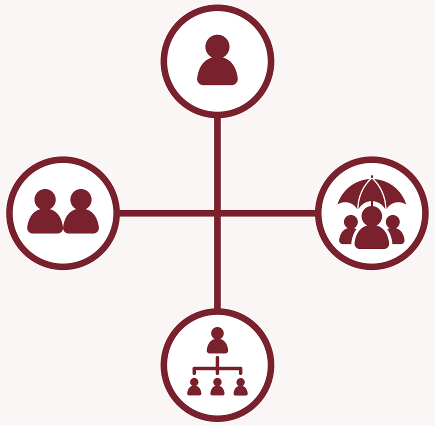

HOOPER LAW OFFICE, LLC

Types of Business Structures

Hooper Law Office, LLC

A Pathway to your Legacy

Appleton
2 N. Systems Drive
Appleton, WI 54914
920.993.0990

Green Bay
926 Willard Drive, Ste.116
Green Bay, WI 54301
1.800.794.5548

Oshkosh
3475 Omro Road, Ste. 100
Oshkosh, WI 54904
1.800.794.5548

HooperLawOffice.com
HooperLawOffice

	SOLE PROPRIETOR	PARTNERSHIPS: GENERAL	PARTNERSHIPS: LIMITED	CORPORATIONS: S-CORPORATION	CORPORATIONS: C-CORPORATION	CORPORATIONS: B-CORPORATION	LIMITED LIABILITY COMPANY (LLC)
ABOUT	An individual acting as a business without a formal structure. • No operating agreement • Nothing to file	Two or more persons share the management and liability of the business.	At least one partner (but not all) acts solely as an investor in the business. • Has no management privileges	Very strict rules that must be adhered to or the business will lose its S-Corporation status. • 100 or fewer shareholders • Shareholders must all be individuals. No business may own shares. • Only U.S. citizens or residents • May only have one class of stock	Generally, a group acting as a single unit for the purposes of earning profit. The ownership is usually divided into shares.	A type of Corporation that allows the business to be for-profit, but requires it to consider public benefit in its decisions. The requirements of for a B-corporation in Wisconsin include: • The corporation must have the purpose of creating a general public benefit. • The officers of the corporation must consider the effect of corporate actions on shareholders, employees, customers, the environment, and the community in general. • To maintain its status as a B-corporation, the benefit corporation shall annually provide its shareholders, within 30 days of the end of the benefit corporation's fiscal year, with a statement as to the benefit corporation's promotion of general public benefit or any specific public benefit identified in its articles.	A business structure that offers limited liability and gives the owners a choice in how to be taxed. • Liability limited to the assets of the LLC (as long as it is operated as a separate entity) The LLC must be treated as a separate entity from the owner(s) in order for limited liability to stand. • No comingling of assets • Basic filings must be completed • Assets of LLC must be identified as being owned by the LLC
LIABILITY	Sole Proprietors have no insulation from business liability and are entirely reliant on insurance.	General Partners have joint and several liability for all debts and judgments.	The limited partner's liability is generally restricted to the assets they have invested in the business.	The corporation itself has liability, but an individual shareholder's only risk is losing the value of the shares.		Owner's liability is limited to the value of the stock in the company. However, officers and directors can be held liable by customers, shareholders, and the public if they fail to meet the "public benefit" purpose of the corporation.	Liability is limited to the assets of the LLC (as long as it is operated as a separate entity). An LLC owner may still sign personal guarantees that introduce person liability.
TAXES	Taxes are usually filed using the individual's social security number (SSN), but can apply for a separate Employer Identification Number (EIN).	Income is taxed at the owners tax rate and is usually divided by the ownership interest in the business.		An election that can be made by certain businesses under the Internal Revenue Code. Taxed only once at the personal level.	Taxed twice: 1. The corporation pays taxes on the income at the corporate tax rate. 2. Each individual shareholder pays income taxes on their own portion of the income or dividends. Expenses associated with operating and maintaining the business are paid prior to taxes. • A wider variety of expenses can be claimed as associated with operating and maintaining the business.		Can be taxed in one of three ways (the owners decide which) • Single-owner LLCs can be taxed as a Sole Proprietorship (disregarded entity) • Multiple-owner LLCs can be taxed as a Partnership • Multiple-owner LLCs can be taxed as a Corporation
GOVERNING DOCUMENTS	Can file for a "Doing Business As" (DBA), formally known as a "Trade Name" with the state to establish a unique name for the business ($15 filing fee; good for 10 years).	Partnership Agreement • An agreement between Partners on how the business will be run, how expenses and income will be shared, and on how the agreement may be modified in the future. Partnership Agreements are not mandatory.		Articles of Incorporation • Basics of ownership and management structure Corporate Bylaws • Fleshes out the basics detailed in the Articles of Incorporation			Operating Agreement • What the business is for • How taxed • How the LLC is managed (one or more persons) • Rights of members; what do members have to approve • How and when can you transfer interests and to whom • How and when does the business end
PROS	• Easy • No extra paperwork or filings (aside from DBA) • No need to keep personal and business assets separate	• Easy to set up and maintain • Taxed only once		• Firm business structure • Can pass interest to next generation • Limited liability • Accumulate value in the business itself			• Limit liability to the assets of the LLC, protecting personal assets of the owners. • Tax status flexibility. Can be taxed as a Sole Proprietorship, Partnership, or Corporation.
CONS	• Both the business and the owner have potential liability • Completely reliant on insurance for financial protection from liability • No formal business structure	• No liability protection • Generally, cannot pass on the business to the next generation (partnership interest cannot be passed on, but assets of the partnership can be)		• Structure is difficult to change • Possible double-taxation (except for S-Corporations) • No step-up in cost basis of the assets owned by the corporation at an owner's death (there is still a step-up in cost basis for an owner's shares, just not the assets held in the corporation's name)			• Must be careful to not comingle personal and LLC assets, or else lose the personal liability protection.