

EXPANDING TO THE USA: UNDERSTANDING BUSINESS STRUCTURES

When establishing or expanding a business in the United States, choosing the right business structure is an important step that impacts tax obligations, liability risk, and operational flexibility. This factsheet outlines the key features and the pros and cons of four common business structures: sole traders, partnerships, limited liability companies (LLCs), and corporations.

	BUSINESS STRUCTURES			
	SOLE TRADER	PARTNERSHIP	LIMITED LIABILITY COMPANY (LLC)	CORPORATION
OWNERSHIP	You will own and operate your business.	Your business will be shared between you and one or more partners.	Your business will be owned by one or more members.	Shareholders will own equity in the business.
LIABILITY	You are personally responsible for all debts and legal issues.	All partners are personally liable for business debts unless you use a limited partnership model.	Members are not personally liable for business debts.	Shareholders are given limited liability, meaning their personal assets are protected from the business' debts.
TAXES	You will need to report business income on your personal tax return.	Business income is passed through to partners and taxed on personal returns.	You can choose between pass-through taxation or corporate tax rates.	The business may be taxed as a C Corporation (double taxation) or an S Corporation (pass-through taxation - with some complexities and limitations).
PROS	This structure is easy and inexpensive to set up.	You can easily establish this structure through a partnership agreement.	You will have limited liability protection and flexible management options.	This is the best model for attracting investors and raising capital.
CONS	There is no protection for your personal assets if the business faces legal issues.	All partners will likely be personally liable for the business' debts.	The initial formation costs and ongoing state fees are high.	You will have more formal requirements, including record-keeping, meetings, and reporting.

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