

Washington business and organization structure considerations

Type of business structure	File or register with Washington Secretary of State?	Formation difficulty	Liability	Operational requirements	Management	Federal taxation	Washington excise tax and liability (Dept. of Revenue)
Sole Proprietor	No	Low	Sole proprietor has unlimited liability.	Relatively few legal requirements.	Sole proprietor has full control of management and operations.	Not a taxable entity. Sole proprietor pays all taxes.	Taxes based on business entity income. Sole proprietor has unlimited liability.
General Partnership	No	Low	Partners have unlimited liability.	Relatively few legal requirements.	Typically each partner has an equal voice, unless otherwise arranged.	Not a taxable entity. Each partner pays tax on his/her share of income and can deduct losses against other sources of income.	Taxes based on business entity income. General Partners have unlimited liability.
Limited Liability Company (LLC)	Yes	Medium	Members are not typically liable for the debts of the LLC.	Some formal requirements, but less formal than corporation.	Members have an operating agreement that outlines management.	Depending on structure there is no tax at the entity level. Income/loss is passed through to members.	Taxes based on business entity income. Responsible parties may have liability for trust funds.
Corporation	Yes	Medium/High	Shareholders are not typically responsible for the debts of the corporation.	Board of directors, annual meetings and annual reporting are required.	Managed by the directors, who are elected by the shareholders.	Taxed at the entity level. If dividends are distributed to shareholders, dividends are also taxed at the individual level.	Taxes based on business entity income. Responsible parties may have liability for trust fund taxes.
Limited Partnership (LP)	Yes	Low	At least one general partner has unlimited liability.	Some formal requirements, but less formal than corporations.	Limited partners are excluded from management unless they serve on the board of directors.	Files taxes as separate entity, must meet certain criteria to avoid being taxed as a corporation.	Taxes based on business entity income. General Partners have unlimited liability. Limited partners may have liability up to the amount of their investment.
Limited Liability Partnership (LLP)	Yes	Medium	Partners are not typically liable for the debt of the LLP.	Some formal requirements, but less formal than corporations.	All partners have the right to manage the business directly.	Files taxes as a separate entity, must meet certain criteria to avoid being taxed as a corporation.	Taxes based on business entity income. General Partners have unlimited liability. Limited partners may have liability up to the amount of their investment.