

Sole Proprietorship

Advantages

- Easy to form and operate
- Low start-up costs
- Owner controls decision making
- All profits retained by owner
- No double taxation
- Easy to terminate the business

Disadvantages

- Only one owner
- Unlimited liability (the owner is individually responsible for all losses of the business, and vice versa)
- Difficult to raise capital
- Limited continuity in case of illness or death of owner

Partnership

Advantages

- Easy to establish and run
- Very flexible form of business
- Partners control decision-making
- More sources of capital
- Larger pool of experience, more than one owner, no limit on the number or type of partners (individual, other partnership, or corporations)
- No double taxation

Disadvantages

- General partners have unlimited personal liability for personal losses
- Partnership is legally responsible for the legal acts of each partner
- General partnership interest may not be sold or transferred without consent of all partners
- Partnership may dissolve upon death of a general partner; may also terminate with incapacity or withdrawal of a partner
- Difficulty finding suitable partners

Corporation

Advantages

- Limited liability
- Easy to raise capital
- Ownership is transferable; easy to add additional owners/investors
- Large pool of expertise
- Business continues if owners incapacitated

Disadvantages

- Expensive to organize
- Closely regulated
- Requires extensive recordkeeping
- Double taxation

S Corporation

Advantages

- No double taxation
- Owners can offset losses against income

Disadvantages

- Some restrictions apply
- Generally operates on a calendar year for reporting
- Fringe benefits to shareholders are treated as taxable income