ENTITY COMPARISION CHART					
	Sole Proprietorship	**Partnership**	**C Corporation**	**S Corporation**	**Limited Liability Company**
IRS Form	**Schedule C, Form 1040**	**Form 1065**	**Form 1120**	**Form 1120S**	**Form 1065**
Organization and Administration	A sole proprietorship is the easiest business to organize. Intermingling of business and personal funds is allowed (although not recommended). Business income is reported on Schedule C, which is filed with the owner's individual Form 1040	A partnership is easy to organize. A written partnership agreement is recommended, but not required. The partnership agreement determines how income and losses are allocated to the partners. If a partnership agreement does not exist, partnership items pass through based on the partners' ownership interests.	A corporation is difficult and expensive to organize. Corporations must hold periodic board meetings and keep minutes. Corporations must comply with federal and state regulations.	An S Corporation is set up as a regular corporation. S corporations must make election to be treated as an S Corporation. Certain events will cause automatic termination of S status.	An existing partnership can generally register for LLC status in the state in which it conducts business. Registration is generally less complicated than forming a corporation.
Bookkeeping and Accounting	There are fewer requirements on what type of bookkeeping system or accounting method is used in sole proprietorships. The system must be consistent, clearly show income and expenses, and allow the taxpayer to file an accurate return. The sole proprietorship must follow the same tax year as the owner.	Depending on income and assets, the partnership may be required to include a balance sheet with its income tax return. Therefore, the partnership should use the double-entry method for bookkeeping purposes. If a partner exchanges property other than cash in exchange for an interest in a partnership, special accounting rules apply. See "Contributed Property" in Tab B.	The balance sheet on a corporation's tax return must agree with the corporate books. A corporation must use a double-entry bookkeeping system. A corporation must file all necessary employment tax returns.	An S Corporation must use double-entry bookkeeping. An S corporation must file all required payroll tax and reporting forms	Same as a partnership
Owner Control and Flexibility	The owner is free to make all business decisions.	Control of the business operations is divided among partners.	Shareholders have control over the corporation to the extent that they own voting stock.	Shareholders have control over the corporation to the extent that they own voting stock.	Control is divided among members.
Transfer of Ownership	A sole proprietorship is not a separate entity from its owner. "Sale" of a sole proprietorship is actually a sale of assets.	The partnership agreement may restrict the sale of a partnership interest, and may contol the terms of the sale.	Ownership is easily transferred by selling shares of a stock. The corporate charter may place certain restrictions on the sale of stock by shareholders.	Ownership is easily transferred by selling shares of a stock. The corporate charter may place certain restrictions on the sale of stock by shareholders.	The operating agreement may restrict transfer of ownership interest.
Advantages and Disadvantages	Advantages: Minimum legal restrictions Easy to discontinue. Disadvantages: Unlimited liability May not bring in new owners or outside capital contributions Income tax cannot be deferred by retaining profits.	Advantages: A partnership can be a good way to combine the skills and/or financial abilities of several people. Disdvantages: A partnership is often easier to get into than out of. General partners are liable for actions of other partners.	Advantages: Limited Liability Perpetual life Ability to raise capital through issuance of stock Ease of transfer of ownership. Disdvantages: Double taxation of profits Corporate charter restricts types of business activities Subject to various state and federal controls.	Advantages: Limited Liability Avoids double taxation of profits Profits passed through are not subject to SE tax as in a partnership Disdvantages: Shareholders pay tax on earnings even if undistributed Less flexibility in choosing a tax year Contribution limits to a qualified retirement plan are based on employee-shareholder's wages, not overall profits such a sole proprietor.	Advantages: Avoids certain S corporation restrictions Avoids double taxation of profits Disdvantages: Inconsistent treatment state to state Less flexibility in choosing a tax year Must have at least two owners if it wants to be taxed as a partnership for federal tax purposes