

OVERVIEW OF ORGANIZATION TYPES

<u>Entity Type</u>	<u>Internal Revenue Code</u>	<u>Formation</u>	<u>Legal Liability Protection</u>	<u>Dissolution</u>	<u>Taxation</u>	<u>Federal Tax Form</u>
Sole Proprietorship		By one person	Owner is personally liable for debts of the business	By the decision or death of the owner	At the individual's level	Form 1040, Schedule C
Partnership - General	Subchapter K	By two or more persons or entities entering into a partnership agreement.	Partners are personally liable for debts of the business	By agreement of the partners, a change in partners or death of a partner.	At the partners' level	Form 1065 is filed to report earnings of the business but tax is paid on partners return - Partner receives K-1
Partnership - Limited	Subchapter K	By two or more persons or entities entering into a partnership agreement where at least one partner has general liability and one has limited liability	General partner is personally liable for all debts of the business. Limited partner is limited in liability to those debts he chooses to assume.	By agreement of the partners, a change in partners or death of a partner.	At the partners' level	Form 1065 is filed to report earnings of the business but tax is paid on partners return - Partner receives K-1
Limited Liability Company - Single Member		By one person or entity filing incorporation documents and electing LLC status	Member's liability is limited to the debts they choose to assume.	By filing for legal dissolution of the business	At the members' level	Reported on the individual member's return - 1040, schedule E; 1120; 1120S; or 1065
Limited Liability Company		By at least two persons or entities filing incorporation documents and electing LLC status	Members' liability is limited to the debts they choose to assume.	By filing for legal dissolution of the business	At the members' level	Form 1065 is filed to report earnings of the business but tax is paid on members return - Member receives K-1
C Corporation	Subchapter C	By a person or persons being granted a charter legally recognizing them as a separate entity.	Shareholders are shielded from personal liability for debts or actions of the corporation.	By filing for legal dissolution of the business upon agreement of the members	At the corporation level and again at the shareholder level when distributions are made	Form 1120
S Corporation	Subchapter S	By a person or persons being granted a charter legally recognizing them as a separate entity and then electing S corporation status	Shareholders are shielded from personal liability for debts or actions of the corporation.	By filing for legal dissolution of the business upon agreement of the shareholders	At the shareholder's level	Form 1120S is filed to report earnings of the business but tax is paid on the shareholders' return - Shareholder receives K-1
Non-Profit Corporation	Subchapter F, Section 501(c)	By a person or persons similar to forming a corporation but whose purpose is other than to operate for profit.	Shareholders are shielded from personal liability for debts or actions of the corporation.	By filing for legal dissolution of the business	N/A	Form 990 is filed to report earnings but no tax is paid