

Select and Register Your Business Structure



FORM OF ORGANIZATION	ADVANTAGES	DISADVANTAGES	INCOME TAXES	WHERE TO FILE
SOLE PROPRIETORSHIP	Ease of decision-making; Flexibility; Owner keeps profits; Simplicity.	Owner assumes all liability of business; Owner must guarantee all debt of business personally; Usually unattractive to investors.	Income is taxed at personal rate and reported as part of personal income tax; File estimated tax payments with the IRS; Pay self-employment tax (similar to the social security tax withheld from the pay of wage earners).	Do a search on and register your trade name with the Colorado Secretary of State at www.sos.state.co.us . Registering your trade name does not fully "protect" you from someone else using that business name. If you plan to conduct business under your full legal name only, you do not have to register your trade name. For more information, call (303) 894-2200
GENERAL PARTNERSHIP	Each partner can bring resources (money, labor, market access) and expertise; Relative ease to form.	Each owner assumes all liability of business; If one partner leaves, dies or becomes unable to participate, partnership must be dissolved and re-formed.	The Partnership issues a K-1 to each partner; Income is taxed at each partner's personal rate and reported as part of personal income tax; Each partner files estimated tax payments with the IRS and pays self-employment tax.	Same as above.
"C" CORPORATION	Ability to attract multiple investors; Protection from personal liability for business activities.	Possible 'double taxation' of business income to owner; Substantial legal and tax paperwork involved.	Business income and expenses reported on a corporate income tax return, separate from the personal return; Corporate tax payments are made through estimated tax filings either to an authorized financial institution or a Federal Reserve Bank; These deposits are made with a federal tax deposit coupon.	File Articles of Incorporation with the Secretary of State's office. Do a name search at the Secretary of State's web site: www.sos.state.co.us . Call (303) 894-2200 for more information.
"S" CORPORATION	Ability to attract up to 75 investors; Protection from personal liability for business activities; Possible tax advantages.	Limitations on number of potential investors; Substantial legal and tax paperwork involved.	Income taxed at owner's personal income tax rate; Helps prevent 'double taxation' on business income.	Same as above for a corporation. File IRS Form 2553 (www.irs.gov).
LIMITED LIABILITY COMPANY	Company liability protection similar to corporation; Members' liability treated the same as limited partnership; Administrative requirements less than with corporations.	Certain restrictions on decision-making abilities apply. Note: LLCs not recognized in all states.	Taxation similar to partnership; Members may be subject to self-employment tax; Members may be subject to tax liability on phantom income, or "book" income, where no income distributions have been made.	Same as above for a corporation.

Form of Organization*	Colorado Department of Revenue	IRS Form*
Sole Proprietorship	Form 104	Form 1040 Schedule C
Partnership (general or limited)	Form 106	Form 1065
Limited Liability Company	Form 106	Form 1040 Schedule C or Form 1065 or Form 1120S * See footnote
C Corporation	Form 112	Form 1120
S Corporation	Form 106	Form 1120S
Not-for-Profit Organization For nonprofit support, visit www.crcamerica.org	If organization has Unrelated Business Taxable Income (UBTI), Form 112	Form 990

* For more information, visit www.irs.gov/businesses/small (search for: 'Other Useful Forms'). We recommend you discuss your selection with your attorney and tax advisor to determine tax impacts, liability issues, bookkeeping requirements and other concerns. Your registration with the Secretary of State helps to protect your business name from use by other companies.