



**CULTIVATING SUCCESS™**  
sustainable small farms education

Business Structures  
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# General Partnership

- We started out as a **General Partnership**
  - A partnership must file an annual information return (form 1065) with the IRS to report income and losses from operations. Each partner pays taxes on their share of the profit/loss.
  - In a partnership, each partner is jointly liable for the partnership obligations.
  - **Lesson learned: A family member may not be the best choice for accounting.**
- Coming up with the partnership agreement was very involved to cover topics such as:
    - Capital contributions
    - Distribution of profit/losses
    - Management responsibilities
    - Bookkeeping
    - Banking
    - Dissolution



# S-Corporation

- Moved to an S- Corporation after being advised by our local accountant.
  - Everything about this was frustrating as we had to report income, losses, gains, deductions, credit, pay federal income tax at individual tax rates. It seemed like everything about it cost us more money.
  - **Lesson learned: Due diligence is up to me!**
- Taxation required reporting income, losses, gains, deductions, credit, etc. on Form 1120S on personal income.
  - It was complex to create, had more legal and accounting requirements, and was more costly to maintain.



# Sole Proprietorship

- Now a Sole Proprietorship as a woman owned business
- The business itself doesn't file a tax return. Instead, the income (or loss) passes through and is reported on the owner's personal tax return through a schedule C (form 1040).
- As a sole proprietorship, I have personal liability for anything related to our business and mitigate risk with insurance.





# Limited Liability Company (LLC)

- An LLC is a kind of hybrid between a corporation, general partnership, and a sole proprietorship.
- Business income passes through the business to LLC members who report their share of profits or losses on their individual income tax returns.
- The LLC entity is only required to file an informational tax return.
- Single member LLC's are allowed to report business expenses on Form 1040 Schedule C, E, or F.
- To form an LLC, you must pay a filing fee (\$100-\$800) and must have articles of organization when the entity is established.



# OPEN FOR DISCUSSION

- Would any of you be willing to talk a little bit about your business structure for your farm and why you chose this?
- Are any of you an LLC that could share anything about the process and costs?
- Has anyone utilized the Small Business Administration for advice on choosing a business structure?