



INTELLEQUITY

L E G A L S E R V I C E S LLC

Pros and Cons of the Different Business Forms

There are four main types of business organizations, each with its own purpose, as well as pros and cons. Read below to think about some of those pros and cons. Keep in mind, not all businesses are eligible for all types of organization types. For more information, contact us by phone at **503-877-0881**, email at info@intellequityip.com or book a low-cost ½ hour or 1 hour consult on our website today!

Sole Proprietorship

PROS

One owner only. You have total control of the business.

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No annual reports.

No corporate tax. Only taxed once, and file with personal return.

Less formal, more flexible.

CONS

No one else to rely on if something happens to you.

Unlimited personal liability for business debts.

Raising capital can be difficult.

Could be seen as unprofessional.

Business ends on death or incapacitation of owner.

LLC

PROS

One or more owners.

Easier and less costly to set up than Corporation.

Pass-through taxation, if desired.

Limited Liability.

Continuous business existence.

Flexible management structure.

CONS

Owner relationships should be examined for compatibility.

Some formalities need to be observed and practiced.

More complicated & costly to start than a sole proprietorship.

Requires state filing and ongoing fees.

Tax requirements can be more onerous.

Corporation

PROS

One or more owners.

Limited Liability.

Better structure for larger or more complex business.

Ability to raise capital is easier.

Stable business structure.

CONS

Costly and expensive to organize.

Corporate formalities are many and must be observed.

Management is not flexible but centralized through a Board of Directors.

Double taxation. Income is taxed at both the corporate and shareholder level.

Partnership

PROS

Two or more owners.

Easy and low cost to set up.

Can be set up with general and limited liability.

Informal and flexible.

Pass-through taxation to individual partners.

CONS

Personal liability for partnership debts, even if you did not incur or agree.

Should choose business partner(s) wisely.

Partnership agreement must be adhered to strictly and is very important.

Stability of Partnership could break down with disagreements.