

Small Business Legal Entity Options in North Carolina – Thomas Beckett

	Liability	Tax Relationship With IRS					Social Enterprise Flavor
		Self Employment Tax	Partnership Tax (SET+)	S Corporation	Corporate Income Tax "C Corp"	Cooperative Taxation Subchapter T	
Sole Proprietor	Personal Liability for all claims against the business.	All Revenue is SET, Schedule C	Not applicable	Not available	Not available	Not available	Whatever you want to do.
Partnership	<i>Unlimited:</i> Personal Liability & Liability for partners' actions	Not applicable	All Revenue is SET allocated to partners, partnership files its own return. Schedule C for partners.	Not available	Not available	Not available	By contract among partners
Business Corporation	Shareholders not liable for claims against the corporation.	Not applicable	Not applicable	By election. Shareholders pay income tax on all net revenue; are treated as employees (payroll tax).	Default status. Corporation and shareholders each pay income tax.	Partial pass-through. Available with proper structuring.	B Corp eligible
Limited Liability Company	Members not liable for claims against the LLC.	Default status for one member.	Default status for plural members.	By election. Members pay income tax on all net revenue; are treated as employees (payroll tax).	By election. Corporation and members each pay income tax.	Partial pass-through. Available with proper structuring.	B Corp eligible
Cooperative Association	NC Cooperative Association Statute only limits member liability for debts.	Not applicable	Not applicable.	Not applicable.	Default status. Association pays income tax on net revenue except that from members per Subchapter T.	Partial pass-through. Available.	B Corp eligible
Nonprofit Corporation	No shareholders. Members (if any) not liable for claims against corporation	Not applicable	Not applicable	Not applicable	Default status. Corporation pays income tax on all net revenue <i>unless granted tax exempt status.</i>	May be suitable for cooperative structure in limited circumstances.	B Corp eligible