

Choose an ownership structure

A business is a legal entity; it can own property, hold bank accounts and is required to pay taxes. There are different types of business entities, each with unique benefits and limitations.

The *right* choice for you depends on your interests and needs. You should contact an attorney, accountant, financial advisor, or other business or legal advisor to determine which structure is most suitable for your business.

Good decisions are based on:

- The number of current and future possible owners.
- The types of owners - are they all individuals or are they entities (such as corporations, trusts, etc.)?
- Liability concerns.
- Federal tax implications - Internal Revenue Service (IRS) [↗](#).
- Registration and tax filing requirements and costs.
- Paperwork and entity management considerations.

Helpful links:

- Compare business ownership structures.
- Find legal [↗](#), tax [↗](#) and business (SCORE [↗](#), Small Business Development Centers [↗](#)) advisors.

Most common:

Corporations

A Corporation is a more complex business structure. A corporation has certain rights, privileges, and liabilities beyond those of an individual. Doing business as a corporation may yield tax or financial benefits, but these can be offset by other considerations, such as increased licensing fees or decreased personal control. Corporations may be formed for profit or nonprofit purposes. Filing with the Washington Secretary of State is required for corporations, *except banks*, prior to filing a Business License Application.

General Partnerships

A General Partnership is composed of 2 or more persons (usually not a married couple) who agree to contribute money, labor, or skill to a business. Each partner shares the profits, losses, and management of the business, and each partner is personally and equally liable for debts of the partnership. Formal terms of the partnership are usually contained in a written partnership agreement.

Limited Liability Companies (LLCs)

A Limited Liability Company (LLC) is formed by 1 or more individuals or entities through a special written agreement. The agreement details the organization of the LLC, including provisions for management, assignability of interests, and distribution of profits and losses. LLCs are permitted to engage in any lawful, for-profit business or activity other than banking or insurance. Filing with the Washington Secretary of State is required.

Sole Proprietorships

A Sole Proprietorship is one individual or married couple in business alone. Sole proprietorships are the most common form of business structure. This type of business is simple to form and operate, and may enjoy greater flexibility of management, fewer legal controls, and fewer taxes. However, the business owner is personally liable for all debts incurred by the business.

Other:

Association

An Association is an organized group of people who share in a common interest, activity, or purpose.

Estate

An Estate is generally a Sole Proprietorship and occurs when an individual owner passes away. Due to the legality and the operation of the business, it may be put into an estate status so the business can continue operating under an existing ownership until all legal issues have been resolved. An administrator or legal representative will be assigned to the estate. The business can be estate status for a long period of time.

Joint Venture

A Joint Venture is formed for a limited length of time to carry out a business transaction or operation.

Limited Liability Limited Partnership (LLLP)

A Limited Liability Limited Partnership is a Limited Partnership that chooses to become an LLLP by including a statement to that effect in its certificate of limited partnership. This type of business structure may shield general partners from liability for obligations of the LLLP. Filing with the Washington Secretary of State is required.

Limited Liability Partnership (LLP)

A Limited Liability Partnership (LLP) is similar to a General Partnership except that normally a partner doesn't have personal liability for the negligence of another partner. This business structure is used most by professionals, such as accountants and lawyers. Filing with the Washington Secretary of State is required.

Limited Partnership

A Limited Partnership is composed of one or more general partners and one or more limited partners. The general partners manage the business and share fully in its profits and losses. Limited partners share in the profits of the business, but their losses are limited to the extent of their investment. Limited partners are usually not involved in the day-to-day operations of the business. Filing with the Washington Secretary of State is required.

Massachusetts Trust

A Massachusetts Trust is an incorporated business with the property being held and managed by the trustees for the shareholders. The trustees are considered employees since they work for the trust. Filing with the Washington Secretary of State is required.

Municipality

A Municipality is a public corporation established as a subdivision of a state for local governmental purposes.

Nonprofit Corporation

A Nonprofit Corporation is a legal entity and is typically run to further an ideal or goal rather than in the interests of profit. Many nonprofits serve the public interest, but some engage in private sector activities. If your nonprofit organization is, or plans to, raise funds from the public, it may also be required to register with the Charities Program of the Washington Secretary of State. Charitable activities may require additional registration. Contact the Office of the Secretary of State for more information.

Professional Limited Liability Partnership (PLLP)

A PLLP is a limited liability partnership structure designed for licensed professionals. A person or group of persons licensed or otherwise legally authorized to render professional services, as defined in RCW 18.100.030.

Tenants in Common

A Tenants in Common allows 2 or more people to occupy the same business while retaining separate identities in regard to assets or liabilities resulting from business activities.

Tribal Government

Any Indian tribe, band, nation, or other organized group or community, including any Alaska Native village or regional or village corporation as defined in or established pursuant to the Alaska Native Claims Settlement Act (85 Stat. 688; 43 U.S.C. 1601 et seq.) which is recognized as eligible for the special programs and services provided by the United States to Indians because of their special status as Indians. 2 USC. Code § 658

Trust

A Trust is a legal relationship in which one person, called the trustee, holds property for the benefit of another person, called the beneficiary.

Note: If your business structure will be one of the following, you must file with the Washington Secretary of State **before** filing the Business License Application:

- Washington (Domestic) Corporation.
- Washington (Domestic) Partnership.
- Washington (Domestic) Liability Company.
- Washington (Domestic) Limited Liability Partnership.



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