



LLC vs. Sole Proprietor: How Should You Structure Your STR Business?

Choosing the right business structure affects your liability, taxes, and long-term flexibility. Here's a plain-language breakdown of the most common options for STR operators.

Educational purposes only. This article is informational and does not constitute legal, tax, or financial advice. Consult a licensed attorney and CPA before choosing a business structure.

Most new STR operators don't think about business structure until something goes wrong. Don't wait. The structure you choose from day one affects your personal liability, how you're taxed, and how easily you can scale. Here's what you need to know.

01 — Sole Proprietorship: Simple but Exposed

If you start renting a property without forming a business entity, you're operating as a sole proprietor by default.

- No separation between personal and business assets
- A guest lawsuit could put personal savings, your home, or vehicle at risk
- Income reported directly on your personal tax return
- No formal business credibility or banking separation
- Easy to start — no state filing required

Practical Tip: Sole proprietorship works for testing the waters, but many operators transition once they understand the liability exposure.

02 — LLC: Liability Protection with Flexibility

A Limited Liability Company (LLC) is the most popular structure for STR operators.

- Personal assets are generally protected from business liabilities
- Pass-through taxation avoids double taxation
- Flexible management structure for single or multiple members
- Adds credibility with banks, insurers, and vendors
- State filing fees and annual reports are usually required

Practical Tip: Keep business and personal finances completely separate to maintain liability protection.

03 — S-Corp: Worth Considering at Scale

An S-Corporation election may offer tax savings once STR income grows significantly.

- Can reduce self-employment taxes through salary/distribution structure
- Requires payroll setup and ongoing filings
- Higher administrative complexity and accounting requirements
- Often considered when profits exceed \$40,000–\$50,000 annually
- Frequently structured as an LLC taxed as an S-Corp

Practical Tip: Consult a CPA before electing S-Corp status to ensure the savings outweigh the added costs.

04 — Key Factors to Consider

The best structure depends on your goals, risk tolerance, and growth plans.

- How many properties you plan to operate
- Whether you're operating solo or with partners

- Expected annual STR income
- Your personal assets and liability concerns
- State-specific filing fees and regulations
- Lender or financing requirements

Practical Tip: Many new STR operators begin with a single-member LLC for a balance of simplicity and protection.

05 — Practical Setup Steps for an LLC

Once you've decided to form an LLC, the process is usually straightforward.

- Choose a business name and verify availability
- File Articles of Organization with your state
- Appoint a registered agent
- Create an Operating Agreement
- Obtain an EIN from the IRS
- Open a dedicated business bank account
- Register for local licenses or permits if required

Practical Tip: The EIN application on the IRS website is free and usually takes less than 10 minutes.

The Bottom Line

For most new STR operators, a single-member LLC is a practical starting point. It provides meaningful liability protection, keeps taxes relatively simple, and creates a professional foundation for future growth. Always speak with a licensed attorney and CPA to confirm the best structure for your specific goals and state requirements.

Liability Protection

Tax Flexibility

Professional Structure