



THE DIFFERENT TYPES OF BUSINESSES

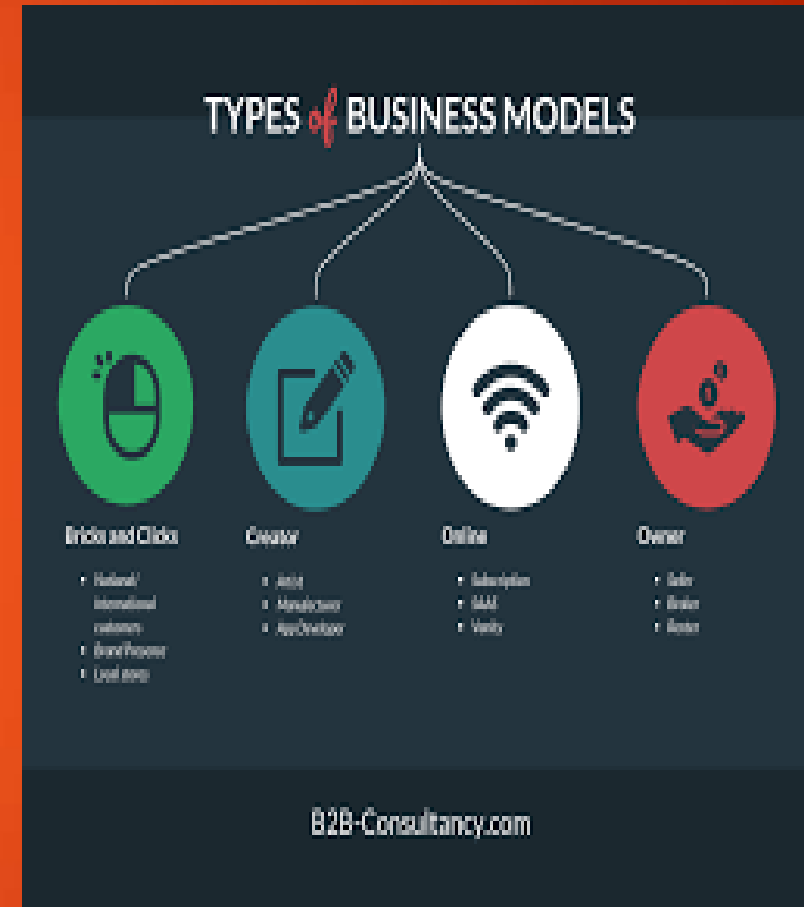
- ▶ *Sole Proprietorship*
- ▶ *Partnership*
- ▶ *Corporation*
- ▶ *Limited Liability Company (LLC)*
- ▶ *Non-Profit organization*
- ▶ *Cooperative*

Sole Proprietorship

- ▶ A sole proprietorship is the most common type of business structure. It is an unincorporated business owned and run by one individual with no distinction between the business and you, the owner. You are entitled to all profits and are responsible for all your business's debts, losses and liabilities.
- ▶ The simplicity of setting up a sole proprietorship makes it a popular choice among small business owners. It is the least expensive and least complex business structure to establish and maintain. You can be up and running in a matter of days.

Partnership

- ▶ A partnership is an unincorporated business with two or more owners who share management and profits. Partnerships can be general or limited, and the partners are personally liable for the debts and obligations of the business.
- ▶ Partnerships are relatively easy to form and offer flexibility in structure and management. Partners are free to decide how the business will be managed, how profits will be shared, and how decisions will be made. However, each partner is liable for the actions of the other partners.



Corporation

- ▶ A corporation is a legal entity created by individuals, stockholders, or shareholders, with the purpose of operating for profit. Corporations enjoy many of the same rights and responsibilities that individuals possess: they can enter into contracts, loan and borrow money, sue and be sued, hire employees, own assets, and pay taxes.
- ▶ The biggest advantage of forming a corporation is that it limits the liability of its owners. This means that the owners are not personally responsible for the debts and liabilities of the corporation.

Limited Liability Company (LLC)

- ▶ A limited liability company (LLC) is a business structure that combines the pass-through taxation of a partnership or sole proprietorship with the limited liability of a corporation. LLCs are popular because, similar to a corporation, owners have limited personal liability for the debts and actions of the LLC.
- ▶ LLCs are relatively easy to establish and maintain. They offer the same flexibility in management and profit sharing as a partnership, but with the added benefit of limited personal liability. LLCs also have fewer formalities than corporations, making them a popular choice for small businesses.

Non-Profit Organization

- ▶ A non-profit organization (NPO) is a type of business structure that is organized for charitable, educational, religious, literary, or scientific purposes. NPOs are exempt from federal, state, and local income taxes, and donations to NPOs are tax deductible for the donor.
- ▶ NPOs are subject to state and federal regulations, and must adhere to certain rules and procedures. They must have a board of directors, a mission statement, and must file annual reports. Additionally, NPOs are prohibited from engaging in political activities and lobbying.

Cooperative

- ▶ A cooperative is a business owned and operated by a group of individuals for their mutual benefit. Cooperatives are organized for the purpose of providing a service or product to their members, who share in the profits or savings generated by the cooperative.
- ▶ Cooperatives are formed to meet the needs of their members and are democratically controlled. Members have an equal vote in the decision-making process, regardless of their financial contribution. Cooperatives are exempt from certain taxes and are eligible for certain government grants.