

What is the Difference between an LLC and a Corporation

PAGO PAGO, AMERICAN SAMOA, UNITED STATES OF AMERICA, May 13, 2022 /EINPresswire.com/ -- Have you decided to finally take your business to the next level? Your peers and colleagues might have said something about starting a corporation or forming an LLC. But what is the deal with each? Also, what do you have to know to decide between a corporation and an LLC?

A graphic with a blue header containing the text "LLC vs. Corporation" and a white footer containing the text "LLC vs Corp".

LLC vs. Corporation

LLC vs Corp

There are many nuances and specifics to consider. The kind of entity you choose will have an effect on your yearly fees, whether you've to hold yearly meetings, and how you limit purchasing and selling of ownership interests

[What is an LLC?](#)

LLC is short for a limited liability company. However, you should be careful of anybody who says it is a limited liability corporation. Keep in mind that there is no such thing. An LLC is a business structure that provides some tax benefits as well as personal liability protection. To form an LLC, you will need to file articles of organization. □

What is a Corporation?

Unlike an LLC, when you form a corporation, you will have to file articles of incorporation. While you may complete some of the same forms and documents as an LLC, keep in mind that it is not the same thing. As legal entities, corporations can employ people, borrow money, and enter into agreements with other businesses and companies.

Key Differences

Tax Election Options

[LLCs](#) usually have more tax election options compared to corporations. By default, corporations are taxed as [C-corps](#). On the other hand, single-member LLCs are usually taxed as sole proprietorships, while multi-member LLCs are often taxed as partnerships. For example, starting and running an LLC in American Samoa means owners or members won't incur state-level taxes

Business ownership

LLC owners are known as members, and each member owns a specific percentage of the company. As LLCs can't issue shares, they don't have shareholders. In contrast, the owners of a corporation are known as shareholders and own shares of the corporate stock.

Maintenance

Both these entity types require some maintenance to retain their legal status. However, note that the complexity and nature of this maintenance differ. Usually, LLCs require some type of regular financial reporting to be filed with the relevant state agency. On the other hand, corporations require annual meetings of shareholders as well as the board of directors apart from filing the annual report.

Final Thoughts

Both kinds of entities offer protection to the individual owners from personal liability to creditors. However, the LLC allows the owners to choose the tax treatment. As a result, there's no tax at the company level, and profits and losses flow through to the individual owners.

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