**Table: Choosing a Business Entity**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **image** | **Sole Proprietorship** | **General Partnership** | **Limited Partnership** | **C Corporation** |
| **Limited Liability** | No | No | Yes 2 | Yes |
| **Pass-through Tax Treatment 3** | Yes | Generally yes | Generally yes | No |
| **Difficult to Form/Maintain** | No | Not very | Not very | Yes |
| **Continuity of Life** | No | No | No | Yes |
| **Centralized Management** | Yes | Generally no, but partners can elect a committee of managers | Yes | Yes |
| **Interests Freely Sold/Transferred** | Yes 5 | Generally no | Generally no | Yes |
| **Available in All States** | Yes | Yes | Yes | Yes |
| **Minimum Number of Owners** | One | Two | Two | One |
| **image** | **S Corporation** | **Limited Liability Company (LLC) 1** | **Limited Liability Partnership (LLP)** | **image** |
| **Limited Liability** | Yes | Yes | Yes | image |
| **Pass-through Tax Treatment 3** | Generally yes | Yes | Yes | image |
| **Difficult to Form/Maintain** | Yes | Somewhat | Somewhat | image |
| **Continuity of Life** | Yes | State law may limit LLC life to a set number of years 4 | No | image |
| **Centralized Management** | Yes | Generally yes, since members can elect a committee of managers | The partnership agreement can centralize management | image |
| **Interests Freely Sold/Transferred** | Not to ineligible S shareholders | Yes, but transferee often has more limited rights unless all other members approve of a sale/transfer | No | image |
| **Available in All States** | Yes | Yes | No | image |
| **Minimum Number of Owners** | One | Generally two | Two | image |

1 Assumes that the LLC opts for tax treatment as a partnership.
2 Limited liability is available only to the limited partners.
3 In certain circumstances, partnerships and S corporations may be taxed at the entity level.
4 Generally, termination dates for LLCs provided for under state law may be overridden in the LLC agreement.
5 Sole proprietor sells business assets rather than an interest in a business entity.

