



Business Structures Part 1: Should you become an LLC?

[Joe Banker](#) 03/10/2014



Maybe you're a brand-spankin' new business owner. Or maybe you've been operating for some time as a sole proprietor. Either way, as your business begins to grow, you may want to consider a more formal business structure—one that offers liability protection and other financial perks as well. A good first step may be the Limited Liability Company, or "LLC."

LLCs offer small businesses big financial benefits:

Like the name says: Limited liability

First and foremost, by creating an LLC, you'll help protect your personal assets from your personal wealth. If your business is sued, you can't be liable for more than you have invested in the company. Business creditors can't go after your personal assets. (Can you say, "good night's sleep"?)

Limited Liability Companies are great for first-time business owners because they're relatively simple to understand and operate.

To ensure you're protected, however, you must:

1. be meticulous about keeping your personal and business assets separate, and
2. make quarterly tax payments to the IRS.

Good news for taxes

As an LLC, you don't need to pay separate corporate taxes (like an S or C Corp would). Instead, your business income and expenses are "passed through" and reported on your personal income tax return. But like your corporate peers, you get to deduct business expenses on a pre-tax basis: office supplies, business travel, business-related education, etc. It all adds up to tax savings for you. Nice.

Get up and running fast

LLCs are very easy to set up and generally cost only a couple hundred dollars to start. And you probably won't need an expensive attorney or CPA to advise you. You can put that start-up cash into your business instead.

Owner flexibility

Unlike S and C Corps, non-U.S. citizens can set up a U.S.-based LLC (you must have a presence in the state in which you're registered). And you can have as many partner-owners as you'd like. Not so with corporate business structures.

Income flexibility

LLC owners may divvy up the profits any way they'd like. For instance, you could have 10% ownership of the company but receive 20% of the profits. In corporations, every owner must receive an amount proportionate to his or her investment in the company.

So, is an LLC right for you?

Limited Liability Companies are great for first-time business owners because they're relatively simple to understand and operate. They also make sense for smaller businesses, because you're not required to have a board of directors, annual meetings and the like.

But even if your business grows, an LLC may suit you long term. You can choose to be taxed as an S Corp while maintaining your LLC structure, for instance. In this scenario, you'd pay yourself (and other owners) a reasonable salary and withhold FICA and unemployment insurance. Then, you'd distribute additional profits as dividends. This could be a way to save on Federal Taxes. (Of course each case is different, so check with your CPA or attorney to see if this route is right for your business.)

Is a corporation in the cards?

Say you grow and grow. Your business will eventually HAVE to become a corporation, right? Well, I hope you do grow and grow, but you can elect to remain an LLC no matter how big you get, if that's what makes sense for your business. It's hard to believe, but Amazon is an LLC!

Still, there may come a time when a corporation is a better structure for you. Keep your eyes peeled for my next post in this series!

Joe wants to know.

What other benefits have you enjoyed as an LLC?

Joe Banker isn't a real person. But his advice does come from U.S. Bank experts who are equally dedicated to helping small businesses succeed.



[Joe Banker](#)

[See All Blogs](#)

YOUR NEXT STEP

Talk to us about financial solutions for your business, from start-up to expansion and beyond.

866-280-3751

[CONTACT](#)

© 2016 U.S. Bancorp

powered by **usbank**

Image not found

http://www.usbankconnect.com/files/EqualHouse_BLK.png



Equal Housing Lender

U.S. Bank is not offering legal, tax, accounting or financial advice. Each tax and financial situation is unique. Businesses should consult their tax and/or legal advisor for advice and information concerning their particular situation. The factual information provided has been obtained from sources believed to be reliable, but is not guaranteed as to accuracy or completeness. U.S. Bank is not responsible for and does not guarantee the products, service or performance of its affiliates or third parties and is not affiliated with other organizations mentioned in this publication. Deposit products offered by U.S. Bank National Association. Member FDIC.

By selecting a link in this document you may enter a third-party website. U.S. Bank Connect is not responsible for the content of, or product and services provided by, nor does it guarantee the system availability or accuracy of information contained in third-party websites. Please note that the third-party site may have privacy and information security policies that differ from those of U.S. Bank Connect.