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Summary Of California Business Entities

Comparison Factors	Sole Proprietorship	General Partnership	Limited Liability Company	S Corporation	C Corporation
Ownership Rules	One person ownership	Two or more person ownership	One or more members	Up to 75 members/ shareholders	Unlimited
Personal Liability of the Owners	Unlimited	General Partners are equally liable or less the partnership agreement states otherwise	Members are not liable for debts accrued by the company or less a member secured the debt with a personal asset	Shareholders are typically not liable for the debts of the corporation. Some officers can be held liable if there is fraud or severe mismanagement	Shareholders are typically not liable for the debts of the corporation. Some officers can be held liable if there is fraud or severe mismanagement
Management	SP is in complete control of managing operations	Each partner has equal management authority, unless the partnership agreement states otherwise	Management is outlined in the LLC's Operating Agreement	Officers manage daily activities. Directors manage the officers and the overall company. Shareholders elect the Directors	Officers manage daily activities. Directors manage the officers and the overall company. Shareholders elect the Directors
Business Formation	City tax license may be required. No state filing required	No state filing required. Partnership agreement should be created	Required to file formation document with the State. Need Operating Agreement	Required to file formation document and require annual meetings and bylaws with the State	Required to file formation document with the State. Must have annual meetings and bylaws

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Operational Procedures	Easiest with few legal requirements	General Partnerships have few legal requirements	Annual Report –less formal than corporation	Annual meetings, filings, and reporting required	Annual meetings, filings, and reporting required
Start Up Costs	Cost of business tax license	Cost of business tax license. In California, a GP can be filed in the county of business and/or at the State level; state filing fee applies	State filing fee is required. \$800 annual minimum tax every year. Local city and county registration fees may apply	State filing fee is required. \$800 annual minimum tax starting the second year. Local city and county registration fees may apply	State filing fee is required. \$800 annual minimum tax starting the second year. Local city and county registration fees may apply
Taxation	Taxed Once	Taxed Once	Taxed Once	Taxed Once	Double; both the corporation and shareholders are taxed

NOTE: This table is for information purposes only. Nothing contained in our entity comparison table should be construed as giving legal or financial advice.

Plumtree & Associates can be contacted at any of the following locations

Los Alamitos
4012 Katella Ave, Suite B
Los Alamitos, Ca 90720
562-594-3911

San Luis Obispo
3940-7 Broad St #192
San Luis Obispo, Ca 93401
805-888-7882

Palm Desert
77-700 Enfield Lane, Unit B-1
Palm Desert, Ca 92211
760-423-2504