

CHOOSING THE RIGHT ENTITY

Starting a new business is an exciting journey with important decisions to make—none more critical than selecting the right entity structure. This choice impacts your business's legal, tax, and operational framework.



In this Guide

Clear explanations and an
easy-to-follow
comparison chart

Our free guide simplifies the complexities of ownership structures, breaking down C-Corporations, S-Corporations, LLCs, GPs, RLLPs, and LPs. Each option has unique benefits, requirements, and implications that influence your business's success and compliance with state and federal laws.

This guide helps you choose the structure that aligns with your goals. Whether you're a solo entrepreneur or part of a professional partnership, you'll gain the clarity needed to lay a strong foundation for your business's growth. Let's get started!



Entity	Ownership Standards	Separate Entity	Owner Type Restrictions	Special Conditions
C-Corporation	One or more shareholders.No restrictions on the types of owners.			
S-Corporation	<ul style="list-style-type: none"> • 1 to 100 shareholders: Only US individuals, certain trusts, and tax-exempt organizations. • Family members count as one shareholder. • Only eligible US entities can elect S-corp status. • Automatically converts to C-corp if requirements aren't met. 			Only eligible US entities can make an S-corporation election.Members of a family and their estates are treated as one shareholder.
LLC	<ul style="list-style-type: none"> • One or more members. • Two or more members if taxed as a partnership. • No restrictions on the types of owners. • May become a member without acquiring a transferable interest or making a contribution. • Series LLCs from other states can register in CA. 			Two or more members required if taxed as a partnership.Series LLCs cannot be formed in CA but can register if formed elsewhere.
GP & RLLP	<ul style="list-style-type: none"> • At least two general partners. • No restrictions on the types of owners for GP. • RLLP partners must be licensed professionals. 			At least two general partners. RLLP partners must be licensed professionals.
LP	<ul style="list-style-type: none"> • At least one general partner. • At least one limited partner. • Two types of partners: General (management) and Limited (silent investor). 			Must have both at least one general partner and one limited partner.



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LEGAL

Wrap Up

Understanding the differences in ownership between each entity structure is an important step to determining which entity is best for your company. As we've explored in this guide, each business entity—whether it's a C-Corporation, S-Corporation, LLC, GP, RLLP, or LP—offers distinct advantages, requirements, and limitations. Understanding these differences is crucial for aligning your business's legal and operational framework with your long-term goals.

By carefully considering factors such as ownership restrictions, tax implications, and management responsibilities, you can select the structure that best fits your business model and objectives. This decision will not only affect your day-to-day operations but also have significant implications for your business's growth, liability, and compliance with regulatory requirements. Armed with this knowledge, you are now better prepared to make informed decisions that will set your business on a path to success. Remember, the right foundation can make all the difference in building a resilient and thriving business.

Take the next step towards legal clarity and confidence in your business dealings. Contact Next Era Legal today and let us help you navigate the complexities of corporate law with ease. Remember, at Next Era Legal, we're committed to simplifying the legal maze of business deals, so you can focus on what you do best—running your business.