

Choosing a Legal Structure for your Business

	Protection of Owner's Personal Assets and Liability for Business Debts and Obligations	Tax Treatment / Savings Opportunities	Cost and Complexity of Formation and Maintenance
Sole Proprietorship	No protection - The owner and the business are not viewed as separate for liability purposes. Owner has personal liability for business debts.	File Schedule C with Form 1040. Owner pays income and self-employment tax on business profits.	No filing necessary to form. Fictitious name registration may be required in Missouri, but not in Kansas.
General Partnership	No protection - The owner and the business are not viewed as separate for liability purposes. Owner has personal liability for business debts. Creditors may collect from any partner.	File Form 1065. Partners pay income and self-employment tax on their portion of the business profits.	No filing necessary to form. Fictitious name registration may be required in Missouri, but not in Kansas. Partnership Agreement highly recommended.
Corporation	Owner's assets are generally not at risk unless owner pledges those assets, business fails to pay taxes it collects or owner acts negligently.	File Form 1120. Profits are taxed at corporate rate, then dividends are taxed to owners at their individual rates.	Formed via filing with Secretary of State (fee req'd). Must file annual report (fee req'd). Governed by Board of Directors, who meet at least annually, and Officers. Shareholders also meet at least annually. Bylaws required. Name must include suffix such as Inc., Corp. or Ltd.
Small Business Corporation	Owner's assets are generally not at risk unless owner pledges those assets, business fails to pay taxes it collects or owner acts negligently.	Must make timely election for treatment as S-Corp. File Form 1120S. Appropriate portion of business profits are taxed to owners at their individual rates. Opportunity to save on employment taxes (FICA - Self-Employment) in certain situations.	Formed via filing with Secretary of State (fee req'd). Must file annual report (fee req'd). Governed by Board of Directors, who meet at least annually, and Officers. Shareholders also meet at least annually. Bylaws required. Name must include suffix such as Inc., Corp. or Ltd. Ownership limitations are imposed restricting number, type and residency of shareholders.
Limited Liability Company	Owner's assets are generally not at risk unless owner pledges those assets, business fails to pay taxes it collects or owner acts negligently.	Depending upon number of owners, may elect sole proprietorship, partnership or corporate tax treatment. Flexibility regarding division of profits is available.	Formed via filing with Secretary of State (fee req'd). Must file annual report in Kansas (fee req'd) but not Missouri. Governed by Manager or Members. Operating Agreement required. Name must include suffix such as LLC or Limited Liability Company.