



Foundations On-Demand

SEB Business Entities
Answer Key

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Sole Proprietor

Q: What are the 5 business structures?

A: Sole Proprietors, Partnerships, S Corporations, Corporations, Limited Liability Companies

Q: For a Sole Proprietor, does the business pay taxes on the income earned?

A: All taxes are paid by the individual as it passes through the business to the individual and taxed at individual tax rate.

Q: For a Sole Proprietor, does the borrower file different tax returns? Yes or No

A: No

Q: What form does a Sole Proprietor use?

A: Schedule C

Partnership

Q: What two categories are the Partnership returns broken into?

A: General Partnership & Limited Partner

Q: Are profits or losses passed through to the partners that own the business? Yes or No?

A: Yes

Q: What form(s) does a Partnership use?

A: 1065, K1, & Schedule E of 1040

Q: What form will list the borrower's percentage of ownership?

A: K1

S Corporation

Q: Who pays the taxes for and S. Corp?

A: Stockholders

Q: Who is liable for debts and losses for an S. Corp.?

A: S Corp

Q: What form(s) does an S. Corp use?

A: 1120S, K1, Schedule E of 1040



Corporation

Q: What is the least frequently seen business type in loan files?

A: Corporation

Q: Does a corporation have a limit to their stockholders?

A: No, it is unlimited.

Q: Who is liable for debt in a corporation?

A: A corporation is liable, not the stockholders

Q: What is the defining component of the Corporation?

A: They pay taxes twice on its income; once through its income and once through the stockholders share through their 1040s.

Q: What forms might be associated with the Corporation?

A: 1120, W2s, Schedule B if they earn dividends

Limited Liability Company (LLC)

Q: How does an LLC file their tax returns?

A: Depends on how the business was formed - can file under any business entity.

Q: Who is liable for debts and loss for an LLC?

A: The LLC is liable, not the individual.

Q: If there is a claim filed, who would it be filed against?

A: All claims would be filed against the LLC

Q: Can an LLC have one owner?

A: Yes