The pros and cons of corporations, LLCs, partnerships, sole proprietorships.

Type of Entity	Main Advantages	Main Drawbacks
Sole Proprietorship	Simple and inexpensive to create and operate, owner reports profit or loss on his or her personal tax return	Owner personally liable for business debts
General Partnership	Simple and inexpensive to create and operate, owners (partners) report their share of profit or loss on their personal tax returns	Owners (partners) personally liable for business debts
Limited Partnership	Limited partners have limited personal liability for business debts as long as they don't participate in management. General partners can raise cash without involving outside investors in management of business	General partners personally liable for business debts More expensive to create than general partnership Suitable mainly for companies that invest in real estate
Regular Corporation	Owners have limited personal liability for business debts Fringe benefits can be deducted as business expense Owners can split corporate profit among owners and corporation, paying lower overall tax rate	More expensive to create than partnership or sole proprietorship Paperwork can seem burdensome to some owners Separate taxable entity
S Corporation	Owners have limited personal liability for business debts Owners report their share of corporate profit or loss on their personal tax returns Owners can use corporate loss to offset income from other sources	More expensive to create than partnership or sole proprietorship More paperwork than for a limited liability company which offers similar advantages Income must be allocated to owners according to their ownership interests Fringe benefits limited for owners who own more than 2% of shares
Professional Corporation	Owners have no personal liability for malpractice of other owners	More expensive to create than partnership or sole proprietorship Paperwork can seem burdensome to some owners All owners must belong to the same profession
Nonprofit Corporation	Corporation doesn't pay income taxes Contributions to charitable corporation are tax-deductible Fringe benefits can be deducted as business expense	Full tax advantages available only to groups organized for charitable, scientific, educational, literary or religious purposes Property transferred to corporation stays there; if corporation ends, property must go to another nonprofit
Limited Liability Company	Owners have limited personal liability for business debts even if they participate in management Profit and loss can be allocated differently than ownership interests IRS rules now allow LLCs to choose between being taxed as partnership or corporation	More expensive to create than partnership or sole proprietorship State laws for creating LLCs may not reflect latest federal tax changes

Professional Limited Liability Company	Same advantages as a regular limited liability company Gives state licensed professionals a way to enjoy those advantages	Same as for a regular limited liability company Members must all belong to the same profession
Limited Liability Partnership	Mostly of interest to partners in old line professions such as law, medicine and accounting Owners (partners) aren't personally liable for the malpractice of other partners Owners report their share of profit or loss on their personal tax returns	Unlike a limited liability company or a professional limited liability company, owners (partners) remain personally liable for many types of obligations owed to business creditors, lenders and landlords Not available in all states Often limited to a short list of professions
Cooperatives	Anti-Trust protection, Sub Chapter - T tax benefit, Ease of member/owner change, member/owners report their share of profit or loss on their personal tax returns, member/owners have limited personal liability for business debts, not expensive or hard to create	Management shared, not eligible for some grants and tax exemptions as in donations and revenue realized by non-profits