

Key Aspects to Understanding Illinois Business Forms

Sole Proprietorship

- No partners
- Personal liability for all debts of the business
- Not officially organized as a corporation or Limited Liability Company (LLC)

Partnership

- Parties join to carry out a business, share the profits, and exercise mutual control of the business.
- Most partnerships are formed informally (no documents), and Illinois law automatically kicks-in and governs relations among the partners, and between the partners and the partnership.
- Partners are jointly and severally liable for all partnership obligations.
- Property acquired by the partnership is the partnership's property and not the partners' individually.
- Partnership can be sued in its own name and any or all of the partners can be added to that case.
- A court judgment cannot be satisfied out of the partners' personal assets unless there also is a judgment against the partner.

Key Aspects to Understanding Illinois Business Forms (continued)

Corporation

- Formally organized
- Separate and distinct legal entity from its shareholders, directors, and officers
- But all persons who assume to exercise corporate powers without authority are jointly and severally liable for all debts and liabilities incurred

Limited Liability Company (LLC)

- Hybrid between a partnership and a corporation
- Combines lower tax burden with personal liability protection
- Separate and distinct legal entity from its managers/members
- Shields members/managers from liabilities of the LLC, but not from their personal conduct
- Members/managers may be liable for “wrongful acts or omissions”