DIFFERENCES, SIMILARITIES, DESCRIPTION

	S-CORP	LLC
Description	An S corporation (S corp) is a type of business structure that is typically more appropriate for small and medium-sized businesses that want to avoid the double taxation that can occur with a traditional corporation.	LLC stands for "limited liability company." It's a type of business entity that combines the limited liability protection of a corporation with the flexibility and tax benefits of a partnership.
Taxation	- are taxed as pass-through entities, meaning that the profits and losses are passed through to the shareholders' personal tax returns.	- can choose to be taxed as either a pass-through entity or a corporation.
Ownership	- restrictions on who can be a shareholder, as well as limits on the total number of shareholders (no more than 100, and they must be either US citizens or residents) - can issue only one class of stock,	- no restrictions and multiple classes of ownership interests available.
Management	- Encouraged to have a board of directors and officers You can open up an S corporation with only one person, as long as you meet the other requirements for being an S corporation. These include: ● Having no more than 100 shareholders ● Having only one class of stock ● Having only eligible shareholders, such as individuals, estates, or	- more flexibility and can be managed by owners or a designated manager

	certain trusts ● Being a domestic corporation	
Formalities	- needs to hold annual meetings and maintain corporate records to hold the status	- less strict
Benefits	- S corps are taxed as pass-through entities, meaning that the profits and losses are passed through to the shareholders' personal tax returns, potentially resulting in lower overall taxes. - S corp owners can avoid some self-employment taxes by paying themselves a salary and accessing additional profits as distributions, which are not subject to self-employment taxes. - S corps have restrictions on who can be a shareholder and how many shareholders the corporation can have, which can make this structure attractive to smaller businesses that want to limit the number of owners.	- LLCs offer flexibility in terms of ownership, management structure, and tax status. They can be owned by one or more people, can be managed by the owners or by a designated manager, and can be taxed either as a pass-through entity or a corporation - Like an S corp, LLCs provide limited liability protection to their owners, meaning that the personal assets of the owners are generally not at risk for the debts and liabilities of the business. - LLCs generally have fewer formalities and reporting requirements than S corps, which can make them easier—and less expensive—to manage.
Drawbacks	- S corps cannot have more than 100 shareholders, who must be individuals or certain types of trusts. - S corps must meet certain eligibility requirements, such as having an owner who is a US citizen.	- LLC owners must pay self-employment taxes on all profits, which can be higher than the taxes paid by S corp shareholders. - In some states, LLCs have a limited lifespan and may

		need to be dissolved after a certain period of time or after a specific event, such as the death of an owner. - Compared to S corps, LLCs may have limited options for raising capital, such as through stock offerings or taking on investors.

WHICH SHOULD YOU PICK?

S-Corp

An S corporation, sometimes called an S corp, is a special type of corporation that's designed to avoid the double taxation drawback of regular C corps. S corps allow profits, and some losses, to be passed through directly to owners' personal income without ever being subject to corporate tax rates.

Not all states tax S corps equally, but most recognize them the same way the federal government does and tax the shareholders accordingly. Some states tax S corps on profits above a specified limit and other states don't recognize the S corp election at all, simply treating the business as a C corp.

S corps must file with the IRS to get S corp status, a different process from registering with their state.

There are special limits on S corps. Check the IRS website for eligibility requirements. You'll still have to follow the strict filing and operational processes of a C corp.

S corps also have an independent life, just like C corps. If a shareholder leaves the company or sells his or her shares, the S corp can continue doing business relatively undisturbed.

S corps can be a good choice for a business that would otherwise be a C corp, but meet the criteria to file as an S corp.

LLC (Limited Liability Company)

An LLC lets you take advantage of the benefits of both the corporation and partnership business structures.

LLCs protect you from personal liability in most instances, your personal assets — like your vehicle, house, and savings accounts — won't be at risk in case your LLC faces bankruptcy or lawsuits.

Profits and losses can get passed through to your personal income without facing corporate taxes. However, members of an LLC are considered self-employed and must pay self-employment tax contributions towards Medicare and Social Security.
LLCs can have a limited life in many states. When a member joins or leaves an LLC, some states may require the LLC to be dissolved and re-formed with new membership — unless there's already an agreement in place within the LLC for buying, selling, and transferring ownership.

LLCs can be a good choice for medium- or higher-risk businesses, owners with significant personal assets they want protected, and owners who want to pay a lower tax rate than they would with a corporation.

SOURCES:

https://www.sba.gov/business-guide/launch-your-business/choose-business-structure

https://stripe.com/resources/more/s-corp-vs-llc