

Texas Business Entity Comparison Guide

*Please note, selection of the proper business entity is based on many factors, all of which cannot be listed here. You should consult with your CPA and attorney before forming a business entity.

Item	Sole Proprietorship	General Partnership	Limited Liability Partnership (“LLP”)	Limited Partnership (“L.P.” or “Ltd.”)	Limited Liability Company (“LLC”)	“C” Corp.	“S” Corp.
Limited liability of owners for entity liabilities	No.	No.	Yes.	Yes.	Yes.	Yes.	Yes.
Name	No requirements	No requirements	Name must contain phrase “limited liability partnership,” or an abbreviation thereof.	Name must contain words “limited partnership,” “limited,” or an abbreviation of either.	Name must contain “limited liability company,” “limited company,” or an abbreviation of either.	Name must contain “corporation,” “company,” “incorporated,” or an abbreviation of any of the above.	Name must contain “corporation,” “company,” “incorporated,” or an abbreviation of any of the above.
Filing requirements & fees	Assumed name certificate filed with County where doing business. County filing fees vary.	Assumed name certificate filed with County where doing business. County filing fees vary.	Annual registration and filing fee of \$200 per partner paid to Texas Secretary of State; must maintain liability insurance.	Certificate of formation and filing fee of \$750 paid to the Texas Secretary of State. If incorporating General Partner, additional formation fee applies.	Certificate of formation and filing fee of \$300 paid to the Texas Secretary of State.	Certificate of formation and filing fee of \$300 paid to the Texas Secretary of State.	Certificate of formation and filing fee of \$300 paid to the Texas Secretary of State.
Ownership types	Individuals	Any	Any	Any	Any	Any	Limited
Number of owners	One	Minimum of 2	Minimum of 2	Minimum of 2 (at least 1 general partner and 1 limited partner)	Single-member LLCs are permitted in Texas	No restrictions	No more than 100 shareholders.
Classes of ownership	One	Multiple classes permitted.	Multiple classes permitted.	Multiple classes permitted, but must have at least 1 general partner and 1 limited partner.	Multiple classes permitted.	Multiple classes permitted.	Limited to 1 class of stock.
Transferability of ownership interests	Freely transferrable.	Economic interest is transferrable unless restricted by partnership agreement, <u>but</u> the status of partner is transferrable only if <u>all</u> other partners consent.	Economic interest is transferrable unless restricted by partnership agreement, <u>but</u> the status of partner is transferrable only if <u>all</u> other partners consent.	Economic interest is transferrable unless restricted by partnership agreement, <u>but</u> the status of partner is transferrable only if <u>all</u> other partners consent.	Economic membership interest is transferrable unless restricted by certificate of formation or company agreement, <u>but</u> the status of member is transferrable only if <u>all</u> other members consent, unless the certificate of formation or company agreement provide otherwise.	Freely transferrable unless restricted by certificate of formation, bylaws, or shareholder agreement.	Freely transferrable unless restricted by certificate of formation, bylaws, or shareholder agreement.
Federal Taxation (default classifications – talk to your CPA regarding available options)	Form 1040, Schedule C or E	Partnership	Partnership	Partnership	Form 1040, Schedule C or E (for single member LLCs); Partnership for multi-member, unless members take the extra step of making the election on IRS form 8832 to be taxed as a corporation (“S election”).	C or S Corporation. C corporation taxed at corporate level and then at shareholder level.	S Corporation (to qualify, must meet all IRS requirements, and make timely election on IRS form 2553)
Texas Margin Tax (f.k.a. “Franchise Tax”)	None.	Maybe.	Maybe.	Yes.	Yes.	Yes.	Yes.