Startup Basics: **Forms of Business**

Sole Proprietor: *Most businesses start this way. The owner is the sole manager, decision-maker and income tax is based on owner's individual return. Sole Proprietor Downside: Owner liability is unlimited, startup capital may be difficult to raise, business may dissolve when owner dies.*

Partnership: *Used to share management responsibilities between co-owners, may be used when one partner is an investor, income is taxed at the partner level. Partnership Downside: Profits shared between partners, unlimited liability—each partner is individually liable, need an extensive partnership agreement with options for exiting the business.*

Limited Liability Company (LLC): *Offers liability protection for owner(s), not difficult to form, fewer rules/restrictions than corporations. LLC Downside: If partners involved, need a partner agreement, subject to state franchise fee and income tax, some restrictions on ownership and transfer.*

C Corporation: *Easier to raise capital or transfer ownership through sale of shares, limits liability for shareholders/owners, continues to exist until intentionally dissolved. C Corp Downside: Expensive to form and maintain, more extensive legal requirements, profits may be taxed twice—corporate and owner levels, subject to state franchise fee/income tax.*

S Corporation: *Profits only taxed once at shareholder level, limited liability for shareholders, withholding tax advantage. S Corp Downside: Limited to 100 shareholders, shareholders must be individuals, certain trust, or estates and may not include partnerships, corporations or non-resident alien shareholders*