

Business Structure Comparison Chart

Sole Proprietorship



Definition

- A lawyer or paralegal owns and operates their business as an individual in their own name, without incorporating a separate legal entity.



Advantages

- Licensee retains full control over decision-making and management of the practice, allowing for more timely decisions.
- This business structure is relatively simple to set up at a low cost; few formal business registrations are required.
- Licensee may be eligible for certain tax deductions and benefits.



Disadvantages

- Licensee is personally liable for all business debts that put their personal assets at risk.
- It may be difficult to access financing to start a sole proprietorship.



Appropriate For

- A sole proprietorship may be suitable for licensees who prefer simplicity, autonomy, and low overhead, and are willing to accept personal liability.

Partnership



Definition

- A partnership is an association of two or more lawyers or paralegals who agree to practice together.



Advantages

- Partnerships give licensees the opportunity to pool resources and share expenses.
- Partnerships can allow for a diverse set of skills and expertise which can support other partners and attract clients.
- In a limited liability partnership, the personal assets of each partner is protected from liability.



Disadvantages

- May be difficult to obtain consensus from all the partners on shared decision-making which can lead to conflict.
- In a general partnership, each partner assumes joint liability for the business's obligations.



Appropriate For

- Partnerships may be suitable for lawyers or paralegals who want to combine resources, and expertise, and share risks and rewards with other licensees.
- Typically partnerships are used in larger or specialized practices.

Professional Corporation



Definition

- A professional corporation is a separate legal entity through which legal services are provided. The shareholders of the entity must be licensed lawyers or paralegals and must also be the corporation's directors.



Advantages

- Professional corporations offer potential tax deferral benefits which may be realized after the business has generated income for which the tax may be deferred.



Disadvantages

- Professional corporations do not limit a licensee's professional liability and have fairly heavy administrative, regulatory, and legal requirements.
- There are also restrictions relating to shareholders, directors, corporate names, and the services provided.



Appropriate For

- Professional corporations may be an appropriate business structure for licensees who want limited liability protection and tax advantages.