

BUSINESS STRUCTURES

Types of Business Structures

	Corporation	Benefit Corporation	Workers' Cooperative	Limited Liability Company (LLC)(L3C)	General Partnership	Sole Proprietor	Non-Profit
Who are the owners?	1+ Shareholders* (owners)	1+ Shareholders* (owners), Board of directors is required	1+ Shareholders* (owners)	1+ members (owners)	2+ partners (owners)	1 owner	No owners, governed by Board of Directors (minimum of 3 directors)
What are the governing documents?	Bylaws*	Bylaws*	Bylaws*	Operating Agreement*	Partnership Agreement*	Business plan recommended	Bylaws*
What is the source of initial business funding?	Sale of stock, retained profits*	Sale of stock, retained profits*	Sale of stock, retained profits*	LLC member investments, retained profits*	Partner investments, retained profits*	Proprietor's investment; retained profits*	Grants, individual contributions/ donations, fees for services
Who is liable?	Shareholders* have limited liability* for debts of corporation	Shareholders* have limited liability* for debts of corporation; Different rules for director liability	Shareholders* have limited liability* for debts of corporation	Members (owners) have limited liability* for debts of the LLC	Unlimited personal liability for debts of the business including your partners' actions	Unlimited personal liability for debts of the business and yourself	Directors/ Employees are not personally liable for debts of the business
Who receives profits?	C-Corp*: Subject to distributions to Shareholders* S-Corp*: Shareholders in proportion to investment	C-Corp*: Subject to distributions to Shareholders* S-Corp*: Shareholders in proportion to investment. A portion of the profits are used for a general public benefit.	C-Corp*: Subject to distributions to Shareholders* S-Corp*: Shareholders in proportion to investment. Or as stated in bylaws	LLC members in proportion to investment, or by agreement	Partners in proportion to investment, or by agreement	Proprietor	Retained within the organization in furtherance of non profit purposes

*Bylaws - a rule or law established by an organization or community to regulate itself, as allowed or provided for by some higher authority.

*Operating Agreement - a key document used by LLCs because it outlines the business' financial and functional decisions including rules, regulations and provisions. The purpose of the document is to govern the internal operations of the business in a way that suits the specific needs of the business owners.

*Partnership Agreement - a written agreement between two or more individuals who join as partners to form and carry on a for-profit business.

*C-Corp - refers to any corporation that is taxed separately from its owners.

*S-Corp - is considered a closely held corporation that passes through profits and losses to the individual owners of the company. Income is taxable at the owners individual rate as opposed to the corporate rate.

*Shareholders - an individual, group, or organization that owns one or more shares in a company.

*Retained Profits - the profit kept in the company rather than paid out to shareholder.

*Limited Liability - an individual personally being held liable to the extent of their investment into the business.

*Dividend - payment(s) made by a company to its shareholders.

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What are the entity tax obligations in RI?	C-Corp* pays taxes on income, corporations are subject to the minimum corporate franchise tax of \$400/year regardless of profit or loss, shareholders pay taxes on dividends*	C-Corp* pays taxes on income, corporations are subject to the minimum corporate franchise tax of \$400/year regardless of profit or loss, shareholders pay taxes on dividends*	C-Corp* pays taxes on income, corporations are subject to the minimum corporate franchise tax of \$400/year regardless of profit or loss, shareholders pay taxes on dividends*	Choose to be taxed as a partnership/ sole proprietor - disregarded entity or a corporation for income, LLC's are subject to the minimum corporate tax of \$400/ year regardless of profit or loss	Each partner reports and pays share of taxes on personal tax return	Owner reports and pays taxes on personal tax return	Tax exempt status granted after application to the US Internal Revenue Service
Who pays income taxes on profit?	C-Corp* pays profits, shareholders* pay individual capital gains rates on dividends; S Corp* stockholders pay individual rate on profit share and capital	C-Corp * pays profits, shareholders* pay individual capital gains rates on dividends; S Corp* stockholders pay individual rate on profit share and capital	C-Corp* pays profits, shareholders* pay individual capital gains rates on dividends; S Corp* stockholders pay individual rate on profit share and capital	LLC members pay individual rate, or can elect to be taxed as a corporation	Partners pay individual rate	Proprietor pays individual rate	After application and receipt of non-profit status from the IRS, tax exempt
What are the Department of State entity filing obligations in RI?	Complete an initial application for Articles of Incorporation, a filing fee of \$230; one year after the initial filing you will need to submit an annual report yearly for \$50 per year	Complete an initial application for Articles of Incorporation, a filing fee of \$230; one year after the initial filing you will need to submit an annual report yearly for \$60 per year	Complete an initial application for Articles of Incorporation, a filing fee of \$230; one year after the initial filing you will need to submit an annual report yearly for \$50 per year	Complete an initial application for Articles of Organization, a filing fee of \$150; one year after the initial filing you will need to submit an annual report yearly for \$50 per year	No registration necessary	No registration necessary	Complete an initial application for Articles of Incorporation, a filing fee of \$35; one year after the initial filing you will need to submit an annual report yearly for \$20 per year

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