

Michigan Business Structure Cheat Sheet

By Dr. Charlene Parks • AskCoachCharli.ai • Choose with confidence and file correctly with LARA

Sole Proprietorship

✓ PROS

- Easiest & cheapest to start
- Complete control
- Simple tax filing
- No annual reports

✗ CONS

- Unlimited personal liability
- Hard to raise capital
- Business dies with owner
- Difficult to sell

LARA: \$0 (DBA: \$10 county)
Annual: \$0
Tax: Schedule C, SE tax 15.3%

Best for: Solo consultants, freelancers, side hustles

General Partnership

✓ PROS

- Easy to form
- Shared decision-making
- Pass-through taxation
- Pooled resources & skills

✗ CONS

- Each partner liable for ALL debts
- Liable for partner's actions
- Must share profits
- Can dissolve on disagreement

LARA: \$0 (written agreement advised)
Annual: \$0
Tax: Pass-through, Schedule K-1

Best for: Co-founders with solid partnership agreement

Limited Liability Company (LLC)

✓ PROS

- Personal asset protection
- Flexible tax treatment
- Less paperwork than C-Corp
- Single or multiple members

✗ CONS

- More expensive than sole prop
- \$25 annual report required
- SE tax on all profits (unless S-Corp)
- Dissolution process if members leave

LARA: \$50 Articles of Organization
Annual: \$25
Tax: Pass-through (can elect S-Corp)

Best for: Most small businesses wanting liability protection

Low-Profit LLC (L3C)

✓ PROS

- Same protection as LLC
- Attracts mission-driven investors
- Can receive foundation PRIs
- Signals social purpose

✗ CONS

- Charitable purpose must be PRIMARY
- Can't prioritize profit max
- Limited investor appeal
- Michigan recognition unclear

LARA: \$50 + L3C purpose statement
Annual: \$25
Tax: Same as LLC (pass-through)

Best for: Social entrepreneurs balancing profit with impact

Professional LLC (PLLC)

✓ PROS

- Liability protection for business debts
- Protects personal assets
- Protected from other's malpractice
- Flexible management

✗ CONS

- Each member must be licensed
- No protection from own malpractice
- \$25 annual report
- More regulatory oversight

LARA: \$50 + proof of license
Annual: \$25
Tax: Pass-through, same as LLC

Best for: Doctors, dentists, CPAs, attorneys, architects

S Corporation

✓ PROS

- Save on self-employment taxes
- Personal liability protection
- Easier to transfer ownership
- Attracts investors

✗ CONS

- Strict IRS requirements (100 max)
- Must run payroll
- More paperwork & compliance
- Reasonable salary required

LARA: \$50-60 (as LLC/Corp first)
Annual: \$25
Tax: Salary + distributions (saves SE tax)

Best for: Profitable LLCs with \$60K+ net income

Nonprofit 501(c)(3)

✓ PROS

- Federal/state tax exemptions
- Tax-deductible donations
- Grant & foundation funding
- Public trust & credibility

✗ CONS

- No personal profit allowed
- Extensive paperwork
- IRS application process
- Public disclosure required

LARA: \$20 + IRS Form 1023 (\$275-600)
Annual: \$0
Tax: Exempt (if IRS-approved)

Best for: Charities, foundations, community organizations

💡 Pro Tips

- Get free EIN from IRS to protect your SSN
- Separate finances immediately – business bank account + software
- File Annual Report on time – late fees & dissolution risk
- Create Operating Agreement even for single-member LLC
- Talk to tax pro before S-Corp election
- Check city/county for local licenses
- **LARA Portal:** michigan.gov/corporations
- **IRS EIN:** irs.gov/ein

Quick Decision Guide

Testing an idea? → Sole Prop, upgrade to LLC later

Want liability protection? → LLC (best balance)

Licensed professional? → PLLC required in Michigan

Making \$60K+ profit? → LLC then elect S-Corp

Social enterprise? → L3C if mission-first, LLC if profit matters

Starting a charity? → Nonprofit 501(c)(3)

Filing Fees Summary

Sole Prop: \$0 (DBA: \$10) | Annual: \$0

Partnership: \$0 | Annual: \$0

LLC: \$50 | Annual: \$25

L3C: \$50 | Annual: \$25

PLLC: \$50 | Annual: \$25

S-Corp: \$50–60 (as LLC/Corp) | Annual: \$25

Nonprofit: \$20 + \$275–600 IRS | Annual: \$0

This cheat sheet is for educational purposes. Consult with a business attorney or CPA for personalized advice. © 2024 Dr. Charlene Parks