incorporate because it's tailored protection.

Learn about the five most popular types of business entities, and discover which ones could work for you.

	Sole Proprietorship	Partnership	LLC	C Corporation	S Corporation
Description	One-person business, which can use a "DBA" (a business name) without a formal entity.	When 2 or more go into business without any formal entity.	Limited Liability for the owners. Less burdensome than a corporation.	Legal entity distinct from the owner(s) of the business. Corporation is responsible for own debts & liabilities.	Similar to a corporation but profits flow through to owners. Option for smaller corporations.
Pros	No government filing required.	No government filing required.	Combines limited liability of a corporation with the pass through taxation of a small partnership.	A "C Corp" can have any number of shareholders. Only liability for the shareholder is the amount of money invested in the corporation.	Similar to a C Corp except profits & losses are divided among shareholders. Considered a "pass through" entity.
Cons	No legal separation between owner and the business.	Tax liabilities passed to individuals.	Filing and other fees may be higher than for a corporation. Fewer formalities required.	To protect shareholder assets, formalities must be followed (meetings, reports, offices, etc.).	To protect shareholder assets, formalities must be followed (meetings, reports, officers, etc.).
In a nutshell	Makes personal assets available to creditors when settling unpaid debts or judgements.	Makes personal assets available to creditors when settling unpaid debts or judgments.	Personal assets of owners at less risk, but rights and responsibilities of members not well defined.	Only corporate assets are available to creditors (when formalities maintained).	May face heightened IRS scrutiny looking for misclassifying dividends as wages (or vice versa) to get better tax treatment.