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UNDERSTANDING BUSINESS OWNERSHIP FILING TYPES

Ownership filing types: LLC, Sole Proprietorship, Limited Partnership, Corporation, General Partnership

SOLE PROPRIETORSHIP

A sole proprietorship is the sole owner of the business. This person is personally liable for all debts and obligations for the business. There is no distinction between the owner as an individual and their role as the sole proprietor of the business.

GENERAL PARTNERSHIP

General partners have unlimited liability, so their assets may be used to pay partnership debts. Generally, various partners comprise an agreement that identifies each partner's role in the company, as well as action- in the event of bankruptcy or a buy-out situation.

LIMITED PARTNERSHIP

Limited partners have limited liability. This means that their losses cannot exceed their initial investment. Partners in this type of business are legally unable to have an active role in the business. If you choose to establish this type of business, you must apply for a Certificate of Limited Partnership (LP-1) with the Secretary of State Office.

LLC (LIMITED LIABILITY COMPANY)

A Limited Liability Company (LLC) function is similar to a partnership and acquires benefits correspondingly to that of corporations. To function as an LLC, you must file an LLC-1 form with the Secretary of State Office.



CORPORATION

The state of California recognizes a corporation as a legal entity, separate from individual managers, who are able to enter into contracts, incur debts, pay taxes, etc. Additionally, there are several tax advantages to incorporating. To register as a “Corporation”, you must file with the State of California.

THE INFORMATION IN THIS DOCUMENT IS GENERAL INFORMATION AND IS INTENDED TO OFFER A VERY BASIC UNDERSTANDING OF THE DIFFERENT BUSINESS OWNERSHIP TYPES. THE INFORMATION IN THIS DOCUMENT SHOULD NOT BE INTERPRETED AS LEGAL ADVICE. AT WILL, PLEASE REFER TO YOUR OWN LEGAL REPRESENTATIVE AND/OR TAX PROFESSIONAL FOR EXHAUSTIVE AND DETAILED INFORMATION.