

Types of business structures

Circle the three business structures you're most interested in for your business

Sole Proprietorship - A Sole Proprietorship is one individual or married couple in business alone. *Pros:* simple to form and operate, great flexibility, fewer legal controls, and taxes. *Cons:* owner is personally liable for all debts incurred by the business.

Partnership - Composed of two or more persons who are not a married couple. General partners agree to share management, profits, and losses and are equally liable for debts. "Limited" or "silent" partners have losses limited to their investment and can be shielded from liability. *Pros:* allows for flexibility and shared risk *Cons:* business becomes vulnerable if one partner leaves.

Corporation - A corporation is a separate legal entity owned by shareholders who elect a board of directors to manage the company. The corporate structure limits each owner's (shareholder's) personal liability. Corporations must maximize profits for shareholders. Corporations can be publicly traded or privately controlled by a small group of people. *Pros:* You can raise money more easily by selling shares *Cons:* You open up the business to people you don't know and cede direct control to a board of directors.

B Corporation - A new entity that operates like a corporation but does not have to maximize profits for shareholders. They must demonstrate that they are serving the public interest. *Pros:* Gives the board greater flexibility *Cons:* Proving social and environmental commitment can reduce profits

Cooperative - A business that is owned and managed cooperatively by its worker-owners in a democratic manner. *Pros:* Very egalitarian in how it's run *Cons:* Can bog down if people don't agree.

Limited Liability Company - An LLC allows owners to pay taxes on business earnings on their personal tax return while also limiting liability. *Pros:* More flexibility in running a company and less paperwork *Cons:* Self-employment taxes and potential end to company if one person leaves.

Non-Profit Organization/Corporation - A structure created for public benefit. *Pros:* Donations are tax-deductible and you can qualify for grants. *Cons:* You must depend on the generosity of others.