



What About Business Partnerships?

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Business Entities

- Sole Proprietorship
- Partnership
- Incorporation
 - S-Corporation
 - C-Corporation
- Limited Liability Company




Sole Proprietorship

- Advantages
 - Owner has complete control
 - No question of authority
 - Easiest to set up
 - Owner keeps all the profits
- Disadvantages
 - Unlimited liability (no protection of personal assets)
 - 100% of business profits are taxed at individual rate
 - Self employment tax (15.3%)
 - Taxable income in the year earned
 - Limited to the lifetime of the owner




Partnership

- “An association of two or more persons to carry-on as co-owners of a business for profit.”
- Advantages
 - More capital dollars available
 - Broader expertise from partners
 - Shared leadership
- Disadvantages
 - Each partner equally liable actions of others
 - Question of final decision-making authority
 - Differences in personal and ethical values
 - Ceases to exist with the death of one partner




Incorporation

- Definition of a Corporation
 - A legal entity (or legal person) created under state and federal guidelines
 - As a separate legal entity, it is taxed directly on profits
 - Often referred to as “double taxation”
 - The legal status of a corporation is not affected by the death, incapacity, or bankruptcy of a manager, officer, or shareholder



S - Corporation

- Advantages
 - Limited liability protection
 - Access to more capital dollars
 - Income (and losses) “pass-through” as dividends to shareholders and avoid double taxation
- Disadvantages
 - Limited number of shareholders (35 or 50)
 - Shareholders must be paid fair market wage
 - If S-corporation status is surrendered, it cannot be reinstated for five years




C - Corporation

- Advantages
 - Limited liability protection
 - Unlimited shareholders for capital
 - Profits can be retained within corporation for future growth and expansion decreasing personal tax liability
- Disadvantages
 - Double taxation (corporate profit / shareholder earnings)
 - Requires additional legal paperwork and fees
 - State requirements must be met



Limited Liability Company

- Definition:
 - “hybrid between a partnership and a corporation” – generally requires two owners
- Advantages
 - Limited liability protection
 - Double taxation avoided as all profits pass through to owners based on ownership percentage
- Disadvantages
 - Not all states view or treat LLCs in the same way
 - Requires legal formation and filing fees




What does Scripture say?

- **2 Corinthians 6:14-17 (KJV)** *Be ye not unequally yoked together with unbelievers: for what fellowship hath righteousness with unrighteousness? and what communion hath light with darkness? ¹⁵And what concord hath Christ with Belial? or what part hath he that believeth with an infidel? ¹⁶And what agreement hath the temple of God with idols? for ye are the temple of the living God; as God hath said, I will dwell in them, and walk in them; and I will be their God, and they shall be my people. ¹⁷Wherefore come out from among them, and be ye separate, saith the Lord, and touch not the unclean thing; and I will receive you,*




The Implications

- A partnership between a believer and unbeliever is a recipe for disaster
 - Different values lead to divergent and conflicting philosophies (misunderstandings) in business
 - Family businesses are sometimes faced with the unfortunate reality that not all family members (and business partners) profess to be Christians
 - Scriptural principles remain
- The “unequal yoke” is for business ownership
 - Not referring to hiring practices or employees



Authority Clearly Defined

- There will be times in any business entity when there will be conflicting goals and ambitions
 - During these times, one person needs to have the final decision-making authority for the business
 - It is unwise to have “equal authority” in any for business partnership arrangement
 - One person needs to have “controlling” ownership



Conclusion

- Give careful consideration to which business entity is right for your given situation
 - Most business start out as a sole proprietorship or partnership
 - As they grow in size and complexity, they evolve into a corporation or LLC
- Seek professional advice from your accountant or attorney before making a final decision
 - Each business is unique