

Developing alternative enterprises by using business organization tools to reduce risk

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Goals of this Worksheet:

- *Discuss some of the benefits and limitations of various forms of business entities*
- *Identify of the potential uses of business entities that you can use*
- *Explore how to determine what type of business entity will fit best*

Review of the various types of business entities:

- *Sole Proprietorship*
- *General Partnership*
- *Limited Partnership*
- *Limited Liability Corporation*
- *Corporations*
- *-Subchapter "S"*
- *-Subchapter "C"*

Review of the important benefits to a business structure:

- *Asset Protection– separating assets so that a creditor or plaintiff cannot take everything you own*
- *Liability Protection – to separate yourself from the actions of the business or of its other owners*
- *Estate Planning Tool – business entities are a great way to pass on assets to the next generation and if estate taxes are an issue then they can be used to reduce the value of the total estate*



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What are some of the business entities that you might adopt for your operation?

- Sole Proprietorship
- General Partnership
- Limited Partnership
- Limited Liability Corporation
- Corporations (either)

Identify the issues and characteristics associated with the various business entities. If the answer to a question is “Yes” then put a checkmark into the box beside the question and if the answer is “No” then leave the box empty.

Sole Proprietorship

- Do you have to file paperwork with the state to create it?
- Does it provide liability protection to the owner?
- Is this a legal entity separate from its owner?
- Are there any legal difficulties with managing the business?
- Is this subject to “double taxation” or can it be a pass through?

General Partnership

- Do you have to file paperwork with the state to create it?
- Does it provide liability protection to the owner?
- Is this a legal entity separate from its owner?
- Are there any legal difficulties with managing the business?
- Is this subject to “double taxation” or can it be a pass through?

Limited Partnership

- Do you have to file paperwork with the state to create it?
- Does it provide liability protection to the owner?
- Is this a legal entity separate from its owner?
- Are there any legal difficulties with managing the business?
- Is this subject to “double taxation” or can it be a pass through?

Limited Liability Corporation (LLC)

- Do you have to file paperwork with the state to create it?
- Does it provide liability protection to the owner?
- Is this a legal entity separate from its owner?
- Are there any legal difficulties with managing the business?
- Is this subject to “double taxation” or can it be a pass through?

“S” Corporation

- Do you have to file paperwork with the state to create it?
- Does it provide liability protection to the owner?
- Is this a legal entity separate from its owner?
- Are there any legal difficulties with managing the business?
- Is this subject to “double taxation” or can it be a pass through?

“C” Corporation

- Do you have to file paperwork with the state to create it?
- Does it provide liability protection to the owner?
- Is this a legal entity separate from its owner?
- Are there any legal difficulties with managing the business?
- Is this subject to “double taxation” or can it be a pass through?

What are some of the business characteristics that are the most important to you and why? Which of the business entities above most closely matches your list of important characteristics?

Do you plan on creating a formal business entity or are you going to use one of the automatic ones (sole proprietorship or general partnership)? Why or why not and what is your timeline for either making the decision or creating the business entity if you have already decided?

