

A Guide to Choosing the Right Business Structure in Texas

Whether you're launching a dental practice, marketing agency, or landscaping firm, your business structure affects everything from taxes to daily operations.

This guide breaks down the six most common business structures in Texas, helping you make an informed decision that aligns with your business goals. Plus, you'll learn how UFCU can support your journey with expert advice and financial solutions.

Why Your Business Structure Matters

You are probably curious why picking the right business structure is important.

Your business structure determines:

- How you pay taxes
- Your personal liability
- How your business is managed
- How ownership can be transferred

Choosing the right structure can help you maximize benefits and minimize risks. It's always wise to consult with a legal or financial advisor before making your decision.

1. Sole Proprietorship

A sole proprietorship is the easiest and most common business structure to set up if you're running a business by yourself.

- **Allows you to operate without formal registration.**
- **You have full control of the business.**
- **You are personally liable for all business debts and obligations.**

If you're operating under a name different than your legal name, you must file an Assumed Name Certificate, also known as a DBA (Doing Business As), with your county clerk's office. Find your county clerk's office on the [Texas Secretary of State's website](#).

2. General Partnership

A general partnership is formed between two or more individuals who agree to start a partnership company together.

- **No formal filing is required**, but a written agreement is recommended.
- **Each partner is personally liable** for the debts and obligations of the business.



- **Your business won't pay taxes**, but each partner must keep track of their income from the business to report to the IRS.

General partnership business examples include family-run businesses, food trucks, and local retail shops. If you're considering a partnership company, it's essential to have a written agreement in place to avoid future disputes.

3. Limited Liability Company (LLC)

An LLC is the most flexible and popular structure. It combines the liability protection of a corporation with the tax benefits of a partnership.

- **Owners are called 'members', which** can be individuals, partners, corporations, or other legal entities.
- **Liability is limited** to the members' investment in the business.
- **You choose the tax structure**, either as a sole proprietorship, partnership, or corporation, offering great flexibility.
- **It can be member-managed or manager-managed.** Member-managed is where the owners run the business, and manager-managed is where owners assign managers to handle operations.

This business structure is ideal for family-owned repair companies, contractors, delivery firms, or restaurants, as it helps protect personal assets while providing tax flexibility.

You can create an LLC by filing a Certificate of Formation with the Texas Secretary of State. You can [complete this online via SOSDirect](#).

4. Corporation

Corporations offer advantages, including limited liability, perpetual duration, and ease of transferring ownership.

- **The owners of a corporation are called stakeholders.**
- **Management is handled by directors**, unless otherwise specified in a shareholder agreement.
- **Opportunity to be taxed as an S corporation** by [filing the appropriate forms on the IRS website](#). This can provide pass-through tax benefits. Consult your tax advisor if you are interested.

Examples of corporations are technology startups, large retailers, or other businesses that plan to scale or attract investors.

You can register for one by filing a [Certificate of Formation on the Texas Secretary of State's website](#).



5. Limited Partnership

A limited partnership consists of at least one general partner and one or more limited partners.

- **The business is managed by general partners**, and they are personally liable for its debts.
- **Limited partners contribute capital** but have limited liability and no management responsibilities.
- **A written partnership agreement is strongly encouraged**, despite not being filed with the state.

This structure is common for real estate investments and joint ventures.

File a Certificate of Formation with the Texas Secretary of State through [SOSDirect](#).

6. Limited Liability Partnership (LLP)

A general partnership or limited partnership can register as LLP to protect its general partners from personal liability.

- **Ideal for professional firms** like law offices, accounting firms, and architecture practices.
- **Requires registration** with the Texas Secretary of State.

File an application for registration with the Texas Secretary of State through [SOSDirect](#).

Next Steps for Aspiring Texas Business Owners

1. Define your business goals and risk tolerance
2. Consult with a legal and financial advisor
3. File the necessary documents, such as a Certificate of Formation or an Assumed Name Certificate (DBA), with the state or county
4. Stay compliant with ongoing requirements like taxes and renewals for your chosen structure

How UFCU Can Help

From business banking to financial planning, UFCU offers the tools to grow your business capacity. Connect with our Business Services team to explore:

- [Business checking](#) and [savings](#) accounts to safely hold deposits and facilitate payments.
- Business loans, including [auto](#), [working capital](#), and [equipment loans](#) to acquire equipment and one time needs.
- [Business lines of credit](#) to provide cash during low sales or to take advantage of discount.



- [Business credit cards](#) to make purchases and defer payment until statement is issued and the due date arrives.
- [Insurance options](#)* to protect you and your business from loss.

Your growth deserves a strong foundation. [Talk to a UFCU Business Advisor and make it happen.](#)

Subject to credit eligibility. Certain restrictions apply. Federally insured by NCUA.

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