

Key Characteristics of the Various Legal Forms of Business Organization — Summary

	Proprietorship	General or Limited Partnership
Simplicity in Operation and Formation	Simplest to establish and operate.	Relatively simple and informal, except that a limited partnership must have a written agreement.
Liability for Debts, Taxes, and Other Claims	Owner has unlimited personal liability.	General partners have unlimited personal liability; limited partners are only at risk to the extent of their investment.
Federal income Taxation of Business Profits	Taxed to the owner at individual tax rates of up to 39.6% or more, depending on exemptions and deductions which may phase out.	Taxed to partners at their individual tax rates.
Social Security Tax on Earnings of Owner from Business	15.3% of owner's self-employment earnings in 1995 on first \$61,200 of income, plus 2.9% on earnings of more than \$61,200, half of which is now deductible for income tax purposes.	15.3% of each partner's share of self-employment earnings from the business in 1995 on up to \$61,200 in earnings are taxed. Plus 2.9% tax on earnings over \$61,200. Half of tax is deductible for income tax. Limited partners are generally not subject to self-employment tax.
Unemployment Taxes on Earnings of Owner from Business	None.	None.
Retirement Plans	Keogh plan. Deductions, other features now generally the same as for corporate pension and profit-sharing plans. But proprietor cannot borrow from Keogh Plan.	Keogh plan. Same as for proprietorships. A 10% partner cannot borrow from Keogh Plan.
Tax Treatment of Medical, Disability, and Group-Term Life Insurance on Owners	Not deductible. Except part of medical expenses may be an itemized deduction on owner's tax return, including medical insurance premiums. However, 30% of medical insurance on an owner is allowed as a deduction from adjusted gross income.	Not deductible. Except part of medical expenses may be an itemized deduction on owner's tax return, including medical insurance premiums. However, 30% of medical insurance on an owner is allowed as a deduction from adjusted gross income.
Taxation of Dividend: Received on investments	Dividends received on stock investments are fully taxable to owner.	Dividends taxable to individual partners. See proprietorship.

**WHAT A DIFFERENCE A CENTURY A CENTURY CAN MAKE
CONTRASTING VIEWS OF THE CORPORATION**

CHARACTERISTIC	20TH CENTURY	21ST CENTURY
ORGANIZATION	The Pyramid	The Web or Network
FOCUS	Internal	External
STYIEY	Structured	Flexible
SOURCE OF STRENGTH	Stabil ity.	Change
STRUCTURE	Self-sufficiency	Interdependencies
RESOURCES	Atoms--physical assets	Bits--information
OPERATIiONS	Vertical integration	Vertical integration
PRODUCTS	Mass production	Mass customization
REACH	Domestic	Global
FINANCIALS	Quarterly	Real-time
INVENTORIES	Months	Hours
STRATEGY	Top-down	Bottom-up
LEADERSHIP	Dogmatic	Inspriational
WORKERS	Employees	Employees and free agent
JOB EXPECTATIONS	Security	Personal Growth
MOTIVATION	To compete	To build
IMPROVEMENTS	Incremental	Revolutionary
QUALITY	Affordable best	No compromise

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