

# The Corporate-Form Menu

What are the most popular corporation structures? This table gives an outline of the basics of each, along with pros and cons.

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The most popular types of corporate structure differ in many subtle ways, but these are the biggest differences among them.

For a comprehensive discussion of the pros and cons of various forms, be sure to consult a qualified lawyer or accountant.

*You may need to scroll down to view the rest of this article. Â*

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## Choose a Corporate Form:

Corporate structure	Ownership rules	Tax treatment	Liability	Pros and cons
<b>SOLE PROPRIETORSHIP</b>	One owner	Pass-through federal tax entity*	Unlimited personal liability for business debts	Is easy to set up but leaves your personal finances at risk. Plus, you miss out on all kinds of business deductions
<b>S CORPORATION</b>	Up to 75 shareholders; only one basic class of stock; slight flexibility on	Pass-through federal tax entity*	Limited	Is easy to set up but may limit your financing options later

	voting rights			on
<b>C CORPORATION</b>	Unlimited number of shareholders; no limits on stock classes or voting arrangements	Dividend income gets taxed at the corporate and shareholder levels; losses and deductions stay at the corporate level	Limited	Can be costly from a tax perspective but investor friendly
<b>LIMITED-LIABILITY COMPANY</b>	Unlimited number of "members"; flexible membership arrangements, with voting rights and income divided as desired	Pass-through federal tax entity*	Limited	Has lots of advantages but makes investors leery, which could make financing deal dicey. Cost of switching forms from S- or C-corporation status is generally prohibitive
<b>PARTNERSHIP</b>	Two or more owners	Pass-through federal tax entity*; flexibility about profit-and-loss allocations among partners	Personal assets of any operating partner at risk from business creditors**	Allows lots of room to play with tax benefits, but in a general partnership, that personal liability can be scary
<b>LIMITED-LIABILITY PARTNERSHIP</b>	Two or more owners	Pass-through federal tax entity*; some flexibility about ownership arrangements	Limited	As an alternative to traditional partnerships, has many advantages. Is easy enough for partnerships to switch to - but is a new

				form and hasn't gained acceptance in all states
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\*In a pass-through tax entity, income and losses "pass through" to owners and are taxed by the IRS at the personal level.

\*\*In limited-partnership variation, limited partners' liability can be restricted to amount of original investment.

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