

Business Structures

In the U.S. there are three basic categories of private business structures: Sole Proprietor, Partnership, and Corporation. Cooperatives are a type of corporation. Most states have approved the Limited Liability Corporation as a business structure. This table explains the similarities and differences among the three basic business structures.

			Corporations		
	Sole Proprietor	Partnership	General	Limited Liability	Cooperative
Control	Owner	Shared by partners; some may have more voice than others	Board of Directors and officers elected by shareholders. Number of shares determines number of votes	Owners share decision-making by mutual agreement, or allow non-owners to manage. Agreement also determines voting rights	Board of Directors elected by members. All or majority of Board of Directors must be members. Each member has one vote
Capital	Owner provides equity	Partners provide equity. Usually each partner personally liable for debts of partnership. Ltd partners relinquish voice in mgmt in exchange for ltd liability	Investors provide equity. Liability limited to amount of equity investment	Owners provide equity. Liability limited to amount of equity investment	Members provide equity. Liability limited to amount of equity investment
Earnings	Owner	Shared by partners as per terms of partnership agreement	Profits distributed to shareholders as dividends in proportion to stock owned	Shared by owners as per agreement, usually based on investment and amount of work performed	Allocated on basis of amount of business member does with the cooperative
Taxes	Taxed once as income of owner	Taxed once as income of partners	Taxed twice: as income of corporation when earned, and as income of owners when dividends	Treasury Dept. assumes LLC taxed as partnership, but LLC has option to be taxed as a regular corp.	Taxed once: either as income of corporation when earned, or as income of members when allocated
Life	Until owner sells, dies, or retires	Determined by life of partners. Usually, if partner dies or leaves, new partnership formed	Perpetual	Perpetual, or owners may choose life of a partnership	Perpetual