

	Sole Proprietorship	General Partnership	C-Corporation	S-Corporation	LLC
Separate Legal Entity	No. Personal and business assets and liabilities are merged together.	No. Personal and businesses assets and liabilities are merged together.	Yes. The business is a separate legal entity	Yes. The business is a separate legal entity	It Depends. No, if only 1 member. Yes, if at least 2 members.
Ownership	Only 1 owner	At least two partners	At least one shareholder	From 1-75 shareholders	At least 1 member
Legal Liability	Unlimited	Unlimited	Limited to the investment contributed to the business	Limited to the investment contributed to the business	Limited to the investment contributed to the business
Tax Treatment	Profits are taxed at the individual income tax rate and individual is also liable for self-employment tax	The business itself does not pay taxes, but each partner records his/her share of profits on his/her personal income tax return	Corporate profits are subject to double taxation. Taxed both on income to the corporation & dividends distributed to stockholders	Corporate profits are subject to personal income taxation. Corporation itself does not pay taxes, but files and informational tax return mentioning each shareholder's portion of the corporate income.	If only 1 member, the business' profits are taxed as in the sole proprietorship. If at least 2 members, the business profits are taxed as in the partnership. Unless set up as a corporation.
Owners Compensation	The owner can take and owner's draw	Depending on the partnership agreement, partners can receive a reasonable salary	Managers can receive a reasonable salary	Managers can receive a reasonable salary	The member(s) can take an owner's draw if the LLC is set up as a sole proprietorship or receive a reasonable salary if it is set up as a partnership
Profit Distribution	Profits after tax can be retained or distributed to the sole proprietor	Profits after tax can be distributed to partners based on the agreement or can be reinvested in the company	Profits after tax can be distributed as dividends or reinvested in the company	Profits after tax can be distributed to shareholders based on their contributions or reinvested in the company	One member, profits are distributed as in the sole proprietorship. Partnership rules apply if 2+. Unless set up as a corporation
Initial Filing Requirements	The business owner must file with the Secretary of State in DSM	The business owner(s) must file with the Secretary of State in DSM	The business owner(s) must file with the Secretary of State in DSM	The business owner(s) must file with the Secretary of State in DSM	The business owner(s) must file with the Secretary of State in DSM
Main Advantages	Easy & inexpensive to start and terminate the business	Ease of establishing. Single taxation	Limited liability large resource base. Unlimited life	Limited liability. Single taxation. Unlimited life	Limited liability. Single taxation.
Main Disadvantages	Unlimited liability. Limited life	Unlimited liability. Limited life	Double taxation. Increased amount of paper work and expensive startup costs	Restrictions on the number of shareholders and classes of stock. Lenders can require personal guarantee	Lack of court experience in LLC litigation

Factors to consider when choosing a legal structure:

- The amount of government regulations
- Transferability and continuity of ownership interest
- Management control
- Profit and Loss Distributions
- Liability of business owner(s)
- Ease of establishing and terminating the business
- Tax treatment

Registration of your business name:

Sole Proprietor – if you are doing business under a name different than your own, go to the County Recorder’s office and complete a “certificate of assumed or fictitious name.” The cost for this is usually under \$20. If you are considering a partnership or any form of corporation you do not need to do this step. Your business name is registered through the corporate registration process.

Partnership – as for a “Partnership Certificate” – registering firm or trade style of a partnership. Have a lawyer prepare a partnership agreement.

Corporation – The Secretary of State registers limited liability companies, limited partnerships, S & C corporations, nonprofit corporations, and state trademarks or service marks. Your name is registered as a part of the application for your chosen business form. You can apply for your corporate status online at the Secretary of State Office, but using an attorney is strongly advised. Your local SBDC office can help you locate an attorney in your area.

For detailed information, please refer to the following websites:

- www.iowabar.org/?page=StartingABusiness
- <http://www.myownbusiness.org/s4/index.html>
- www.irs.gov