CONSTRUCTION ENGINEERING
Legal Structure Summary Table

Table 5.1 Considerations in Choosing Legal Structure

	Proprietorship	Partnership	Corporation
Tax	Tax on personal income; tax on earnings whether or not they are withdrawn	Tax on personal salary and earnings	Lower taxes in some cases.[a] Dividends are not deductible; double taxing. Taxes on dividends, that is, money actually received
Costs and procedures in starting	No special legal procedure; apply for licenses; register with IRS	General: Easy—oral agreement Limited: More difficult—must closely adhere to state law	More complex and expensive. Meeting must be held
Size of risk	Personal liability	Personal liabilities: Extent of personal fortune. Limited: each partner is protected; loss of limited partner cannot exceed initial investment	Limited to assets of corporation
Continuity of the concern	No continuity on death of proprietor	Dissolution: No continuity on death of partner. Surviving partners can buy share if in agreement.	Perpetual (charter can expire)
Adaptability of administration	Simplicity of organization; direct control	Decisions and policies implemented by oral agreement	Directors—good if involved. Policy decisions predefined by by-laws
Influences of applicable laws	Laws are well defined; no limit on doing business in various states	Laws are also well defined; a license may be required	Foreign corporation status; requires legal counsel on permanent basis
Attraction of additional capital	Limited potential for capital expansion Borrowing; line of credit; personal fortune investment	Better; more capital; limited partner concept	Issue securities; collateral provided by corporate assets; issue stock

[a] See Fudd Associates, Inc., example in text.