

**2017 UT Law LLCs, LPS, and Partnerships Conference  
Nuts & Bolts Primer  
Choice of Entity (Including Tax Considerations), Legislative Update, Choice of  
Jurisdiction, and Ethical Considerations**

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## CHOICE OF ENTITY

An individual may conduct a business as a sole proprietor. If one or more persons desire to form an entity to conduct a business, the following are the most common choices:

- General partnership—not formed by a filing and is the default entity when two or more people join together to conduct a business
- Limited partnership
- Limited liability partnership
- Limited liability company
- C corporation
- S corporation

## CHOICE OF ENTITY

- **Sole Proprietorship**
  - Does not require creation of new entity
  - Individual proprietor has unlimited liability
- **General Partnership**
  - Requires 2+ partners
  - Each partner has unlimited liability for debts and obligations of the partnership
  - Subject to agreement, each general partner has an equal right to manage
  - Flow-through tax treatment
- **Limited Liability Partnership (LLP)**
  - General partnership that makes a filing with the Secretary of State—Filing fee is \$200/partner
  - Limits vicarious liabilities of partners

## CHOICE OF ENTITY

- **Limited Partnership**
  - Formed by filing with Secretary of State—filing fee is \$750
  - General partners have control and unlimited liability
  - Limited partners have no right to manage (but can have limited voting rights) and no liability for partnership obligations
  - Flow-through tax treatment in most cases
  - A limited partnership may file to become a limited liability partnership—eliminates vicarious liability of general partners and that of a limited partner who takes part in control—Filing fee is \$200/general partner

## CHOICE OF ENTITY

- Limited Liability Company (LLC)
  - Formed by filing with Secretary of State—filing fee is \$300
  - Provides limited liability for members
  - Managed by members or managers—must be specified in certificate of formation
  - If two or more members, will be taxed as a partnership (flow-through tax treatment) unless elect to be taxed as corporation
  - A single-member LLC will be disregarded for federal income tax purposes unless it elects to be taxed as a corporation—a single-member LLC that is disregarded for income tax purposes is regarded for federal employment and certain excise tax purposes
  - Texas authorizes the formation of series LLCs—don't try this at home

## CHOICE OF ENTITY

- C Corporation
  - Formed by filing with Secretary of State—filing fee is \$300
  - Provides limited liability for shareholders
  - Managed by board of directors unless shareholders enter into a shareholders agreement pursuant to Subchapter C of Chapter 21 of the BOC or the corporation is a close corporation under Subchapter O of Chapter 21 of the BOC
  - Separately taxed entity
  - Ownership interests usually represented by stock certificates
  - In case of uncertificated interests, notice must be given to the owners of such interests unless required information is in the governing documents
  - Shareholders may enter into a shareholder agreement to provide for restrictions on transfer, etc. The BOC provides a non-exclusive list of permissible restrictions and allows the corporation to file notice of the restrictions with the Secretary of State in certain circumstances.

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## Title search: Choice of Entity (Including Tax Considerations), Legislative Update, Choice of Jurisdiction, and Ethical Considerations

Also available as part of the eCourse

[2017 Primer: Nuts and Bolts of LLCs, LPs, and Partnerships eConference](#)

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