

# Corporation or Limited Liability Company?

## How are Corporations and LLCs Similar?

Both are separate legal entities created by filing the appropriate certificate (registering) with the state of formation.

Both have “Limited Liability,” which helps to separate your personal assets from your business liabilities.

## How are Corporations and LLCs Different?

### Corporations ...

Do issue stock, which can be used to raise capital (operating funds) to run or expand the business

Are owned via shares of stock.

Are required to hold annual meetings of shareholders and directors and must keep written minutes of each meeting.

The profits of the general corporation (which are distributed to the shareholders of the corporation as a dividend) are taxed at the corporate tax rate. The dividend is subject to personal income taxes.

### LLCs ...

Do not issue stock.

Do not have officers or directors, but have members and managers.

Are owned and usually managed by the members of the LLC.

Are not required to hold annual meetings.

Are not required to create and maintain by-laws, but instead use an operating agreement.

An LLC is a pass-through tax entity. It is taxed like an “S” Corporation, where the profit or loss generated by the business is reported on the personal income tax return of the owners.

## Still Have Questions?

## Ready to form your Corporation or LLC?

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