

EXSYS Case Study

Choosing a Legal Business Structure



THE OFFICIAL BUSINESS LINK TO THE U.S. GOVERNMENT 

Small Business Administration

The Small Business Administration has an interactive knowledge automation system (wizard) on their Web site at:

<http://app1.sba.gov/exsysweb/client/bizform/bizformmenu.html>

The system helps you decide which structure might be best for a particular business. Choosing a legal structure is a process that has to balance concerns and issues regarding liability exposure, tax responsibilities, and administrative burden of the legal structure that is chosen. The system asks the user questions about the business structure which include the following areas:

- Liability exposure
- Business Risk
- Authority to Commit the Business
- Ownership rights
- Citizenship
- Complexity of Business Practices
- Tax responsibilities
- Administrative burden of the legal structure
- State in which business is located
- Growth and Change
- Profitability and Reinvestment
- Losses from the Business
- Investor Involvement

Based on the answers provided to the system, it ranks from highest to lowest, the most appropriate business structure to review with the user's attorneys and business advisors. For each response the system awards points, (generally positive, occasionally negative) to each of the business form options. These points are based on the judgment of SBA attorneys and other reviewers. The ranking score is the sum of these points. The business structures include:

- C-Corporation
- Sole proprietorship
- S-Corporation
- Partnership
- LLP - Limited Liability Partnership
- Limited Liability Company