

BASIC BUSINESS STRUCTURES COMPARISON

FEATURE COMPARISON

The structure of the business will determine the documents required to evaluate the borrower's income from self-employment and overall financial condition.

Type of Business	Degree of Liability	Control Over Management	Tax Implications
Sole Proprietorship	Unlimited personal liability	Owner has total control	Taxed at individual rates
General Partnership	Unlimited liability for any and all partnership debts and other liabilities	Majority rule, unless otherwise agreed	Taxed at individual rates on share of net income
Limited Partnership	Liability limited to investment	General partners have operational control	Taxed at individual rates on share of net income
Corporation	Liability limited to investment	Officers elected by Board of Directors <i>(often the same in closely held corporations)</i>	"Double taxation" treatment: taxed at corporate rate; distributed earnings <i>(dividends to shareholders)</i> also taxed at individual rates
S Corporations	Liability limited to investment	Officers elected by Board of Directors <i>(often the same in S corporations)</i>	Taxed at individual rates on share of net income
Limited Liability Company (LLC)	Liability limited to investment	Depends on provisions of LLC agreement. Generally, LLC members have direct control.	Taxed at individual rates on share of net income