

Title:

Starting A Business: Sole Proprietor Or Corporation?

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Summary:

When starting a business, it is important to consider the potential tax and legal issues. Most people choose a "sole proprietor" as their business type when starting out. Starting your business as a sole proprietor does not require any special paperwork from the IRS.

Which is exactly why most people start out this way. Being a sole proprietor means that you and the business are one and the same.

According to the IRS:

"A sole proprietorship is an unincorporated busi...

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Article Body:

When starting a business, it is important to consider the potential tax and legal issues. Most people choose a "sole proprietor" as their business type when starting out. Starting your business as a sole proprietor does not require any special paperwork from the IRS.

Which is exactly why most people start out this way. Being a sole proprietor means that you and the business are one and the same.

According to the IRS:

"A sole proprietorship is an unincorporated business that is owned by one individual. It is the simplest form of business organization to start and maintain. The business has no existence apart from you, the owner. Its liabilities are your personal liabilities. You undertake the risks of the business for all assets owned, whether used in the business or personally owned. You include the income and expenses of the business on your own tax return."

However, even though a sole proprietorship is the simplest way to set up your

business, you still need to follow your local business regulations to make your business legitimate. And you are personally responsible for paying both income taxes and business debts.

So, is being a sole proprietor the right business structure for you?

For most home business, in the beginning, yes.

If you choose to start your business as a sole proprietor, you do have the option of incorporating as your business grows.

What is the difference between a sole proprietor and corporation?

Unlike a sole proprietorship, a corporation is a legal entity in which the individual and business are separate. The great thing about incorporating is that the corporation protects you from personal liability for business debts. For example, if your business gets sued, your personal assets are safe, for the most part.

And, you may be able to save a significant amount of money in taxes by incorporating.

If you decide to incorporate, there are several options:

- S Corporation
- C Corporation
- LLC (Limited Liability Corporation)

Before incorporating, it is a good idea to check with the IRS and your tax professional first.

Setting up a corporation is more complicated - and may not be right for your business!