantages to small owners • All profits go to owner	• Owner has unlimited liability for debts • Lack of continuity • Difficult to raise capital • Limited number of owners
Partnership	• Ease of formation • Low start-up costs • Additional sources of venture capital • Broader management base • Possible tax advantages • Limited outside regulation	• Owners have unlimited liability for debts • Lack of continuity • Divided authority • Difficulty in raising additional capital • Hard to find suitable partners
C Corporation	• Limited liability • Specialized management • Ownership is transferable • Continuous existence • Own separate legal entity • Possible tax advantages • Easier to raise capital	• More expensive to organize • Closely regulated • Charter restrictions • Extensive record keeping • Double taxation
S Corporation	• Owners have limited personal liability for business debts • Possible tax advantages • Continuous existence	• More expensive to organize • Ownership limited to 100 individuals • Cannot affiliate with other business entities • Only one class of stock • Extensive record keeping • Closely regulated
Limited Liability Company	• No limitation on ownership • Owners have limited liability for debts • Possible tax advantages • Easier to raise capital • Continuous existence	• More expensive to organize • Not recognized in all states • Extensive record keeping • Closely regulated