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TYPES OF BUSINESS ORGANIZATIONS

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SOLE PROPRIETORSHIP

A sole proprietorship is one person alone who is running a business, even if he or she has not taken official steps to set up a business entity.

2

PARTNERSHIP

A partnership is similar to a sole proprietorship, because even without taking any action to set up a business entity, two or more individuals working on a business can be considered a partnership.

3

LIMITED PARTNERSHIP

Limited partnerships have a two-tiered partnership structure. Limited partner's exposure is limited to the contribution that partner has made to the partnership.

4

LIMITED LIABILITY COMPANY

A limited liability company (or "LLC") combines the limited liability for owners of a corporation with the flexibility and pass-through taxation of a partnership.

5

CORPORATION

A corporation provides limited liability for the owners (called "shareholders" or "stockholders"), and has a more formal business structure than an LLC.

6

"S" CORPORATION

If the tests that are set forth by the IRS are met, the corporation can make an election to be an S-corp for federal income tax purposes and is treated as a regular corporation for other purposes.

7

BENEFIT OR SOCIAL PURPOSE CORPORATION

A benefit or social purpose corporation is generally similar to a corporation in the way that it is organized and operated, except that in its Articles of Incorporation, the corporation sets forth a social purpose.

8

NONPROFIT

Nonprofit companies are beneficial because they typically are not subject to income taxes. The assets of the organization belong to the public, and cannot be used for purposes that do not further the nonprofit mission.

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