

# Business Entity Guide

EMRYS TAX ADVISORS

The business structure you choose affects your taxes, liability, and long-term options. Getting it right from day one can save thousands of dollars and significant legal headaches down the road.

## Sole Proprietorship

The simplest structure—no registration required beyond a business license. All income flows to your personal return and is subject to self-employment tax. No liability protection. Best for very early-stage or low-risk businesses.

## LLC (Limited Liability Company)

An LLC provides liability protection—separating your personal assets from business debts and lawsuits. By default, a single-member LLC is taxed as a sole proprietorship (Schedule C). A multi-member LLC is taxed as a partnership. LLCs can elect to be taxed as an S-Corp or C-Corp.

***Recommended for most small businesses.** An LLC gives you flexibility, protection, and tax options without the complexity of a corporation.*

## S-Corporation

An S-Corp is not a business entity type—it's a tax election (made via Form 2553). An LLC or corporation can elect S-Corp status. The key benefit: business profits above a "reasonable salary" pass through to the owner without self-employment tax. For a profitable business, this can save \$5,000–\$20,000+ per year.

Requirements: must pay yourself a reasonable salary, file payroll taxes, and maintain corporate formalities. Best when net profits consistently exceed \$40,000–\$50,000.

## C-Corporation

A C-Corp is taxed separately from its owners at the 21% flat corporate rate. It's best for businesses seeking venture capital, planning to go public, or retaining significant earnings in the business. Double taxation (corporate tax + dividend tax) is a downside for most small businesses.

## Which Should You Choose?

**Just starting out / low revenue:** Sole proprietor or single-member LLC.

**Growing business, \$40K–\$100K+ net profit:** LLC with S-Corp election.

**Seeking investment or rapid growth:** C-Corp.

**Multiple owners:** Multi-member LLC or S-Corp.

***Don't guess.** The wrong structure can cost you thousands. Schedule a consultation before you file.*

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