

Different Types Of Delaware Company Formation Entities, how to?

Company formation is a business option that is slowly but surely gaining the confidence of many international business people. Delaware is home to thousands of incorporations. Some of the factors that makes the state to be a favorite...

Jan. 11, 2010 - [PRLog](#) -- Delaware is home to thousands of incorporations. Some of the factors that makes the state to be a favorite among company owners is its business friendly policies and low tax rates. The following are the common types of business entities that you will find in Delaware.

Sole proprietorship

Upon formation of this type of a sole proprietorship, there is no state filing required. The company also has an unlimited personal liability. The members of the company who have unlimited personal liability hold liability for the debts of the company. When raising capital, the contributions are usually limited the funds from individuals.

The sole proprietorship is not a detached taxable entity; therefore, the owners have to pay all the taxes involved. There are very few legal requirements needed with this kind of Delaware Company Formation. The sole proprietor is in charge and responsible for the operations, management and other activities of the company. A sole proprietorship is normally considered to be legally in existence up until the sole proprietor dies. Ownership is not transferrable from the sole proprietor to any other person.

Limited Liability Company

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This company requires state filing while on its formative stage. In most cases, the members of these types of corporations are not personally liable for its debts. Limited Liability Companies provide a potential for selling interests, but this has to go hand in hand with agreement restrictions. If the company follows all the laid down procedures for company formation, then there is no need for entity level taxation. The profits and loss made by the company are passed on to the members of the company.

The meetings and minutes are not usually very formal. However, state reporting is required. All the members of the company have to agree on the outline of management responsibilities. The company and company shares can be transferred from one owner to another by following the laid down agreement restrictions. With a Limited Liability Company in Delaware, non-residents can legally skip taxes for business activities that are conducted outside the US. An LLC also offers protection from judgment creditors.

General Corporation

In this type of company, state filing is required. Shareholders do not bear personal liability for the corporation's debts. The company is taxed at the entity level while the shareholders are each taxed at the individual level. Each company is required to have a board of directors and to hold regular formal meetings. The minutes for these meetings together with the annual reports should be properly filed.

For day-to-day management purposes, it is the duty of the stockholders, who are also the owners of the company, to appoint directors who in turn appoint other company officers. The existence of the corporation is perpetual unless it is formally stated to be otherwise. The transferability of shares is also easy and quite flexible. This kind of company has no restrictions in terms of size.

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