

Sole Proprietorship

The easiest and simplest business structure, a sole proprietorship is an unincorporated business owned and run by one person with no distinction between the business and individual.

Taxes

A sole proprietor reports income, losses and expenses by filling out a Schedule C, along with the standard Form 1040. Then the "bottom-line amount" from Schedule C is transferred to his/her personal tax return.



Formation

Business activity done as an individual makes you a sole proprietor. However, there are licenses, permits and registrations necessary to run the business.

You can also choose to run a sole proprietorship under a fictitious trade name or DBA (Doing Business As).



Advantages

- Easy and inexpensive to create with low overhead costs
- Complete control over the business
- Lowest tax rates of all business forms

Disadvantages

- Personally liable for business debts and obligations
- Difficulty in raising capital due to lack of repayment credibility
- Limited life, the business will die with you.



Examples

Plumbers, Repairmen, Maids, etc.