

# LEGAL STRUCTURES

## Proprietorship

### Advantages

1. Simple & easiest to start
2. No legal fees
3. No license fees
4. Minimal DBA filing fee
5. Minimum government interference
6. Owner is boss
7. Profits not shared
8. Minimal record keeping
9. Requires only one tax return

### Disadvantages

1. Terminates with death
2. Owner needs (*diversified*) talent
3. Unlimited personal liability
4. Taxed on total business income (*whether or not you draw it out for personal use*)

## Partnership

(Limited, General Partnership or Joint Venture)

### Advantages

1. Easy to form
2. Method of raising capital
3. Partners are boss (*co-workers*)
4. Abilities complemented
5. Flow-Thru taxation

### Disadvantages

1. Finding suitable partner
2. Disagreements
3. Partnership agreement-legal fees
4. Authority of partners undefined
5. Unlimited liability-  
*each general partner*
6. Terminates with death
7. Profits shared

## Corporation

### Advantages

1. Easy ownership Transfer  
(*stock shares*)
2. Limited personal liability
3. Continues till dissolved
4. Possible tax advantage

### Disadvantages

1. Incorporation costs-  
*filing fee & legal fee*
2. Charter restriction
3. Legal requirements-  
*reports, records*
4. More government control  
(*Sub-chapter "S" election*)
5. Franchise tax
6. Profits taxed twice  
(*unless "S"*)

## Limited Liability Company\*

### Advantages

1. Limited personal liability
2. Flow-thru taxation
3. No Sub-chapter "S" corporation  
constraints (*i.e. 35 shareholders, etc.*)

### Disadvantages

1. Organization costs-  
*filing fee & legal fees*
2. Spotty acceptance from state to  
state

\*New TX legal structure (The Texas Limited Liability Company Act: Tex. Rev. Civ. Stat. Ann. 1528o, Vernon Supp. 1991)