

BUSINESS ENTITIES VIDEO SERIES, Script Two  
**SOLE PROPRIETORSHIP**

The **sole proprietorship** is the most common form of business structure.

- A sole proprietorship is a business controlled and owned by one individual and is limited to the life of its owner, so when the owner dies the business ends.
- The owner receives the profits and takes the losses from the business.
- This individual alone is responsible for the debts and obligations of the business.
- Income and expenses of the business are reported on the proprietor's individual income tax return and profits are taxed at the proprietor's individual income tax rate.
- Kansas has no state requirements to register or file the business name of a sole proprietorship.

Sole proprietorships have certain **advantages**.

- A sole proprietorship has few formalities and low organizational costs.
- No registration fee is necessary. No registration at all is necessary.
- Decisions are made by the owner.
- There are fewer reporting requirements to government agencies.
- Corporate "double tax" is avoided.
- Business losses may be taken as a personal income tax deduction to offset income from other sources.
- All profits are taxed as income to the owner at the owner's personal income tax rate.

Sole proprietorships have certain **disadvantages**.

- Compared to corporations and partnerships, sole proprietorships cannot take advantage of certain benefits afforded by the Internal Revenue Code.
- The business terminates upon death of the owner.
- Investment capital is limited to that of the owner.
- Loans are based on credit worthiness of the owner.
- Owner's assets are subject to business liabilities. So for example, if a company truck is involved in an accident, the owner's personal assets (that is, bank accounts, cars, etc.) may be attached to compensate the injured party in some judicial proceeding or lawsuit.

This is the second of eight business entity videos created by the Office of the Kansas Secretary of State. The first is an introduction to the series, and the remaining seven videos each target a specific type of business organization. Each video provides a brief description of the business entity type, its registration requirements, and the advantages and disadvantages of its structure.

I'm Kansas Secretary of State Kris Kobach, wishing you success in your new business venture. For further assistance, please visit [www.sos.ks.gov](http://www.sos.ks.gov) or call (785) 296-4564.