There are 4 main types of entity structures. The main differences between them is the level of control and how they get taxed.

**- Sole Proprietorship**

o Is the simplest way to form a business. It requires no fees and you are in complete managerial control. The downside is that there is no differentiation between you and the business so the you will be personally liable for all obligations of the business.

**- Partnership**

o A partnership involves two or more people who split the profits and losses of the business. The partnership itself does not pay taxes but each individual will report their share on their individual taxes. One disadvantage is that each partner is personally liable for the obligations of the business.

**- Corporation**

o A corporation is a separate legal entity. A key benefit to forming a corporation is the avoidance of personal liability. However, the separation of liability depends on acquiring liability insurance and adhering to the requirements and guidelines a corporation has to operate under. A disadvantage can be double taxation as well as cost to incorporate. (C-corp). An S-corp allows avoidance of this double tax by funneling profits to your personal tax like a sole proprietorship

**- Limited Liability Company (LLC)**

o This entity is generally most popular. Kind of a hybrid between a sole proprietorship and a corporation. Your liability is separated but taxes are passed through to your personal taxes. You can also start as an LLC and then later opt to be taxed as an S or C corp as your business grows. (Typically we recommend thinking about changing to an S Corp once your business reaches about $40k in Net Income)