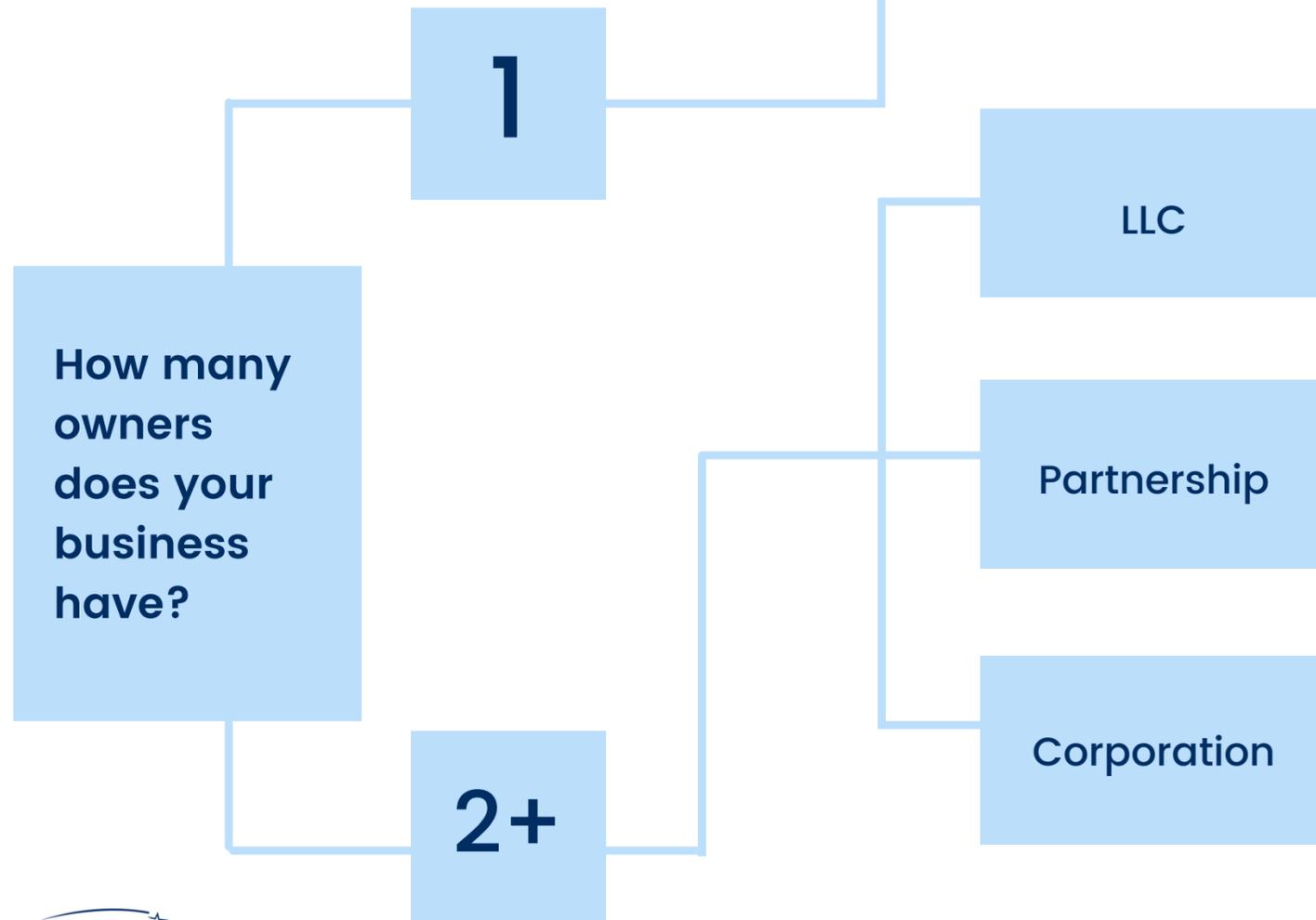


# CHOOSING A LEGAL ENTITY

Choosing the correct legal entity for your business is an important decision. Small business owners should be aware of the legal and tax implications of their choice. Your [Roanoke Regional SBDC advisor](#) is ready to walk you through this process!



Pros: easy to get up and running, taxes are simple

Cons: owner is personally responsible for all company liabilities, self employment tax on 100% of income

Makes sense for: very small business with no employees and no liability

Pros: company finances are separate from personal finances, liability is limited to owner's investment in the company; offers future flexibility with taxes, structure, and ownership

Cons: can be difficult to convert if you move to a different state; owners can be required to pay self-employment taxes depending on structure

Makes sense for: businesses looking for liability protection and the ability to change tax structure in the future; businesses or individuals that purchase real estate

Pros: company finances are separate from personal finances, liability is limited to owner's investment in the company, offers future flexibility with structure and ownership; can have unlimited owners and profits are divided according to an Operating Agreement

Cons: can be difficult to convert if you move to a different state; owners can be required to pay self-employment taxes depending on structure

Makes sense for: businesses looking for liability protection and the ability to change tax structure in the future; businesses or individuals that purchase real estate

Pros: easy to set up, owners are not employees, but the company can have employees

Cons: owners are personally responsible for all company liabilities, self-employment tax is required

Makes sense for: very small business with no employees, little liability, and the owners have few personal assets

- Corporations have a long history of existence and are preferred by investors and venture capitalists. The stockholders are not typically personally liable for business debts. Corporations can be more difficult to set up and administer than an LLC - they must create bylaws, issue stock, have annual meetings, and appoint a board of directors.
- S-Corporations and C-Corporations are tax structures that can apply to different entities. Your [RRSBDC advisor](#) can offer guidance on these decisions.

Note: this document does not constitute legal advice. Contact your [RRSBDC advisor](#) for help with this important decision.