**Nancy Fallon-Houle, P.C.**

Attorney At Law

5449 bending oaks place

downers grove, illinois 60515-4456

nfallon@nfhlaw.com 630-963-0439 x 22 [www.nfhlaw.com](http://www.nfhlaw.com)

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Choice of LLC vs S Corp is more of a tax issue than a legal issue.

From a legal standpoint, but not a tax standpoint, Corps are less complicated, and therefore less costly, than LLCs. The corporate statutes include more defaults and assumptions than the LLC statutes do. With the assumptions not included in the LLC statutes, one must draft the items into the agreements, where agreements are needed.

LLCs are more flexible as to classes of shares, and allow shares that are profits interests only, or ownership interests only, or two classes of shares. However, with an S Corp, you can only have one class of stock.

 LLCs are more complicated, because they are flexible.   With more complication and flexibility, comes more cost for the agreements in general.   If you would ever have the need to take advantage of the flexibility, it would be worth the longer, more complex agreements, and therefore the extra cost. But if you will all have equal types of ownership, it may not be worth the extra cost.

If you may have an equity investor, it would be better to be a Corp, since equity investors often prefer corps to LLCs. (However, if your investor is a LENDER (lending you money to be paid back on monthly/quarterly installments), rather than an EQUITY INVESTOR, then it doesn’t matter if you are an LLC or a Corp.

LLCs are slightly more difficult for people to understand because they are different than Corps with their names and titles:

* Corporations have Shareholders, a Board of Directors and Officers, and Issue Shares of Stock.
* LLCs on the other hand, have Members, a board of Managing Members, and Officers (I insist that all my LLCs use officers and issue annual minutes), and Issue Membership Interests.

People often get confused by the Member and Managing Member titles and Interests instead of Shares, which is confusing enough to some people to want to avoid altogether.

However, those items above are only the corporate/legal issues; they are not the tax issues. Tax issues are much more significant. There are some income tax savings advantages to an LLC that may not occur in a Corp that only a tax accountant can advise you on.

The decision on LLC vs S Corp is mainly an income tax-driven decision.  There are issues, and perhaps differences, in:

* Income and employer tax you pay on the money you withdraw from the entity to pay yourself (employee versus nonemployee),
* Medical insurance you can pay for yourself as a shareholder and deduct
* Life insurance you can pay for yourself as a shareholder and deduct, and
* Retirement benefits you can pay for yourself as a shareholder and deduct.

These are the main issues with tax decisions on LLC vs S Corp, but there are others, such as differences in capital gain treatment on property the company owns. Therefore, it is key to talk to a good business accountant who has experience in assisting with the decision of entity selection for a small business and all the related start up issues. I’ve attached list of good ones for your reference.) I highly recommend Mark Mirsky, Catherine Riddick, Jim Kaczkowski, or Bill Piotrowski or Mike Ramirez.