

Business Entity Types

C CORPORATION

A “C” corporation is a standard business corporation. Named “C” corporation because the taxing subsection of the IRS code, this type of corporation provides the protection of limited liability for the shareholders. However, “C” corporation earnings are taxed at the corporate and income to the shareholders taxed at the personal income tax level.

A “C” corporation must file its article of association with the Vermont Secretary of State and obtain a certification of authority to business in this state.

S CORPORATION

An “S” corporation is a small business corporation taxed under subsection S of the Internal Revenue Code. This type of corporation provides the protection of limited liability for the shareholders. The profit or loss of an “S” corporation normally passes to the shareholders in proportion to their shares in the corporation. The shareholders report the profit or loss on their individual tax returns. The “S” corporation generally does not pay incomes taxes at the corporate level. Also referred to as a Subchapter S corporation.

A “S” corporation must file its article of association with the Vermont Secretary of State and obtain a certification of authority to business in this state.

LIMITED LIABILITY COMPANY

The Limited Liability Company (LLC) is a relatively recent business organization form containing the elements of both a corporation and a partnership. An LLC provides the protection of limited liability to its members. A LLC is a pass-through entity. Its profit or loss is not taxed at the entity level but passes through to the members to be reported on their individual tax returns.

A LLC corporation must file its article of association with the Vermont Secretary of State and obtain a certification of authority to business in this state.

PARTNERSHIP

A Partnership is a form business ownership by two or more owners who agree to invest resources for the business activity and to share in the profits or losses of the business. A partnership is generally treated as a pass-through entity with the partners reporting the business profit or loss on their personal income tax returns. The Partnership itself is not taxed. General partners are held personally responsible for the partnership’s liabilities.

If the Partnership operates under a trade name, the trade name must be registered with the Vermont Secretary of State.