

HAWAII SBDC - LEGAL ENTITY REFERENCE SHEET

ENTITY TYPE	LEGAL FORMATION REGISTRATION	OWNERSHIP	TAXATION	LIABILITY	MANAGEMENT CONTROL	ENTITY LIFE	MAIN (1) A-ADVANTAGE D- DISADVANTAGE
SOLE PROPRIETOR	Not required unless public notice of trade name is desired.	Single individual	Business income/loss reported at the personal level.	Unlimited owner liability	Owner	Terminates upon passing of owner	A- Simplest business form. Easy to establish D- Unlimited personal liability
PARTNERSHIP (Limited, General, Joint Venture)	Within 30-days after formation, file Certificate of Limited Partnership or General Partnership form	2 or more persons	Business income/loss reported at the personal level. All partners taxed on share of partnership. Federal form 1065	Unlimited for general partners (jointly and severally). Liability limited to investment for limited partners	General partners	Generally, for a specific period of time. May be terminated by death, withdrawal, insolvency or legal disability of a general partner	A-Division of responsibilities D- Unlimited personal liability
LIMITED LIABILITY PARTNERSHIP	File General Partnership form with a Statement of Qualification. For non-Hawaii LLPs, file as a foreign LLP	2 or more persons or entities	Business income/loss reported at the personal level. Partners taxed on share of income. Entity files federal form 1065	Limited to investment	General partners	Same as partnership	A- Limited personal liability D- Partners not obligated to consult with other partners in certain business agreement
LIMITED LIABILITY COMPANY	File Articles of Organization. For non-Hawaii LLCs, file a Certificate of Authority for LLCs	1 or more persons or entities	Business income/loss reported at the personal level. Members taxed on share of company income. Federal defaults: sole proprietor or partnership (file form 1065)	Limited to investment or as specified in Articles of Organization	Member-managed or Manager-managed	May be for a specific agreed-upon time or at-will	A- Limited personal liability D- Requires registration (as compared to sole proprietorship)
S-CORPORATION	File Articles of Incorporation. For non-Hawaii corporation, file Application for Certificate of Authority with a Certificate of Good Standings	Shareholders; Single type of stock. Limited to 100 max. No foreign investors	Business income/loss reported at the personal level. Entity files federal form 1120S.	Limited to investment	Board of Directors	On-going	A- Limited personal liability D- Subject to stricter government regulation and corporate formalities
C-CORPORATION	Same as S-Corporation	Shareholders; unlimited	Business income/loss reported at corporate level. Shareholders taxed on dividends. Entity files federal form 1120	Limited to investment	Board of Directors	On-going	A- Limited personal liability D- Double taxation - (income and dividends)