Business Legal Structure Comparison

Business Entity Type	Control & Ownership	Liability	Asset Protection	Profit Distribution	Taxation
Sole Proprietorship	Sole proprietor has total control.	Sole proprietor has unlimited liability.	All personal and business assets are at risk for business liabilities.	Entire profit goes to the sole proprietor. Salary isn't treated as a business expense but is calculated as bottom line net profit.	Not a taxable entity.
Partnership	Each partner has equal control.	Partners have unlimited liability.	Creditors can collect debt from the business – even from the innocent partner. Often creditors will collect from the partners with the most assets, regardless of fault.	Profit is determined before the deduction of partners' salaries.	Not a taxable entity. Pass-through income taxation for all partners.
Limited Partnership (LP)	LPs have no managerial power (unless on the board of directors) and GPs have total managerial control.	LPs have no liability but GPs have total liability.	Similar to LLC, but GPs are personally liable for business debts.	All profits and losses flow directly to the LPs but considered passive income because LPs do not mange the business.	Pass-through income taxation for all partners.
Limited Liability Partnership (LLP)	All partners have the right to manage the business.	Partners aren't typically liable for the debt of the LLP.	There must be one general partner who is personally liable and has no asset protection. Other partners who don't operate the business are protected from liability.	Partners are entitled to take distributions from the company but must be discussed and formally recorded and reported to the IRS.	Pass-through income taxation for all partners.
Limited Liability Corporation (LLC)	The management of the business is spread across members.	Members are protected from liability if the company runs into legal issues or debts.	Protection of personal assets.	With an LLC, you're at liberty to make your own choices regarding the distribution of profits; this is not tied to the amount of "stake" a member has in your company.	Pass-through income taxation.

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Corporation	Managed by the directors, who are elected by the shareholders.	Shareholders aren't typically responsible for the debts of the corporation.	Creditors can only collect corporate assets. They can't collect from the personal assets of the owners or shareholders.	Dividends (Profit distributions to stockholders) must be distributed in equal amounts per share.	Double taxation
S Corporation	All owners in an S-corp must be U.S. citizens. S-corps must have a board of directors who manage at the corporate level, then appoint officers to manage the daily activities.	Shareholders are protected from liability just as they would be if they had an incorporated business.	Protection of personal assets of its shareholders.	Must tie its profit distribution to a stakeholder's share: a 30% stake in the company mandates an entitlement to 30% of the profits.	Pass-through income taxation
C Corporation	C-corps offer more flexibility. Function more like an LLC in this area.	Limited liability. If something bad happens to the business, it's seen as a completely separate entity from its owners and founders.	Protection of personal assets of its shareholders.	Profits are divided on the basis of stockholdings.	A separate legal entity. Subject to double taxation.