



Legal Entity Structures For Your Business

When starting a business the decisions that you make in the beginning can and usually do have major implications later. One decision is the legal entity structure of your business.

The major categories of legal structure are listed below. Depending on your choice of entity will decide on how you are taxed and how you can profit from your business.

- **Sole Proprietor** - is a type of business entity that is owned and run by one natural person and in which there is no legal distinction between the owner and the business.
- **Partnership** – is a legal relation existing between two or more persons contractually associated as joint principals in a business
- **C-Corporation** - is an independent legal entity owned by shareholders. This means that the corporation itself, not the shareholders that own it, is held legally liable for the actions and debts the business incurs.
- **S-Corporation** - are corporations that elect to pass corporate income, losses, deductions, and credits through to their shareholders for federal tax purposes. Shareholders of S corporations report the flow-through of income and losses on their personal tax returns and are assessed tax at their individual income tax rates. This allows S corporations to avoid double taxation on the corporate income. S corporations are responsible for tax on certain built-in gains and passive income at the entity level.
- **Limited Liability Company (LLC)** - is the United States-specific form of a private limited company. It is a business structure that combines the pass-through taxation of a partnership or sole proprietorship with the limited liability of a corporation.

We encourage everyone thinking about starting a new business to call us and allow us to assist in determining the best legal and corporate structure for your enterprise.