<table>
<thead>
<tr>
<th>Ownership/Control</th>
<th>Capital</th>
<th>Liability</th>
<th>Taxation</th>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
</table>
| **Sole Proprietorship**   | Owned and controlled by Individual/Self | Full liability. Owner is 100% responsible for all business debts. Business and personal assets are at risk. | Pass through. Owner reports business income on individual tax return. No annual franchise tax | - Easy to form  
- Formation inexpensive  
- Minimal administrative requirements  
- Pass through taxation   | - Weakest liability protection  
- Limited capital options  
- Existence ends with owner’s life |
| **Partnerships**          | Divided among partners or as written in Partnership Agreement (PA) | All partners are jointly and severally liable for all partnership debts | Pass through. Partnership’s income passes through to each partner’s personal income (schedule K)  
NYS Annual Tax Form IT-204 | - Flexible governance: determined by partnership agreement  
- Minimal administrative requirements   | - Liability protections are still weak (partners are jointly and severally liable)  
- Existence not independent of partners (difficulties with buying/selling interests in partnership) |
| **Limited Partnership**   | Same as above, except: General partners have more control then limited partners | General partner personally liable. Limited partners liable only up to capital they invested in partnership. | Taxation depends on what LLC elects to do: double taxation or pass through.  
NYS Annual Tax Form IT-204 | - Same as above, plus:  
- Offers limited liability for limited partners.   | - More expensive to form (publication requirement) |
| **Limited Liability Company (LLC)** | Owners are the member(s)  
Controlled by members or managers as set in Operating Agreement (OA)  
Exists indefinitely unless otherwise specified in OA | Capital contributions of members, friends, family  
Loans | Limited Liability  
Liability limited to amount of capital contributed by member(s) unless acting as guarantor of LLC’s debt. | - Strong liability protection  
- Governance is flexible; determined by OA  
- Ownership options: you can have multiple classes of interests and LLC is transferable  
- Flexible taxation options   | - More expensive to form (publication fees)  
- More administrative requirements: less than Corp but good record keeping is a must  
- Not investor friendly. |
| **Non-Profit Corporation** | No owners; organization “belongs” to the public-at-large.  
Controlled by Directors/Officers voted by the Board Members to manage the non-profit.  
Perpetual existence | Donations from the public and corporations; tax exempt if 501(c)(3)  
Grants, foundations (private + public) | Limited liability for Directors, Officers and Board Members  
_Caveat:_ corporate veil doctrine  
Exempt from federal taxes.  
_Extension:_ taxes collected on unrelated business activities  
Exempt from annual NYS franchise tax (must file Form CT-247) | - Access to capital only available to non-profits  
- Incentivizes public donations by offering tax exemptions  
- Favorable tax treatment  
- Non-pecuniary, mission-driven business for the public good.   | - Time consuming and expensive to create and manage  
- A lot of corporate formalities  
- Difficult to dissolve  
- Director/Officer compensation must be “reasonable”  
- Cannot engage in substantial lobbying or electioneering |
<table>
<thead>
<tr>
<th>Ownership/Control</th>
<th>Capital</th>
<th>Liability</th>
<th>Taxation</th>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corporations (Corp.)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C-Corp</td>
<td>Owners are share holders</td>
<td>Sale of shares</td>
<td>Limited Liability: Liability limited to capital contributed unless acting as guarantor of corporate debt.</td>
<td>Double Taxation: 1. Corp pays tax on business income at corporate tax rate 2. Profits paid to shareholders are taxed at personal income tax rate NYS Annual franchise tax based on corp. profits</td>
<td>• Strong liability protection • Investor friendly – can offer different stock options; easy to transfer interests</td>
</tr>
<tr>
<td></td>
<td>Control is with elected board of Directors/Officers; shareholders vote on major corporate decisions and corporate bylaws may influence management</td>
<td>Loans</td>
<td></td>
<td></td>
<td>• Strict corporate formalities • More administrative requirements • Compliance burdens with SEC</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Caveat: corporate veil doctrine</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B-Corp</td>
<td>Perpetual existence</td>
<td>Same as above plus select grants and foundations that distribute to benefit corps</td>
<td>Same as C-Corp above, and</td>
<td>B-Corp can choose to be taxed like C-Corp or like S-Corp</td>
<td>• Public benefit goals. Mission driven + profit driven. • Flexible taxation options</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Pass through. Corporate income not taxed. Income of S-Corp distributed to shareholders and is taxed at personal income tax rates.</td>
<td></td>
<td>• Same as C-Corp, plus</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Same as C-Corp above, and</td>
<td></td>
<td>• Compliance burden with third party auditor for public benefit requirements.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Pass through taxation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>S-Corp</td>
<td>Same as above, and</td>
<td>Same as C-Corp.</td>
<td>Same as C-Corp above, plus:</td>
<td>Close Corp can choose to be taxed like C-Corp or like S-Corp</td>
<td>• Less investor friendly then C-Corp: one class of stock, ≤100 shareholders • Extra steps to make S-Corp tax election; file additional forms with IRS and NYS Tax Dept.</td>
</tr>
<tr>
<td></td>
<td>Only ≤ 100 shareholders allowed; only one class of stock. Shareholders must be US citizens or legal permanent residents. Cannot be a Corp, LLC, etc.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Capital from members; Sale of stock (to members only). Transaction fees (per unit sold); hryl withholdings (worker coops) Loans; Gov’t and private grants and foundations that fund coops.</td>
<td>Same as C-Corp above,</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Limited Liability: Liability is limited to capital contributed. Caveat: Corporate veil doctrine</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Taxation depends on type of coop (member, worker, agricultural etc.) May receive pass through treatment Special deductions and tax computations (Subchapter T)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Coop run for “mutual help” and benefit of all members; profit not primary goal. • For Ag. Coops: better bargaining power as collective; resource sharing, reduced costs, better products etc. • Funding opportunities unique to coops. • Special IRS tax exemptions</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Limited liability • Flexible taxation options • Easier to manage, fewer administrative and compliance requirements</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Not investor friendly – cannot sell shares to people outside management of corp.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• More complex and less flexible to manage • Slower decision making due to democratic nature of coop • Difficult to transfer interests • Not investor friendly.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| **Close Corp** | Owners are coop members. Must have at least 5 members. Coop can be stocked or non-stocked. Elected Board of Directors/Officers run the cooperative but regular members have voting power to control direction of the coop. One member, one vote rule. | Capital from members; Sale of stock (to members only). Transaction fees (per unit sold); hryl withholdings (worker coops) Loans; Gov’t and private grants and foundations that fund coops. | | | |
| | | Limited Liability: Liability is limited to capital contributed. Caveat: Corporate veil doctrine | | | |

**Pros:**
- Strong liability protection
- Investor friendly – can offer different stock options; easy to transfer interests
- Public benefit goals. Mission driven + profit driven.
- Flexible taxation options
- Same as C-Corp above, plus:
  - Less investor friendly then C-Corp: one class of stock, ≤100 shareholders
  - Extra steps to make S-Corp tax election; file additional forms with IRS and NYS Tax Dept.
- Coop run for “mutual help” and benefit of all members; profit not primary goal.
- For Ag. Coops: better bargaining power as collective; resource sharing, reduced costs, better products etc.
- Funding opportunities unique to coops.
- Special IRS tax exemptions
- Limited liability
- Flexible taxation options
- Easier to manage, fewer administrative and compliance requirements
- Not investor friendly – cannot sell shares to people outside management of corp.

**Cons:**
- Strict corporate formalities
- More administrative requirements
- Compliance burdens with SEC
- More complex and less flexible to manage
- Slower decision making due to democratic nature of coop
- Difficult to transfer interests
- Not investor friendly.