



BUSINESS ENTITY OPTIONS

When forming your new business structure, you must consider the best possible alternative of the available business structures. While a sole proprietorship is the easiest type to create, there is no separate identity. Personal liability belongs to the owner. Should there be a lawsuit, accident or you incur debts that you can't repay, your personal assets are at risk.

The type of entity you choose should be based on careful consideration. Each state has specific rules for the structure of each type of entity. You should investigate the type of entity, the rules and laws pertaining to each in your state and at a federal level.

The choices are – sole proprietorship, partnership, limited liability partnership, corporation, C corporation, S corporation, and LLCs. Sole proprietorship provides the least protection while corporations and LLCs offer limited personal liability for debts or judgments against the company.

When creating your entity, you should use an attorney to create written documentation of the entity's organization and structure. Your attorney, accountant or CPA can advise you of the legal and all tax consequences of your choice. Doing a little research prior to contacting a professional will reduce the time spent with an expensive professional. Do your due diligence to protect yourself and your family.

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