




Everything you need to know about setting up your 1099 tax structure on one page.

Why it matters: The structure you choose significantly impacts your **legal liability** & **taxation**.

| LLC Limited Liability Company | VS | PLLC Professional Liability Company |
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| <p>Blends the advantage of being a sole-proprietor with personal liability protection.</p> <p>Gives you the privilege of pass-through taxation: Profits & losses pass through to your personal taxes & you don't get taxed twice.</p> | <p>Key Things to Know</p> | <p>Specially created structure for licensed professionals like lawyers, CRNAs, physicians, architects, e.t.c.</p> <p>Key Feature: Requires a license & implies a certain professional standard is maintained.</p> |
| <p>Both protect personal assets in the event of a lawsuit.</p> <p>Both insulate the individual from their business debts.</p> <p>Both are governed by individual state laws. Laws vary by state.</p> | <p>Similarities</p> | <p>Neither require rigid management structures and formalities that corporations have to demonstrate.</p> <p>Both require Articles of Organization & an Operating Agreement to be filed.</p> |
| <p>Does not require professional licensure.</p> <p>Provides broad liability protection from business related stuff.</p> | <p>Differences</p> | <p>Not available in all states & may have restrictions/require approval from licensing body.</p> <p>Does not protect from liability related to malpractice. </p> |
| <p>As a disregarded entity. This means as a SOLE OWNER, your business is taxed by default as a sole-proprietorship.</p> | <p>How You Are Taxed</p> | <p>As a disregarded entity. This means as a SOLE OWNER, your business is taxed by default as a sole-proprietorship.</p> |
| <p> You can elect a different status by choosing to be taxed as an S-Corp. The main advantage here is saving on your self-employment tax. </p> | | |
| <ol style="list-style-type: none"> 1. File Articles of Organization. 2. Create an Operating Agreement 3. Register your LLC & Get an EIN. You need this to open a business account. 4. Open a business account & keep all expenses separate. 5. Maintain compliance with state laws like annual reporting & paying fees. | <p>Steps To File</p> | <ol style="list-style-type: none"> 1. Verify your eligibility. Do you have a professional license for this business? 2. File Articles of Organization. 3. Create an Operating Agreement 4. Register your PLLC & Get an EIN. You need this to open a business account 5. Open a business account & keep all expenses separate. 6. Maintain compliance with state laws like annual reporting, renewing your license & paying fees. 7. Get malpractice insurance. |
| <p>New York: Some professionals are REQUIRED to file PLLC & get Board approval.</p> <p>Texas: Only certain professionals can file PLLC (CRNAs can). Requires Board approval. Subject to franchise tax.</p> | <p>Special States</p> | <p>California: Doesn't Recognize PLLCs. Only PCs.</p> <p>Florida: PLLCs need to file an annual report to maintain active status.</p> <p>Washington: Requires an annual license renewal & report. Has specific naming guidelines.</p> |

| S-CORP | VS | SOLE PROPRIETORSHIP |
|---|---|--|
| <p>Since LLCs & PLLCs are considered "disregarded entities" the IRS doesn't recognize them as distinct entities. Which gives them the right to elect a status as either an S-Corp or C-Corp.</p> | | |
| <p>Robust protection from personal liability, protection from federal corporate taxation & easy transfer of ownership.</p> <p>The business & the owner are separate entities.</p> | <p>Key Advantages & Pitfalls</p> | <p>Inexpensive to start because of low legal filing requirements, straightforward taxation.</p> <p>The business & the owner share taxes & liabilities. If your business goes into debt or gets into legal trouble, then so do you.</p> |
| <p>As a sole proprietor, you'll be required to pay income taxes on all income your business makes. But if you file as an S Corp, you will only be responsible for taxes on your set salary. You save on Federal Corporate Taxes.</p> | <p>Key Things to Know</p> | <p>Less extensive record keeping & reporting + oversight + regulation.</p> <p>All income is taxable.</p> |