<table>
<thead>
<tr>
<th>Entity Type</th>
<th>Authority/Definition</th>
<th>Characteristics</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sole Proprietorship (Sole Prop)</td>
<td>A business owned and operated by an individual, who is personally responsible for its debts</td>
<td>Easy formation and operation (flexible, minimal requirements)</td>
<td>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)</td>
<td>Unlimited personal liability</td>
</tr>
<tr>
<td>General Partnership (GP)</td>
<td>Governed by &quot;Uniform Partnership Act of 2010&quot; 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)</td>
<td>Easy formation – no cost or filing required</td>
<td>Single taxation (though tax reporting not only on individual returns)</td>
<td>Unlimited personal liability</td>
</tr>
<tr>
<td>Limited Liability Partnership (LLP)</td>
<td>A Partnership that has elected to become an LLP by filing Statement of Qualification per § 29–610.02(07)</td>
<td>A special form of GP with limited liability</td>
<td>Limited liability with respect to business acts and malpractice for partners</td>
<td>Boundary by actions of partners (though consider DC's Statement of Partnership Authority form)</td>
</tr>
<tr>
<td>Professional Corporation (PC)</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&quot; Title 29</td>
<td>Requires registration</td>
<td>Limited liability (but § 29–510 specifies no alteration to &quot;liability arising out of professional service&quot;)</td>
<td>Double Taxation at both corporate level, with separate tax return (IRS Form 1120, DC form D 20 and possibly additional state) as well as at individual owner level</td>
</tr>
</tbody>
</table>
Chapter 5, together with “Business Corporation Act of 2010” Title 29 Chapter 3.

- "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).
- "Professional service” ...include[es] the services performed by certified public accountants, attorneys, architects, health professionals as defined..., and professional engineers. § 29–502(3).

**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](http://en.wikipedia.org/wiki/Limited_liability_company)).
- 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.”
- 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
- Report income and expenses of business on individual tax return -- Separate tax return sometimes

**Stability of perpetual duration**

- **Certain tax aspects**

- **Lack of flexibility**
- Restriction on ownership, due to “professional” requirement

**Single taxation** at owner level

- Simplified tax reporting in case of single member
- Business deductions (certain exceptions)
- High flexibility
- Potential simplicity

**Limited liability**

- 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 franchise tax potentially applicable (D30 for DC Unincorporated Business Franchise Tax due April 15)
- No employee owners; self-employment taxes; no employee benefits

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