

# Basic Business Entities

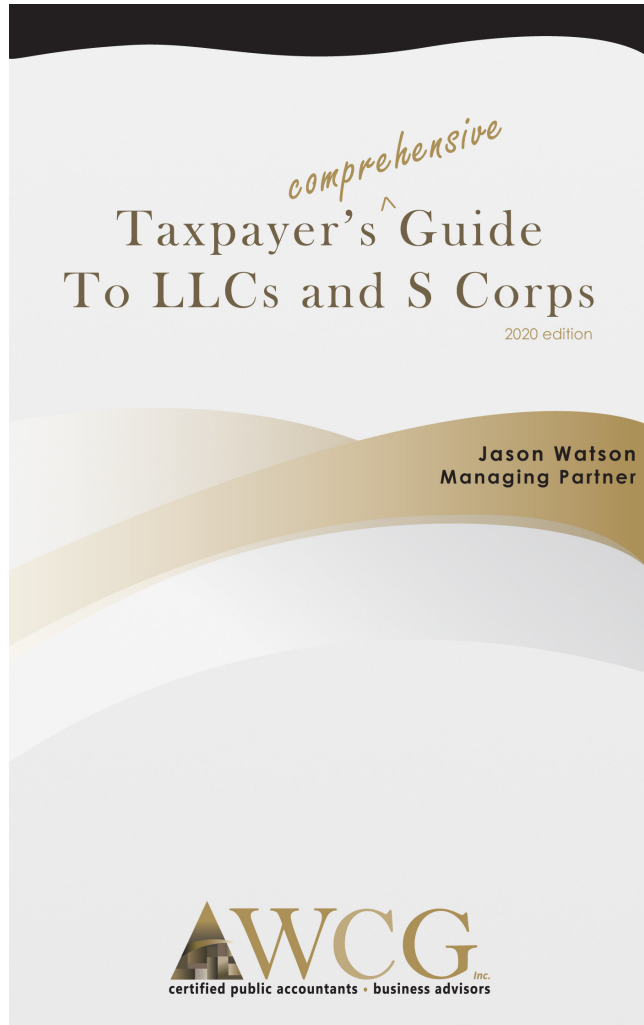
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*a tax and business consultation firm*



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# Basic Business Entities

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- ▲ Sole Proprietor
- ▲ Single-Member Limited Liability Company (SMLLC)
- ▲ Multi-Member Limited Liability Company (MMLLC)
- ▲ Limited Liability Partnerships (LLP)
- ▲ General Partnership (GP)
- ▲ C Corporation
- ▲ PLLC and PC

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- ▲ Articles of Formation (not Incorporation)
- ▲ Operating Agreement (not Bylaws)
- ▲ Benefits
  - Ease of Formation
  - Liability Protection (torts v. contract)
  - Compartmentalization (bank account)
  - Ease of Transfer, Partial Transfer

- ▲ Disregarded Entity (not recognized by IRS)
- ▲ Schedule C on Form 1040
- ▲ States Might Have Separate Filing
  - California, Form 568 (Franchise Tax / LLC Fee)
  - Texas, Franchise Tax
  - Just to name a few!
- ▲ Self-Employment Taxes (**yuck!**)
- ▲ Rentals in LLCs (**another video**)

- ▲ Liability Protection (torts v. contract)
- ▲ Annual Fees, Franchise Taxes
  - California has a minimum \$800 franchise plus the SOS charges about \$75 annually (2020)
  - Texas has an initial fee of \$310 (2020), but nothing annually
  - Massachusetts is \$520 initially and \$500 annually (yuck!)
- ▲ Public Record (**use your home address?**)
- ▲ California State Disability Insurance

## ▲ Professions

- Accounting
- Law
- Engineer
- Physician
- There might be others depending on state

## ▲ States

- Colorado, Texas Allows Both PLLC and PC
- California Only PC



- ▲ S Corp Is Not an Entity
- ▲ Tax Election on an Underlying Entity
- ▲ Form 1120S (S corporation tax return)
- ▲ For LLC, Reduces Social Security and Medicare Taxes
- ▲ For C Corp, Eliminates Double Tax (pass-thru taxation)

*deep dive with several videos*

- ▲ S Corps and Partnerships, 0.4%
- ▲ Single Member LLCs (Schedule C), much higher

- ▲ LLCs Provide Quick Launch
- ▲ Disregarded by IRS, But Not All States
- ▲ Social Security and Medicare Taxes on Earned Income

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