

## Growing Your Business Entity Formation Options

	Formation, Operations & Management, Formalities	Governing Documents	Owner Liability	Taxation	Cost
<b>Sole Proprietorship</b>	<ul style="list-style-type: none"> <li>• Easy &amp; simple</li> <li>• Formed automatically when business commences by single owner</li> <li>• No formalities</li> </ul>	None	Personal liability for business debts and obligations	Income taxed as personal income	No filing cost
<b>Partnership</b>	<ul style="list-style-type: none"> <li>• Flexible management &amp; structure</li> <li>• Formed automatically when business commences by two or more partners</li> <li>• Few formalities</li> </ul>	Partnership agreement (optional)	All partners personally liable for business debts and obligations	Partners taxed on income as allocated; partnership not taxed	No filing cost
<b>Corporation</b>	<ul style="list-style-type: none"> <li>• File Articles of Incorporation with the NE Secretary of State</li> <li>• Bylaws defines management rules and procedures</li> <li>• Strict formalities – formal meetings, annual reports, board of directors and officers</li> </ul>	Articles, Bylaws	Shareholder liability limited to amount of investment	Corporation taxed on income, shareholders taxed on dividends (“double taxation”)	\$60 + \$5/page
<b>LLC</b>	<ul style="list-style-type: none"> <li>• File Certificate of Organization with NE Secretary of State</li> <li>• Operating Agreement defines management rules and procedures</li> <li>• Very flexible structure – few required formalities</li> </ul>	Operating Agreement (optional)	Member liability limited to amount of investment	Members taxed on income as allocated (“pass-through taxation”)	\$100 + \$5/page
<b>S-Corp</b>	<ul style="list-style-type: none"> <li>• Formation, operations and formalities similar to corporations</li> <li>• Ownership limitations (e.g., only one class of stock permitted; only individuals may be stockholders)</li> </ul>	Articles, Bylaws	Shareholder liability limited to amount of investment	Shareholders taxed on income as allocated (“pass-through taxation”)	\$60 + \$5/page

*\*For informational purposes only, not intended as legal advice\**