

LLC v. Corporation

Which Structure is Right for You?



When starting a business, one of the first and most important decisions you'll make is choosing the right legal structure. For many entrepreneurs, the choice comes down to forming a Limited Liability Company (LLC) or a Corporation. Both offer liability protection and the ability to register your business with the Secretary of State, but they differ in key areas such as ownership, taxation, management structure, and compliance requirements.

This table is designed to help you understand the core differences between LLCs and Corporations so you can make an informed decision that fits your business goals, tax preferences, and long-term plans. Whether you're launching a startup, opening a small business, or planning to raise investment capital, the right structure can support your growth while minimizing risk.

FEATURE	LLC	CORPORATION
Types of Filings	<ul style="list-style-type: none">- Articles of Organization (or Certificate of Formation) (state-specific filing)- Operating Agreement (internal document)	<ul style="list-style-type: none">- Articles of Incorporation (or Certificate of Incorporation) (state-specific filing)- Bylaws (internal document)
Ownership	Owned by members (can be individuals or other entities). Ownership can be flexible.	Owned by shareholders who purchase shares of stock. Ownership is usually divided into various classes of stock.
Liability Protection	Yes, members are typically not personally liable for business debts and liabilities.	Yes, shareholders are generally not personally liable for corporate debts and obligations.
Taxation	Generally treated as pass-through entities for tax purposes (profits/losses reported on members' personal tax returns), but can elect to be taxed as a corporation.	Subject to double taxation; the corporation pays taxes on profits, and shareholders pay taxes on dividends received.

Management Structure	Flexible management structure; can be managed by members or designated managers.	Formal management structure; requires a board of directors to oversee corporate activities and officers to manage day-to-day operations.
Formation Formalities	Fewer formalities required. Generally requires filing Articles of Organization and creating an Operating Agreement (not always required but recommended).	More formalities required. Must file Articles of Incorporation and create corporate bylaws. Regular meetings of the board and shareholders are necessary.
Profit Distribution	Can distribute profits and losses in any manner agreed upon in the Operating Agreement (not necessarily according to ownership percentage).	Profits are typically distributed as dividends based on the number of shares held. Decisions on dividend distributions are made by the board of directors.
Regulatory Requirements	Generally fewer ongoing requirements (may include annual reports in some states).	More stringent requirements; must meet state and federal regulations, file annual reports, and maintain corporate formalities.
Duration	Can exist indefinitely and is not affected by changes in membership (subject to the provisions in the Operating Agreement).	Typically has perpetual existence unless formally dissolved; changes in ownership do not affect existence.

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