<table>
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<tr>
<th>Entity Type</th>
<th>Authority/Definition</th>
<th>Characteristics</th>
<th>Advantages</th>
<th>Disadvantages</th>
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</table>
| Sole Proprietorship (Sole Prop) | A business owned and operated by an individual, who is personally responsible for its debts | • Easy formation and operation (flexible, minimal requirements)  
• No separate legal person  
• Unlimited personal liability for business debts  
• Exists automatically | • Single taxation; tax reporting on individual return  
• Ease (no filing to establish, no corporate formalities generally, no separate bank account required, easy to operate, complete control)  
• Entitled to all profits | • Unlimited personal liability  
• Self-employment taxes; no unemployment benefits  
• Life of business tied to life of owner  
• May need to file trade name |
| General Partnership (GP)        | Governed by "Uniform Partnership Act of 2010" Title 29 Chapter 6 'Partnership' means an association of 2 or more persons to carry on as co-owners a business for profit § 29–601.02(09)  
• Exists automatically | • Easy formation – no cost or filing required  
• Operation – minimal legal requirements apply  
• Default of splitting ownership, profits, losses equally unless otherwise evidenced  
• Default all partners have right to bind company, act on its behalf  
• Flow-through federal taxation  
• No separate legal person  
• Unlimited personal liability | • Single federal taxation (DC exception)  
• Ease (no filing required, no corporate formalities generally, no separate bank account required, easy to operate, complete control) | • Unlimited personal liability  
• Partnership tax complications  
• Self-employment taxes; no unemployment benefits  
• 1 personal alone cannot form  
• Bound by actions of partners (though DC’s Statement of Partnership Authority form can be filed to alter this)  
• DC Unincorporated Business Franchise Tax potentially applicable  
• More rigid defaults and requirements than LLC |
| Limited Liability Partnership (LLP) | A Partnership that has elected to become an LLP by filing Statement of Qualification per § 29–610.01(c) | • A special form of GP with limited liability  
• Requires registration  
• Otherwise, same as GP | • Limited liability with respect to business acts and malpractice for partners  
• Law firm "look and feel"  
• Same as GP | • Distribution restrictions per § 29–610.02  
• Transfer restrictions  
• Otherwise, same as GP |
| Professional Limited Liability Company (PLLC) | "A limited liability company (LLC) is a flexible form of enterprise that blends elements of partnership and corporate structures. An LLC is not a corporation; it is a legal form of company that provides limited liability to its owners..." (from \[http://en.wikipedia.org/wiki/Limited_liability_company\]) | • Hybrid drawing on advantageous attributes of corporations and partnerships  
• Authorized by individual state statutes  
• Creature of contract  
• Limited liability  
• Requires registration  
• 1 or more members | • Limited liability  
• Single taxation at owner level  
• Simplified tax reporting in case of single member  
• High flexibility to tailor to your goals, how share profits, workload, losses, ownership, control | • Flexibility and variety gives rise to need for legal and tax advisors to set up properly; operating agreement highly recommended  
• Partnership tax complexities if more than 1 member  
• DC Unincorporated Business Franchise Tax potentially applicable |
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<th>Professional Corporation (PC)</th>
<th>DC requirement as to Professional Limited Liability Company (PLLC) § 29.101.02(38) “Professional limited liability company’ means a limited liability company organized under Chapter 8 of this title solely for the purpose of rendering professional services through its members, managers, employees, or agents.”</th>
<th>Report income and expenses of business on individual tax return</th>
<th>Potential simplicity in operations, management, corporate formalities</th>
<th>No employee owners; self-employment taxes</th>
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<tr>
<td></td>
<td>A corporation is a separate legal entity that has been incorporated through a registration process established by law. Professional Corporations governed by &quot;Professional Corporation Act of 2010” Title 29 Chapter 5, together with “Business Corporation Act of 2010” Title 29 Chapter 3. &quot;Professional corporation” means a corporation organized under this chapter solely for the specific purposes provided under this chapter and which has, as its shareholders, only individuals who themselves are duly licensed to render the same professional service as the corporation.” § 29–502(2). &quot;Professional service” …include[es] the services performed by certified public accountants, attorneys, architects, health professionals as defined..., and professional engineers. § 29–502(3).</td>
<td>Requires registration Formation by 1 or more shareholders; need 1 or more directors Qualification requirement Transferability Stability of perpetual duration Double taxation unless elects S Corp (DC exception)</td>
<td>Limited liability (but § 29–510 specifies no alteration to &quot;liability arising out of professional service&quot;) Transferability Stability, life not tied to owners’ Employee owners Certain tax options/treatments may be advantageous depending on type of corporation and specifics of operations; corporate tax return simpler than partnership tax returns Longer historical presence so more established jurisprudence and certainty of corporate law as a result</td>
<td>Double Taxation at both corporate level, with separate tax return as well as at individual owner level Complexity in operation Lack of flexibility Restriction on ownership, due to &quot;professional&quot; requirement</td>
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*For general information purposes only; this is not, and should not be construed as, legal advice*