

LLC vs. Corporation: Which Structure Fits Your New York Business?

A Client Guide from the Law Offices of Jason G. Krantz, PC

“Should I form an LLC or a corporation?” It’s one of the first questions new business owners ask us — and the honest answer is that it depends on how you plan to run the business, how you’ll be taxed, and whether you expect to bring in investors. Both structures protect your personal assets from business debts, but they work very differently day to day. This guide breaks down what each one actually does, where New York law adds its own wrinkles, and how to think about which path fits your goals.

What Is an LLC?

A limited liability company (LLC) is a flexible business entity owned by one or more “members.” It shields your personal assets from the company’s debts and lawsuits, while letting the owners decide — through a written operating agreement — how the business is managed, how profits are shared, and what happens if an owner leaves.

- Formed by filing Articles of Organization with the New York Department of State
- Profits and losses “pass through” to the owners’ personal tax returns by default
- Can be managed by its members or by appointed managers
- Fewer required formalities — no board of directors or annual shareholder meetings
- Subject to New York’s unique publication requirement after formation

What Is a Corporation?

A corporation is a separate legal entity owned by shareholders, overseen by a board of directors, and run day to day by officers. It has a more formal structure, which is exactly what makes it attractive to outside investors: ownership is divided into shares that are easy to issue, transfer, and value.

- Formed by filing a Certificate of Incorporation with the New York Department of State
- Taxed as a “C corporation” by default, with an option to elect “S corporation” status if eligible
- Governed by bylaws, a board of directors, and officers
- Requires ongoing formalities — board and shareholder meetings, minutes, and resolutions
- The preferred structure for venture capital and many outside investors



LLC vs. Corporation at a Glance

Feature	LLC	Corporation
Formation filing	Articles of Organization — \$200 state filing fee	Certificate of Incorporation — \$125 filing fee plus tax on shares (minimum \$10)
Publication requirement?	Yes — within 120 days of formation	No
Governing document	Operating agreement (required within 90 days)	Bylaws, plus an optional shareholder agreement
Management	Flexible — run by members or managers	Board of directors elects officers who run the business
Personal liability protection	Yes, when properly formed and maintained	Yes, when properly formed and maintained
Default federal tax treatment	Pass-through (sole proprietorship or partnership)	C corporation — taxed at the entity level, then again on dividends
New York City tax	Generally the 4% Unincorporated Business Tax (UBT)	NYC Business Corporation Tax — applies even to S corporations
Raising outside capital	Possible, but less familiar to institutional investors	Easier — shares and stock options are standard for investors
Ongoing formalities	Minimal; biennial statement (\$9)	Meetings, minutes, resolutions; biennial statement (\$9)

Understanding the Tax Picture in New York City

For many owners, taxes are the deciding factor — and New York City adds a layer most other places don't have.

- **LLCs pay NYC's Unincorporated Business Tax.** Multi-member LLCs taxed as partnerships, and single-member LLCs owned by individuals, are generally subject to the city's 4% UBT on business income, with an exemption for the first \$95,000 of taxable income.
- **New York City does not recognize S corporations.** An S election can reduce federal and state tax, but the city still taxes the corporation at the entity level under its Business Corporation Tax — a surprise for many new business owners.
- **New York requires its own S election.** A federal S election (IRS Form 2553) doesn't automatically carry over; New York corporations must also file Form CT-6 with the state.
- **The Pass-Through Entity Tax (PTET) is optional.** Eligible LLCs and S corporations can elect to pay New York tax at the entity level, which may help owners work around the federal cap on state and local tax deductions.

Good to know: Because the right answer depends on your income, your plans for the business, and how you pay yourself, we recommend reviewing your entity choice together with your accountant before you file.

New York-Specific Considerations

- **The LLC publication requirement.** Within 120 days of forming, a New York LLC must publish a notice once a week for six consecutive weeks in two newspapers designated by the county clerk, then file a Certificate of Publication (\$50). Costs vary widely by county — Manhattan is typically the most expensive — and failing to comply suspends the LLC's authority to do business.
- **Operating agreement deadline.** New York's LLC Law requires members to adopt a written operating agreement within 90 days of filing the Articles of Organization — even for a single-member LLC.
- **Owner liability for unpaid wages.** New York is unusual in making the ten largest shareholders of a privately held corporation — and the ten members with the largest ownership interests in an LLC — personally liable for unpaid employee wages.
- **Licensed professionals have their own structures.** Attorneys, physicians, accountants, architects, and other licensed professionals generally must form a professional LLC (PLLC) or professional corporation (PC) rather than a standard entity.
- **The LLC Transparency Act is narrower than expected.** As of 2026, New York's beneficial-ownership reporting applies only to LLCs formed outside the United States and registered to do business here — LLCs formed in New York and other U.S. states are exempt.

Which Is Right for You?

An LLC may be the better fit if you:

- Are launching a small or closely held business with one or a few owners
- Want flexibility in how profits are divided and how the business is managed
- Prefer fewer ongoing formalities and simpler record-keeping
- Own real estate or other assets you want to hold in a separate entity

A corporation may be the better fit if you:

- Plan to raise money from venture capital or other institutional investors
- Want to offer stock options or equity to employees
- Expect to reinvest significant profits back into the business
- Want a clearly defined, familiar governance structure as the company grows

Many of our clients start as an LLC for its simplicity and flexibility, then convert to a corporation when outside investment is on the horizon. Whatever you choose, the formation documents — your operating agreement or bylaws and shareholder agreement — are what truly protect you and your co-owners.

Build Your Business on the Right Foundation

The structure you choose affects your taxes, your liability, and your ability to grow. Schedule a consultation with the Law Offices of Jason G. Krantz, PC, and let's choose the entity that fits your goals.

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