

[Incorporate Online](#)

[Form LLC Online](#)

[Quick Quote](#)

[Formation Wizard](#)

[Should I Inc. or LLC?](#)

- ▶ [Entity Types](#)
- ▶ [Which State?](#)
- ▶ [Inc. & LLC Packages](#)
- ▶ [Getting Started](#)
- ▶ [Why The Company Corporation?](#)

[Business Essentials](#)

[Tools & Resources](#)

[Industry Answers](#)

[Non-U.S. Customers](#)

[Pay Your Bill Online](#)

Differences between an LLC and a S Corporation

It's smart to protect personal assets from business debts and liabilities. Both owners of [S Corporations](#) and [LLC's](#) enjoy limited personal liability. By contrast, sole proprietors and partners have unlimited personal risk.

Traditionally, business owners who chose to form an entity to protect personal assets but allow income/losses to be reported on a personal tax return had to create an S Corporation. Today, that can also be accomplished with an LLC. All 50 states and District of Columbia recognize LLC's, and their popularity has soared. Nolo's Legal Guide for Starting and Running a Small Business states, "For the majority of small businesses, the relative simplicity and flexibility of the LLC make it the better choice. This is especially true if your business will hold property, such as real estate, that's likely to increase in value."

Both S Corporations and LLCs allow owners to avoid "double taxation" and to pay income taxes on a flow-through basis like sole proprietors and partners. However, LLC's are quickly becoming a preferred entity among small business. Here are some key examples of the benefits of an LLC verses an S Corporation:

- An LLC is simpler and faster to form. It may be formed in one step, while an S Corporation election can only be made after a General Corporation is formed first.
- An LLC is not required to hold annual meetings or to keep formal minutes, while an S Corporation is required to do so.
- LLC members can split profits/losses in any way they choose. In an S Corporation, shareholders must receive dividends according to the number of shares that they own, regardless of the amount of effort put into the business.
- An LLC can be owned by any combination of individuals or business entities. Only United States citizens and resident aliens may own an S Corporation. Other entities generally may not own an S Corporation.

While many business owners are enjoying the simplicity and flexibility of the LLC, it may not be the best choice in every case:

- If you are professionally licensed and live in California, you may not be able to form an LLC. Live in California? Read more about the specifics of a [California LLC](#).
- Enticing or compensating employees with stock options or stock bonuses requires forming a corporation since LLC's do not issue stock.
- S Corporation shareholders pay Medicare and Social Security tax only on money received as wages or salary, but not on profits received as dividends or that stay within the company. Under certain conditions, LLC members may need to pay Social Security and Medicare taxes on the entire amount of LLC profits. In particular, LLC's that provide professional services such as health, law or engineering should consult a tax advisor on this issue.

[Limited Liability Company \(LLC\)](#)
[S Corporation](#)



Compare the cost of an LLC and an S Corporation
In which State should I form my business?
Comparison Chart of Entity Types

Ready to get started today? Form your [Limited Liability Company \(LLC\)](#) or [S Corporation now](#) with our 10 minute on-line form. Still have questions about forming an LLC? Please call one of our Incorporation Specialists at (800) 818-0204 to help you with the process.

Options for Incorporation

[Forming an LLC or incorporating your business](#) is one of the best ways to protect your personal assets, gain maximum advantage, and legitimize your business. The Company Corporation has formed over 300,000 businesses nationwide with experience helping people just like you. Our experts can assist you in forming an [LLC](#), [C Corporation](#), [S-Corporation](#), or a [Nonprofit](#).

For more information on a particular State and Entity: Please Select State and Entity

To Form an LLC or corporation: Please Select Entity

Corporation and LLC Services

- » [\\$50,000 Guarantee](#)
- » [Registered Agent](#)
- » [Compliance Watch](#)

Need more information?

- » [What do I need to get started?](#)
- » [Compare the cost of our packages](#)
- » [Use our interactive Business Formation Wizard](#)

[Home](#) | [Incorporate: Arizona, California, Delaware, Florida, Nevada, New York](#) | [Incorporate](#) | [Corporate Veil](#) | [Registered Agent](#) | [FAQ](#) | [Sitemap](#) | [Or Contact Us](#) | [Become an Affiliate](#) | [Affiliate Log-in](#) | [Glossary](#) | [Contact Us](#) | [Privacy & Security](#) | [Terms & Conditions](#) | [About Us](#)

© Copyright 1993-2006 The Company Corporation. All rights reserved. The Company Corporation is a service company and does not offer

