

BUSINESS ENTITY TYPES

Understanding
the Basics



SOLE PROPRIETORSHIP

A sole proprietorship is the simplest and most common business structure. In this arrangement, a single individual owns and operates the business.

PARTNERSHIP

A partnership involves two or more individuals who join forces to own and operate a business.

LIMITED LIABILITY COMPANY (LLC)

An LLC is a hybrid business structure that combines the pass-through taxation benefits of a partnership with the limited liability protection of a corporation.

CORPORATION

A C corporation is a separate legal entity from its owners (shareholders). It is a distinct legal entity with its own rights and responsibilities.

An S corporation is a special type of corporation that elects to pass corporate income, deductions, credits, and losses through to its shareholders for federal tax purposes.