Business Entities
an overview

This is a brief overview of the entity choices you can make when starting a new business. This overview may not answer all your questions. For more detail or help in deciding on the type of entity best for your situation, we recommend contacting an accountant or attorney.

Sole proprietorship

A sole proprietorship is not subject to state rules covering organization or operation. If the business's name is different from the owner's, they must register it as an assumed name with the Office of the Secretary of State. Income and expenses are reported on Schedule C of the owner's federal Form 1040, Individual Income Tax Return.

Partnership

If the partnership's business name is different from the names of the partners, it must be registered as an assumed name with the Office of the Secretary of State. All partnerships are required to apply for a Federal Employer Identification Number (FEIN) and a Minnesota tax identification (ID) number. For each tax year, the partnership is required to file a federal partnership return (Form 1065) and a Minnesota partnership return (Form M3). Income or losses are reported on Schedule E of the partners' federal income tax returns.

C corporation

A C corporation incorporates as a business corporation by filing Articles of Incorporation with the Office of the Secretary of State. It then applies for an FEIN and a Minnesota tax ID number. A C corporation is required to file a federal corporation return (Form 1120) and a Minnesota corporation franchise tax return (Form M4). The C corporation is also required to file a domestic corporation annual registration with the Office of the Secretary of State once each calendar year.

S corporation

An S corporation files Articles of Incorporation with the Office of the Secretary of State, applies for an FEIN, and a Minnesota tax ID number. In addition, within 2½ months of the start of its tax year, the corporation must elect to be an S corporation by filing federal Form 2553, Election by a Small Business Corporation. An election filed after 2½ months will not be effective until the start of the next tax year. For each tax year with a valid election, the S corporation must file federal Form 1120S, U.S. Income Tax Return for an S Corporation, and Minnesota Form M8, S corporation return. Income or losses are reported on Schedule E of the shareholders' federal individual income tax returns. For each tax year with an invalid or no election, it is considered a C corporation. The S corporation must also file an annual business renewal with the Office of the Secretary of State each calendar year.

Limited liability partnership (LLP)

An LLP must register with the Office of the Secretary of State and apply for an FEIN and a Minnesota tax ID number. The LLP has the same filing requirements as a partnership, with income or losses reported on the partners' federal income tax returns.

Limited liability company (LLC)

An LLC is required to file Articles of Organization with the Office of the Secretary of State and apply for an FEIN and a Minnesota tax ID number. A one-member LLC is taxed and have the same filing requirements as the member. If the member is an individual, the LLC is treated as a sole proprietorship. If the member is a corporation, it is treated as part of the corporation. LLCs with two or more members have the same tax and filing requirements as either a partnership or corporation, depending on the characteristics of the LLC.

Summary — forms and filing requirements					
Type of entity	Required to file with Secretary of State?	FEIN and Minnesota ID required?	Annual registration required?	Which forms need to be filed?	Which forms are used to report income or losses?
Sole proprietorship	Yes, if business name is different from owner's name	No*	No	Federal Form 1040 Minnesota Form M1	Schedule C of owner's Federal Form 1040
Partnership		Yes	No	Federal Form 1065 Minnesota Form M3	Schedule E of partners' federal income tax returns
C corporation	Yes	Yes	Yes	Federal Form 1120 Minnesota Form M4	Federal Form 1120 Minnesota Form M4
S corporation	Yes	Yes	Yes	Federal Form 2553 Federal Form 1120S Minnesota Form M8	Schedule E of shareholders' Federal Form 1040
Limited liability partnership	Yes	Yes	No	Same as partnerships	Same as partnerships
Limited liability company	Yes	Yes**	Biennial	varies	varies

*Yes, if you will make taxable sales or have employees. ** If you are a one-member LLC and an individual, see the sole proprietorship requirements.

For more information

Federal Employer Identification Number (FEIN)
Apply online: www.irs.gov
Apply by mail: 1-800-829-3676 to request a Form SS-4 application

Minnesota tax ID number
Apply online: www.revenue.state.mn.us and click "Register for a Minnesota tax ID number" from the e-Services menu
Apply by phone: 651-282-5225 or 1-800-657-3605

Office of the Secretary of State information
www.sos.state.mn.us
651-296-2803 or 1-877-551-6767

Department of Revenue information
www.revenue.state.mn.us
Sole proprietorships: 651-296-3781 or 1-800-652-9094
C corporations, Partnerships, S corporations, LLPs and LLCs: 651-556-3075
Sales tax: 651-296-6181 or 1-800-657-3777
Withholding tax: 651-282-9999 or 1-800-657-3594

If you have employees (other than owners), contact these Minnesota agencies:

Minnesota New Hire Reporting Center (register new employees)
www.newhire-reporting.com/MN-Newhire/default.aspx or 1-800-672-4473

Department of Employment and Economic Development (unemployment insurance)
www.uimn.org or 651-296-6141

Labor & Industry (workers compensation insurance)
www.dli.mn.gov/WorkComp.asp or 651-284-5005 or 1-800-342-5354

For a copy of the Guide to Starting a Business in Minnesota, go to www.deed.com.