

## SOLE PROPRIETORSHIP

<b>Simplicity in Operation and Formation</b>	Simplest to establish and operate.
<b>Liability for Debts, Taxes, and Other Claims</b>	Owner has unlimited personal liability. Also, owner may be liable to the IRS for failure to withhold and pay withholding taxes on employees' wages.
<b>Federal Income Taxation of Business Profits</b>	Taxed to the owner at individual tax rates, subject to exemptions and deductions.
<b>Double Taxation if Profits Withdrawn from Business</b>	No.
<b>Deduction of Losses by Owners</b>	Yes. May be subject to "passive loss" restrictions.
<b>Social Security Tax on Earnings of Owner from Business</b>	Owner is subject to both the employee's and employer's share of Social Security (FICA) tax on self-employment earnings up to a certain level and the employee's and employer's share of Medicare tax beyond that level.
<b>Unemployment Taxes on Earnings of Owner</b>	None.
<b>Retirement Plans</b>	Keogh plan. Deductions and other features are generally the same as those for corporate pension and profit-sharing plans. But a proprietor cannot borrow from a Keogh Plan.
<b>Tax Treatment of Medical, Disability, and Group-Term Life Insurance on Owners</b>	Not deductible, except part of medical expenses may be an itemized deduction on owner's tax return, including medical insurance premiums. A certain % of medical insurance on an owner is allowed as a deduction from adjusted gross income.
<b>Taxation of Dividends Received on Investments</b>	Dividends received on stock investments are fully taxable to owner.

*NOTE: This overview is intended as general information only and may not include the latest developments. Check with your accountant or attorney for up-to-date information about which structure makes the most sense for your individual situation.*