

# Sunrise Finance & Consulting

## Small Business Guide Library

### S Corp vs LLC: Which Is Right for You?

Both LLCs and S Corporations shield personal assets, but they differ in tax treatment and formalities.

#### LLC Snapshot

- Pass through taxation by default (profits taxed on owners).
- Flexible management, minimal paperwork.
- Can elect S Corp taxation later.

#### S Corp Snapshot

- A tax election (Form 2553) for LLCs or corporations.
- Owner employees must take “reasonable salary” (subject to payroll tax). Profits above salary are free of self-employment tax.
- Requires payroll setup, quarterly reports, and Form 1120 S.

#### When an S Corp Makes Sense

Consistently net >\$60 - 80k after expenses and willing to handle payroll formalities.

#### Decision Checklist

- ✓ Steady profits
- ✓ Comfortable with stricter bookkeeping
- ✓ Want to lower self-employment tax.

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