

Business Organizational Types

Every business must decide what form of business entity to establish when creating their new business. The form of business determines which income tax return form they must file. The most common forms of business are the sole proprietorship, partnership, corporation, and S corporation. A Limited Liability Company (LLC) is a business structure allowed by different state statutes (including PA). Legal and tax considerations must be made by the business owner (s) when selecting a business structure. They may consult a tax professional and/or an attorney for assistance in deciding what best suits their needs. Wyrope and its employees cannot make any suggestions or recommendations regarding the organizational type. Businesses can change organizational structures from one to another (usually costly and time consuming to do, and you typically see it as businesses grow).

This document is meant to give a summarized overview of business organizational types as well as some of the documents Wyrope Williamsport FCU may require when opening a new account or maintain an existing relationship. It does not replace the official Wyrope Fee Schedule, Terms & Conditions, EFT Disclosures, as well as other Account Agreement documents. This is subject to change at any time as Wyrope policies or state and federal regulations change.

Sole Proprietor

1. Someone who owns an unincorporated business by themselves (no other owners).
2. If the owner places LLC at the end of their name (Limited Liability Company) they become classified as an LLC for banking purposes.
3. They will file a 1040 or 1040-SR tax return and a schedule C (Profit or Loss from a business) which will be required for any lending requests of the owner.
4. May have Authorized Signers other than the Business Owner but they hold no ownership or control of the business. They may be removed at any time with either:
 - a. Letter on Company Letterhead, signed by the Owner, and dated.
 - b. Signature from the owner on our Removal of Authorized Signer form.
5. Sole Proprietor's will have several documents which may include but are not limited to:
 - a. All information covered under CIP (Customer Identification Program) for each signer
 - b. They can use their own social as their EIN or they can elect to apply for an EIN at [IRS.gov](https://www.irs.gov). If they do not have employees that would mandate the use of an EIN they may select, "For banking purposes only."
 - c. If a Sole Proprietor has their full name, last name, or initials included in the titling of the entity then a Fictitious Name is not required.
 - d. Fictitious Name Registration. If the name does not meet d. the business owner (s) must register with a Fictitious Name (Also known as a Trade Name Registration, Assumed Name Registration) on the Secretary of State website (must match their EIN documents if they have one). This can be accomplished at: <https://www.corporations.pa.gov/search/corpsearch>.

Limited Liability

1. Can be organized as a single owner (Single Member LLC) or with multiple owners (LLC, or LLP).
2. Will have an Article of Organization for any LLC structure except for a Sole Proprietor simply including LLC at the end of their business entity name on their IRS documents.

3. The IRS can classify them for tax purposes in several ways which can include corporations, partnerships, a limited partnership (LLP), a domestic LLC (at least 2 members), or disregarded (all income is treated as part of the persons individual returns). See [IRS.gov](https://www.irs.gov) for details.
4. A Domestic LLC with two (2) members is considered a partnership for banking purposes unless elected for corporate tax filings.
5. An entity may file the 8832 IRS form to reclassify the tax reporting type for an LLC. The organization members should speak with an attorney or tax preparer to determine the best option for the entity.
6. Certain business types may not be organized as an LLP such as banks, credit unions, and insurance companies.
7. Authorized Signers other than the Business Owner are permitted but they, like all other entities, hold no ownership or control of the business. They may be removed at any time with either:
 - a. Letter on Company Letterhead, signed by an(the) Member of the organization, and dated.
 - b. Sign our Removal of Authorized Signer form.
8. Limited Liability's will have several documents which may include but are not limited to:
 - a. Operating Agreement
 - b. Certification of Formation/Organization (LLC)
 - c. Certificate of Limited Partnership (LLP)
 - d. Fictitious Name Registration
 - e. Beneficial Ownership/Customer Due Diligence information on any member over 25%
 - f. All information covered under CIP (Customer Identification Program) for each signer
 - g. They must register with a Fictitious Name on the Secretary of State website (must match their EIN documents). It can be done by the owner at <https://www.corporations.pa.gov/search/corpsearch>.
 - h. An EIN already issued to the entity or must file for one at [IRS.gov](https://www.irs.gov).

Limited Liability Company (LLC)

1. If the owner places LLC at the end of their Sole Proprietorship business name (Limited Liability Company) they become classified as an LLC for banking purposes as a Single Member LLC.
2. For lending purposes these Single Member LLC returns will generally match those of a Sole Proprietor filing for formatting and Schedule requirements.
3. Common Uses of a Single-Member LLC are a business with one owner but that has employees other than the owner or for a single owner/employee business who has been advised (by an attorney, not us) to utilize the layer of legal protection an LLC can provide.
4. An LLC with two (2) members is considered a partnership for banking purposes.

Limited Liability Partnership (LLP)

1. All income or losses are "passed through" to the individual partners.
2. The partnership provides Schedule K-1 forms to each partner for reporting of income or loss.
3. The partnership as an entity files an annual form 1065 (Return of Partnership Income).
4. Individual partners on their tax returns will have a matching Schedule K-1 and will file a 965-A.
5. Common uses of an LLP are medical or legal practices.
6. LLP's may limit a member's interest or liability based upon contribution as determined by their partnership agreement. This may impact ability to lend to the member's or entity.
7. All filings and schedules for this organizational type would be required for lending purposes of any of the partners.

Partnerships

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1. Will have a Partnership Agreement establishing the organization.
2. All income or losses are “passed through” to the individual partners.
3. The partnership provides Schedule K-1 forms to each partner for reporting of income or loss.
4. The partnership as an entity files an annual form 1065 (Return of Partnership Income).
5. Individual partners on their tax returns will have a matching Schedule K-1 and will file a 965-A.
6. All filings and schedules for this organizational type would be required for lending purposes of any of the partners.
7. Authorized Signers other than the Business Owner are permitted but they, like all other entities, hold no ownership or control of the business. They may be removed at any time with either:
 - a. Letter on Company Letterhead, signed by an(the) Member of the organization, and dated.
 - b. Sign our Removal of Authorized Signer form.
8. Partnership’s will have several documents which may include but are not limited to:
 - a. Partnership Agreement
 - b. Fictitious Name Registration
 - c. Beneficial Ownership/Customer Due Diligence information on any member over 25%
 - d. All information covered under CIP (Customer Identification Program) for each signer
 - e. They must register with a Fictitious Name on the Secretary of State website (must match their EIN documents). It can be done by the owner at <https://www.corporations.pa.gov/search/corpsearch>.
 - f. An EIN already issued to the entity or must file for one at [IRS.gov](https://www.irs.gov).

Corporations

1. Can be organized as a C or S type corporation. The owners would want to speak to an attorney or tax professional to determine the type of Corporation.
2. Authorized Signers other than the Business Owner are permitted but they, like all other entities, hold no ownership or control of the business. They may be removed at any time with either:
 - a. Letter on Company Letterhead, signed by an(the) Member of the organization, and dated.
 - b. Sign our Removal of Authorized Signer form.
3. Corporation’s will have several documents which may include but are not limited to:
 - a. By-laws of the Organization
 - b. Articles of Incorporation and any amendments
 - c. Certificate of Formation/Organization
 - d. Board of Directors meeting minutes indicating approval of financial institution and signing authority approval.
 - e. Fictitious Name Registration
 - f. Beneficial Ownership/Customer Due Diligence information on any owner over 25%.
 - g. All information covered under CIP (Customer Identification Program) for each signer
 - h. They must register with a Fictitious Name on the Secretary of State website (must match their EIN documents). It can be done by the owner at <https://www.corporations.pa.gov/search/corpsearch>.
 - i. An EIN already issued to the entity or must file for one at [IRS.gov](https://www.irs.gov).

C Corporations

1. C Corporations are separate entities and report all income or losses while paying taxes as the entity and then passing the profits onto shareholders in the form of dividends.
2. C Corp shareholders can be as few as one Owner owning all the “stock” or as many as shares have been created for sale in a publicly traded entity (stockholders/shareholders).

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3. Will file an 1120 Income tax return.

S Corporations

1. S Corporations elect to pass the profits or losses onto shareholders for tax purposes.
2. Must be a domestically organized corporation (within the United States).
3. They may have no more than 100 shareholders.
4. Certain business types may not be organized as an S Corporation such as banks, credit unions, insurance companies, and international sales companies.
5. S Corporations file an 1120S Income tax return and have Schedule K-1 for their shareholders that are required for lending purposes.

Non-Profit (501c)

1. Can be organized in almost any type of organizational structure (Partnership, LLC, Corporation).
2. There are up to 29 different types of 501c which can include the 501c(3) the most common for charitable or religious organizations. Other types can include 501c(4) for civic league such as clubs.
3. Entities such as these no one owns the funds and may be removed at any time with any of the following documents:
 - a. Letter on Company Letterhead, signed by an Officer, and dated.
 - b. Sign our Removal of Authorized Signer form.
4. Non-Profit's will have several documents which may include but are not limited to:
 - a. Certification of Organization or Partnership Agreement
 - b. Meeting Minutes indicating a vote to approve, remove, or change in authority, or
 - c. By-laws amended to indicate new approved signers
 - d. 501(c) tax form or state non-profit registration
 - e. They may choose to register with a Fictitious Name on the Secretary of State website (must match their EIN documents). It can be done by a member of the board or a designated manager at <https://www.corporations.pa.gov/search/corpsearch>.
 - f. They will have an EIN issued to them or must file for one at [IRS.gov](https://www.irs.gov).

Unincorporated Association

1. Are not organized as a corporation nor have non-profit status.
2. Entities such as these no one owns the funds and may be removed at any time with any of the following documents:
 - a. Letter on Company Letterhead, signed by an Officer, and dated.
 - b. Sign our Removal of Authorized Signer form.
3. Non-Profit's will have several documents which may include but are not limited to:
 - a. Meeting Minutes indicating a vote to approve, remove, or change in authority, or
 - b. By-laws amended to indicate new approved signers or,
 - c. Written authorization (preferably on company letterhead) and signed by an Officer of the entity.
 - d. All association members such as high school class accounts, sports teams, etc must be eligible for membership.
 - e. They may choose to register with a Fictitious Name on the Secretary of State website (must match their EIN documents). It can be done by a member of the board or a designated manager at <https://www.corporations.pa.gov/search/corpsearch>.
 - f. They will have an EIN issued to them or must file for one at [IRS.gov](https://www.irs.gov).