Choosing an LLC for Your California Business Formation

By: Wade Law Group

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There's more to starting a business than coming up with a great idea. A business owner also must decide how the business should be structured. Until recently, most California businesses chose between sole proprietor, partnership, and incorporation. However, California businesses are now choosing to go with a limited liability company (LLC) structure more than any other. A LLC offers more legal protection of personal assets than a partnership, but retains the tax savings pass-through characteristics.

Unlike LLCs, corporations can go public. For that reason, venture capital companies prefer to work with corporations rather than with LLCs. But unless you are planning to take your California business public, an LLC may well be the best business formation structure to serve the business needs of the owners.

Unlike corporations, LLCs don't suffer from double-taxation, in which the corporate entity is taxed and then its shareholders' dividends are taxed as well. This benefit applies to LLCs that are classified as partnerships for tax purposes. An LLC tax preparer simply checks a box on his or her federal return to indicate how the organization will be taxed. Earnings and losses pass through to the owners and are included on their personal tax returns.

There's also less paperwork involved with running an LLC than a formal corporation, and LLCs are the most flexible when it comes to organization. There are fewer rules regarding who can be a shareholder, and they also tend to be more informally run than a regular corporation.

About the Wade Law Group

For more information on California business marks, consult the advice of a professional business attorney. In the San Jose area or within California, contact Wade Law Group at **(888) 909-9430** or email Amiel Wade directly.