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# Sole Proprietorship

A *sole proprietorship* is the easiest entity to form and maintain, requiring little to no paperwork or approvals to begin. You can either manage it or hire managers, but either way, you are the business.

Taxes for a sole proprietorship are relatively easy to file using Schedule C of the 1040 form. As a sole proprietor, you do not worry about double taxation, excessive compensation, or excessive retained earnings. In a sole proprietorship, you are liable for any debts of the business. Because the business and the business owner are the same, your personal assets are available to pay the debts of the business, and your personal obligations may be satisfied by business assets. You can sell a sole proprietorship as a business or close its doors and sell its assets.

The ability of a sole proprietorship to raise capital is limited. You cannot sell shares of the business. Generally, these entities obtain loans after fully collateralizing them with personal assets.

**Tip** States typically view undeclared businesses as sole proprietorships or partnerships, leaving you personally responsible for debts and injuries.

## Key Points about Sole Proprietorships

- Owned by one person and operated for their profit
- Owner alone controls entire business
- Owner is taxed on profit and is personally liable for debts of business
- Owner is personally liable for legal violations
- Can be sold as business or owner can close and sell assets
- No sale of shares or fractional business interest
- Ends upon death of owner
- Restricted ability to raise capital