

MyUSACorporation



*How to start your Business in the USA
remotely*



For the last several years our company was specializing in helping international clients to register their businesses in the US. As such, we helped thousands of entrepreneurs from Europe to register their US companies and guiding them on how to further develop and expand their business into American and international markets.

This article reflects our experience accumulated over years of assisting European clients, and we update it periodically to present the most relevant information.

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What kind of money are we talking about?

We touch this question first, because many of the prospects looking for US company registration are vaguely aware of the costs involved in launching a US business.

Initial Investment

It is crucial to understand that formal company registration is only a small part of the budget needed for launching your US business. Depending on the state of registration, entity type, and specific business needs, registration costs can run from as little as \$300 to as high as \$1000 and over. On average our European clients spend between \$600 and \$700 on registration formalities.

Then there is a question of banking, and for many entrepreneurs also the question of merchant account (what many confusingly refer to as "payment gateway"). We discuss both [further in this article](#), but if we consider the option of traveling to the US in order to open the bank account, or using a managed service, you should prepare an additional budget of \$2000 minimum, with about half or it to be spent on the fees, and the rest to be kept as balance in the account.

To summarize, for proper company registration only, without opening a US bank account, prepare a budget of **\$600-\$700**. With banking your budget needs to be between **\$2,600** and **\$3,000**. Keep in mind - this is just the initial investment needed to properly set up the company. Your business would need more money for the actual business activity, so make sure to take that into consideration when preparing your startup budget.

Running Costs

Beside initial investment, you would have monthly and annual costs, related specifically to maintaining your company. If you plan to lease a US address expect to pay between \$20 and \$99 each month (we offer our own professional solution called [MyUSAOffice](#) that offers addresses for as low as \$299/year). Another recurring cost is the cost of Registered Agent service (we provide it for a competitive \$99 a year). Banking would cost you another \$20-\$100 a month in bank fees and management fees if you opt for managed bank account services.

Most states have recurring maintenance fees, taxes and reports. For example, Wyoming has Annual Report of \$52, while Delaware has franchise tax for LLCs (\$300 a year) and both annual report and franchise tax for corporations, calculated based on some formula. Some states have no annual fees, but its rare.

And finally, depending on your company structure and activity, you might be required to file annual tax return (and in some cases - pay taxes), which means you need to hire the services of CPA (certified public accountant) and maybe even a bookkeeper. Filing simple tax returns should not cost more than \$300-\$500, however more complex cases would result in higher

costs. Keep in mind, in some cases you as the owner would need to obtain Individual Tax ID Number (ITIN), adding another \$300-\$400 per partner, but it's a one time cost.

Conclusion

Before launching your business you should plan your budget carefully. Many clients make the mistake of hoping that some of the initial and running costs will be offset by the first clients they are counting on acquiring, but you should never build your business on hope - cold blooded calculations prove to be a more reliable tool in business.

We recommend preparing a setting aside a specific sum that would keep your business running for a year without any income whatsoever. In case of US business setting aside **\$4,000-\$8,000** would go a long way to ensure your business is properly set up and funded for a year, giving you the necessary peace of mind to develop your product and customer base.

What does it take to form a US company?

The actual process of registering a U.S. company is rather simple, and involves filing certain applications with various government authorities and drafting some internal company documents. Our company provides full service in company registration for a very competitive cost, so we make it easier on our clients to get this part of the plan done with.

Before registering your company two decisions need to be made: first you need to choose what state you want your company registered in, and second you need to decide on what type of legal entity this company will be organized as (typically a choice between a corporation and an LLC - limited liability company). We discuss both questions [later in this article](#).

What about banking?

Banking is crucial for running your business. Most of our European clients are looking to form a U.S. company and have a U.S. bank account opened, among other things. After 9/11 U.S. government made it harder for banks to offer remote account opening for non-U.S. individuals, however it is still possible to open such accounts when visiting the bank in person. We have an entire [article dedicated to banking in the U.S.](#), including various alternatives, which we invite you to read.

In brief, if you can visit the U.S. in person, or have a U.S.-based partner or just someone (friend/family) willing to help you by acting as the "Signer" on the account, you might want to explore these options. Those who want to use a managed service can opt for one remotely, however such service comes with both initial and monthly cost, and includes certain restrictions.

Why not start with bank account in Europe?

It might be a good idea to consider opening a bank account in Europe for your U.S.-based business, until such time other options would become available to you. All you would need in that case is to order Apostille for your company's certified copy of articles of incorporation (or organization), a service you can order from us at the same time when you are ordering your company registration.

Once you establish your first U.S. clients who are willing to make overseas payments via wire transfers to your European bank account, you will be in a position to expand further by using those funds to open a U.S. bank account, either by traveling to the U.S. or by hiring a management company to act as the local signer.

What about accepting credit cards?

Another challenge is to arrange a payment processing facility for your business. Technically, there are many ways your clients can pay you for your services or the products you sell that does not involve the use of credit cards - think of such solutions as:

- wire transfers,
- ACH payment services,
- Western Union and similar services,
- PayPal and its equivalents,
- Bitcoin and other virtual currencies,
- e-checks,
- checks (which can be deposited online), and
- money orders & cash.

Depending on what you sell you might want to explore all those and other payment methods while looking for credit card processing solutions.

That being said, credit and debit card processing capabilities are crucial for the growth of your U.S. business. First, let's understand how credit card processing works.

Payment Gateway

A payment gateway is an e-commerce service that authorizes payments for e-businesses and online retailers. Payment gateways are provided by payment processors, such as Authorize.net. You can learn more about payment gateways here, and about payment processors [here](#).

It's not difficult to create an account with a payment processor, however the real challenge is to open a merchant account.

Merchant Account

A merchant account is a type of bank account that allows businesses to accept payments by payment cards, typically debit or credit cards. Those accounts are provided by *merchant account providers*. Funds processed through payment gateways are deposited in merchant accounts, which in turn deposit them in your company checking account, minus fees.

The challenge with opening a merchant account lies in the fact that merchant account providers are exposed to the financial risk as a result of their clients' business activity, and this risk is mitigated by rigorous underwriting process and elimination of certain countries and specific types of businesses considered "high-risk" businesses. You can learn more about merchant accounts [here](#).

U.S. businesses owned by European clients, who don't have Social Security number or any merchant history in the U.S, would fall under "high-risk" category. There are merchant account providers that serve the high-risk niche, and they are called *high-risk merchant account providers*. Typically a U.S. bank account is required, but some of those providers would even offer services to clients with a bank account in Europe or other countries. Also, to offset the risk, those providers charge higher fees and have longer settlement times.

KEEP IN MIND: certain types of business activity, popular among our clients from Europe, fall under "high-risk" profile. Typical examples are remote IT services, staffing, etc.

We suggest clients falling in this category to consider expanding their business services to include less risky categories, such as software development and IT services, and to use every precaution and best customer service practices in order to create solid merchant history with the merchant account provider.

Good merchant history is key to opening a low-risk account in the future, which would result in reduced merchant fees and settlement times.

Online Payment Service Providers

Payment service providers (PSP) offer online services for accepting electronic payments by a variety of payment methods such credit cards, direct debit, and more. By using the services of a PSP you can circumvent the need to open a merchant account and sign up for payment gateway, since you get all those services under one roof.

There are over 900 PSPs in the world, with more than 300 offering services in the U.S. Most of those PSPs don't offer services in Europe, however since you are establishing a U.S. company, preferably with U.S. business address and U.S. bank account, your business might qualify. Click [here](#) to see a list of notable on-line payment service providers.

So how do I establish credit card processing facilities for my U.S. business?

Take it one step at a time. Each step brings you closer to accepting credit cards, but you must invest time and money first to prepare the foundation of your merchant application regardless of what service you will use:

- **STEP 1:** Register your U.S. company;
- **STEP 2:** Lease a U.S. address with mail forwarding;
- **STEP 3:** Open a U.S. bank account (unless you can't, in which case you would be limited to certain high-risk merchant account providers);
- **STEP 4:** Build a professional website for your business, clearly showcasing your business;
- **STEP 5:** Research the list of Online Payment Service Providers, and try applying for an account with each one in turn, until you find one that will accept your application.
- **STEP 6:** If that fails or you are not interested in this kind of service then run a search for "high-risk merchant account providers" and try applying for an account with them. You will be required to provide additional documentation, in which case work on providing whatever is necessary to be accepted as a client.
- **STEP 7:** If all fails, look to partner with a U.S. citizen or permanent resident with good credit history, in order to open a regular (non-high-risk) merchant account with one of the large domestic providers.

What about taxation?

U.S. taxation is a confusing topic, so let's try to simplify it as much as possible. You should be concerned about the following types of taxes:

- Income tax,
- Sales tax,
- Payroll tax,
- Franchise tax,
- Gross receipt tax,
- Various specialty taxes.

Income and Sales Taxes:

We cover the questions of income and sales taxes in detailed manner in our article [U.S. Taxation for Foreign Entrepreneurs](#). The short version is, sales tax is charged on specific products, and its rate depends on the state where your business is registered or has significant presence. Income tax depends on your company type (LLC or corporation), state(s) of registration, number and domicile of partners, etc.

Make sure to read the full article for a better understanding of how sales and income taxes work. It is recommended to hire CPA to handle the question of taxation.

Payroll Taxes:

Payroll taxes become relevant if your company starts hiring regular employees in the U.S. Keep in mind, contractors are a different kind of employees, who file their own income and self employment taxes. So unless you plan to open a physical office and hire employees who will be working regular hours in that office, you will not need to worry about payroll taxes.

Franchise Tax:

Franchise tax is another way for the state to cash in on the fact that your company is registered there. Only few states have franchise taxes, and in a way they are just another way you maintain your company in good standing, similar to annual reports and such.

Two most notable states that levy franchise tax are Delaware (as of this writing it's \$300 a year for LLC, for corporations it's calculated based on number of shares and par value) and California (as of this writing it's minimum \$800 a year for LLC and corporations). Typically, the state and/or your Registered Agent will remind you when this tax is due.

Gross Receipts Tax:

Gross receipts tax is levied in a few states and on some entity types. For example, Texas has annual gross receipts tax. Your CPA will be able to assist you with the calculation of this tax, if your entity is required to file one.

Various Specialty Taxes:

For most part you wouldn't worry about those, as they are specific to certain activities, and often are related to companies with physical presence in the state. Some taxes you should be aware of are taxes levied on products containing tobacco or alcohol, in which case they require [licensing and compliance](#).

What state should I register my company in?

U.S. companies are registered by states and territories, not by the federal government. That means theoretically you have 50 states, DC and several U.S. territories to choose from.

Each state is different - different laws, registration fees, processing times, and renewal rules and costs. When making the choice of state you need to answer a few questions first.

Are you launching a technology startup with the goal of raising investment from angels/VCs?

If the answer to this question is "yes" then you probably should consider registering a Delaware C-Corporation *specifically*, since this is the most popular tool for companies with this profile.

Will you have a real office/store/warehouse in a specific state?

If the answer to this question is "yes" then you should consider registering your company in this state, even if it's not the friendliest or cheapest of all states.

The reason is simple - having real presence in a given state creates what is called "strong nexus", requiring your company to be registered in that state. That means if you register in one state but have real physical presence in another you would be forced to register a foreign entity in that state, which means the whole thing will cost you double or more.

Incorporation-friendly states

If your business is conducted online and/or run remotely from Europe, without any physical presence in the U.S. (having clients doesn't make your business U.S.-based) then you should consider registering in one of the incorporation-friendly states.

There are 3 states that are traditionally considered to be incorporation-friendly: [Delaware](#), [Wyoming](#) and [Nevada](#). Of the three we typically recommend Wyoming, because Nevada is quite expensive to register and to maintain your company in, while Delaware comes with high franchise tax, steep penalties for late fees and relatively high maintenance fees. Wyoming easily compares to the other two states, while being relatively cheap and easy to work with.

You can learn more about the difference between the three and see why we recommend Wyoming for most business types by checking the [comparison between Delaware, Wyoming and Nevada](#).

If I register in one state, can I do business in another?

Per U.S. constitution, company registered in any U.S. state or territory is immediately recognized by all other states and territories, so for example you can take your Wyoming company formation documents and go to New York to open a bank account. Also, your clients can be anywhere in the U.S. or the world for that matter.

That being said, there are at least two cases in which additional registration might be required:

1. If your business sells tangible goods that are typically taxed (sales tax) and it uses distributors in states other than the state of registration, then it might be creating "soft nexus", meaning you would need to register for sales tax collection in those states.

2. If your business establishes physical presence in another state, such as opening an office, hiring full time employees, opening a store, or leasing a warehouse, among other activities, you might be creating "hard nexus", which would require you to register your company in that state as ["foreign entity"](#).

Consulting an attorney

If you are still not sure where to register your company it's always a good idea to consult a corporate attorney. Though it might be a bit expensive, there are plenty of online resources allowing you to ask for a free consultation, or free answering service that you could use for that purpose.

Should I register LLC or Corporation?

Question of "LLC vs. Corp" is one dealing primarily with taxation and with formation and maintenance costs. We will consider several points on interest and show you how those two entity types compare to each other.

Limited Liability Protection

Both entities provide limited liability protection to the owners, so in that regard there is probably not much meaningful difference between the entities.

Formalities

As far as formalities go, corporations require somewhat more formalities, while LLCs go easier on formalities.

Corporations have three levels of ownership and management - shareholders own the corporation through holding of shares, and they elect directors who manage the affairs and decide on the general business strategy of the corporation. Board of directors in turn appoints officers, who run the day to day operations of the corporation. All that is governed by the corporate bylaws, and the ownership and management of the corporation is defined through series of meetings, for which minutes must be created and maintained in company records.

LLC has two levels of ownership/management - members of the LLC are the owners, and managers manage the LLC. LLCs can be member-managed, which means all managers are also members (but not necessarily all members are also managers), and manager-managed, meaning some or all managers are NOT members of the LLC. LLC typically would need an Operating Agreement to govern its structure and operation, and in which membership and management are defined, among other things. LLCs also need to have meetings of members, which should be recorded via minutes, however this requirement is less strict for LLCs compared to corporations.

Cost of Registration and Maintenance.

For many clients costs of registration and consequent maintenance of an entity plays critical role in choice of state and entity. In that sense most states have similar costs for LLCs and corporations, with a few notable exceptions:

New York LLC: though the cost of NY corporation is relatively low, cost of LLC is unproportionally high, due to bigger state fees and especially due to the publication requirement, which only applies to LLCs and some other entity types, but not corporations.

Illinois LLC: another state where cost of LLC is significantly higher than the cost of corporation, primarily due to state fee differences.

Tax Related Differences

The most crucial difference between LLC and Corporation are tax related. First, it's important to understand that the only type of corporation available for foreigners who are not U.S. citizens or permanent residents is C-Corporation. Perhaps you heard about S-Corporation, but this is irrelevant for non-U.S. persons so we will skip discussing it.

LLC is a pass-through entity, which means the profit and loss passes through the company to the owners, who pay their personal taxes on that profit. C-Corporation is a double taxation entity, which means net corporate profit is taxed first (both on federal level and on state level, if the state has income tax), and then dividends are distributed to shareholders, who in turn pay their income tax on those dividends.

Does that mean corporation is necessarily bad, and LLC is necessarily good? Nope, it only means that corporation permits some wiggle room for creative tax planning, while LLCs are pretty much straight forward entities. Curious fact, one of the reasons we love LLCs so much is the fact an LLC is a flexible entity, that can elect to be taxed as C-Corporation, if the management deems it more beneficial from tax point of view.

We have the [entire section of this article dedicated to taxation](#), as well as an [entire article dedicated to taxation of foreign-owned U.S. companies](#), so we recommend you to study those. Also, it is always a good idea to consult with a CPA (accountant) before making your final decision on what type of entity to register. Remember, LLCs are flexible, so chances are you won't go too wrong by choosing an LLC as your entity type.

Conclusion

We often suggest LLC as the entity of choice, due to it being a less formal entity to maintain, and due to its flexible taxation. Some cases would justify going with corporation, so before making this decision make sure you fully understand what having a corporation in the particular

state of your choice would mean and cost. And of course - consult a CPA and an attorney if you are not confident enough with your choice.

What about licensing?

First of all, it's important to understand that "getting a license" is not the same as "registering a company". Companies such as LLCs or corporations are legal entities, formed by the state, and essentially are separate from their owners. License is a permit allowing a business to conduct certain business activity, while at the same time requiring the business to comply with laws and rules that the license is governed by, and in some cases pay related taxes.

Most U.S. businesses formed by our European clients don't require any licensing whatsoever. However we do offer a license research service to make sure your business either doesn't need any licensing, or needs some specific licensing, in which case we will let you know what it is and how to obtain it.

General Business License

A few states require all businesses formed in that state to obtain general business license (like Nevada, which is one of the reasons we don't recommend this state). This is just another way for the state to cash in on the fact that companies want to or have to be registered there. Also in some states local authorities require businesses domiciled within the borders of the local jurisdiction (e.g. California cities and towns) to obtain local general business license.

Typically this license is obtained at the same time or right after the company is registered, and it is renewed together with company renewal.

Specialty Licenses

Certain activities require specific license. The most common type of licensing we handle on steady basis is tobacco-related licensing. Other examples are alcohol licenses, professional licenses, gambling licenses, firearms licenses, dealerships etc.

Unless your business trades in regulated merchandise, products containing one of the regulated substances, or deals in regulated activity, it will not need any specialty license.

If I have a US company, can I move to the US?

Perhaps, but not right away. Typically, the more successful your business becomes, the better is your chance to obtain legal status in the U.S., even, eventually, obtain permanent resident status ("green card").

U.S. immigration laws are changing constantly, so you should be on top of the most recent updates, which can be done by periodically reviewing news on [USCIS website](#) and similar sites dedicated to immigration to the U.S. In general, certain visas exist today that allow foreign businessmen entry to the U.S. for such purposes as business trips, visas for investors, and visas for company executives.

Following numerous requests by our clients to provide assistance with U.S. business visas we have partnered with VisaPlace.com, a leading U.S. & Canada immigration service to provide free Immigration Assessment for potential visa applicants.

If I have a US company, can I get Social Security Number?

No. Social Security number is given to individuals who satisfy certain immigration requirements, and most non-immigrant visas that justify obtaining Social Security number will restrict it to specific uses and activities. Having a U.S. company could be the first step in obtaining a legal status in the U.S., as explained above, however by itself it gives no right to Social Security number.

That being said, having a U.S. company in some cases requires you as the owner to file a personal tax return with the IRS. For that purpose you will be required to obtain an ITIN (individual tax identification number) from the IRS, which can be done with the help of your CPA (we also provide this service through our CPA). ITIN is a number that resembles SSN (9 digits), however it is only used for payment of taxes (though you might be able to use it for additional purposes, such as opening a bank account).

Ready To Start?

We hope this not-so-short article gave you plenty of information to chew on and would make it easier for you to take the next step in registering your U.S. business. If you have some questions that we haven't covered in this article you are welcome to leave them in a comment below, and we will consider expanding this article to include those questions and answers. Otherwise we will reply to you in private.

Remember, just as we already helped thousands of European clients with their U.S. company registration, we are here to help you as well. You are welcome to call us or [WhatsApp](#) (our number is +1 347-773-4343), [email us](#), or schedule skype consultations with one of our incorporation specialists.

U.S. Company Registration for a Drop-Shipping Business

Drop-shipping is a very popular modern business concept, and U.S.-based drop-shipping businesses became the driving force of the "location-independent entrepreneur" phenomenon.

Much has been written on the mechanics of the drop-shipping business itself, so this article will only cover the aspect of U.S. company registration, taxation, banking, and other related business filings.

Running your drop-shipping business under a U.S. company has many advantages, and given the relative affordability and ease of registration and maintenance of U.S. companies, it is highly recommended to organize your business using a U.S. legal entity such as LLC or corporation.

Let's explore some of the questions related to U.S. company registration specifically for your drop-shipping business.

Choice of State

Since a drop-shipping business owned by you, a non-U.S.-based entrepreneur, has no physical connection to any specific state you have the freedom to select any of the 50 U.S. states and DC as the home state of your U.S. company. It is recommended to form your company in one of the incorporation-friendly states, such as [Delaware](#), [Wyoming](#), or [Nevada](#).

Majority of our clients choose either Delaware or Wyoming, due to more expensive fees in Nevada. You can see the comparison between those 3 states here: [DE vs. NV vs. WY](#).

Because a drop-shipping business essentially deals with tangible goods, the question of sales tax becomes relevant, and as a result many drop-shippers opt for registration in one of the states that have no sales tax. We cover the issue of sales tax as part of our article [U.S. Taxation for Foreign Entrepreneurs: Sales Tax](#), and it is more complex than just picking a no-sales-tax state, however a decision to register in one of the no-sales-tax states is not without a degree of merit.

Delaware, being a no-sales-tax state, is often the state of choice for drop-shipping business registration, however it is important to note that the registration and maintenance of a company in Delaware are relatively costly, making some other no-sales-tax states an attractive alternative. These states are Oregon, Montana, Alaska and New Hampshire.

It is also important to note that [Wyoming](#), despite having a relatively modest sales tax, is still an attractive state for drop-shippers due to the fact that it is the least populated state, which means the chance of needing to worry about collecting and remitting sales tax in Wyoming is negligible.

Choice of Entity

Foreign drop-shippers can choose primarily between two types of entities: [LLC](#) and [C-Corporation](#). LLC is the most common type of entity chosen by our foreign clients due to its simplicity, flexibility and single taxation. C-Corporation mostly chosen by young entrepreneurs looking to obtain Angel or VC financing.

You can see a comparison between LLC and C-Corporation here: [LLC vs. Corporation](#).

It is important to understand that as a foreigner the choice between LLC and Corporation typically comes down to how one wants to be personally taxed. We cover many questions of taxation in our article [U.S. Taxation for Foreign Entrepreneurs](#), and would like to invite you to go over that article, as well as consult a U.S. tax specialist, prior to making a decision on which type of company to register.

There is one tip that is worth giving here - you certainly can't go wrong with registering an LLC, simply because an LLC is such a flexible entity in terms of taxation that if you at some point decide that you would rather have your company taxed as C-Corporation, you can just file a C-Corporation election for your LLC with IRS. You don't get such flexibility with corporation.

Additional Information and Things to Consider

First of all, to register a company in the U.S. you don't need to present any documents - only information. Documents would be necessary in case you want a US address or need to open a bank account, but not for company registration.

You also don't need to be present in the U.S. to register a company. All filings can be done remotely, with us serving as your proxy in the U.S. In almost all cases when we need a signature from our clients this can be done electronically.

Other important things that many foreigners are concerned about - as a foreigner you are not required to have Social Security Number to open your company and obtain EIN (company tax ID). You also don't need to have a U.S. address or phone number, however if you like to have U.S. address and/or phone it's possible to obtain them from specializing vendors (see phone vendors [here](#), and [our U.S. address solution here](#)).

You do need to hire a [Registered Agent](#) that is located in the state of registration, however this is a standard service that we provide in all 50 states and DC, so there is no need to worry about it (just make sure to select this item on the form).

Banking in the US is a more complicated topic. There are some companies on the internet that promise international clients help in opening a bank account remotely, but we warn our clients to be careful with those who claim they can help that way. To learn more about banking in the

U.S., associated problems, and possible solutions please read our article "[Opening a Bank Account in the United States](#)".

Finally, international clients would need help filing their U.S. company taxes. We addressed this issue in our article [U.S. Taxation for Foreign Entrepreneurs](#).

Ready to Order?

We provide full service of forming your company, which includes everything from drafting and filing the Articles with the state for your choice, providing registered agent in any of the 50 state and DC, obtaining EIN for non-U.S. owners, drafting Operating Agreement, obtaining all necessary licenses and tax IDs, certifying your company documents for foreign use, and more.

Ready to start your Business in the USA?

[***Start an LLC***](#) [***Incorporate***](#)

Comparison Between LLC and Corporation

The following table gives side-by-side comparison of 3 most common forms of business organization: [C-Corporation](#), [S-Corporation](#), and [LLC \(Limited Liability Company\)](#):

NOTE: LLC is the most flexible type of business entity thanks to the fact that LLC members can keep the company taxed as partnership (or disregarded entity if single-member LLC, both default forms of taxation), or instead elect it to be taxed as S-Corporation or even C-Corporation, if company owners' taxation goals work best with these types of taxation.

Any corporation is taxed as C-Corporation by default, and can be elected to be taxed as S-Corporation, provided all shareholders are U.S. persons, etc ([read here](#) for a list of requisites for S-Corporation).

In the table below we compare LLC taxed as partnership (or disregarded entity) with corporations taxes as S-Corp and C-Corp respectively.

	LLC	S-Corporation	C-Corporation
Type of Ownership:	Membership Interests. May be different classes of membership. Owners called "Members".	Stock, but only one class. Can have voting and non-voting. Owners called "Shareholders".	Stock. There may be different classes. Owners called "Shareholders".
Eligible Owners:	No restrictions.	100 shareholder limit. No non-individual and no non-resident alien shareholders.	No restrictions.
Management:	Managed by members or designated manager(s).	Directors and officers.	Directors and officers.
Transfer of Ownership:	There may be restrictions under certain state laws.	Shares can be transferred only to eligible S corporation shareholders	Shares freely transferred.
Tax Rate:	There is no tax to the LLC on LLC income. All profits or losses pass through and are taxed to the members.	There is no tax except in two limited circumstances: (1) recognized built-in gains and (2) excess passive income.	Gradual tax rates from 15% up to 39% apply to taxable income. Personal Service Corporations are taxed at 35% of all income.
Tax Upon Sale:	Single tax at member level upon sale of appreciated assets. Generally, no tax on distribution of appreciated assets.	Single tax at member level. Potential built-in gains tax if corporation had appreciated property at time of S corporation election.	Potential double taxation. Corporation is taxed on sale of assets, shareholders taxed on dividends or capital gains tax.
Fringe Benefits:	Members are ineligible for certain ones.	Shareholders with 2% and less are ineligible for certain ones.	Shareholders-Employees are eligible for most.
Pass Through of Losses:	Losses passed through to members, subject to certain restrictions.	Losses passed through to shareholders, subject to certain restrictions.	Losses not passed through.
Fiscal Year:	Must use tax year of members having a majority interest in the LLC, or the tax year of all principal members if there is no majority member.	Must use calendar year, subject to certain exceptions.	May use any fiscal year. Personal Service Corporations must use a calendar year, subject to certain exceptions.

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