

Ready to Launch Your Business? Learn How to Form an LLC with Confidence

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What to Expect

1

Introduction to LLCs and Corporations

2

Key benefits of forming a legal entity

3

Choosing the right entity type for your business

4

Anonymous LLCs and protecting your privacy

5

Compliance requirements for liability protection and tax benefits

6

Q&A session

Getting to Know You!

- **Where are you calling from?**
- **What kind of business are you running?**
- **How long have you been running it?**

Answers will remain private

Key Benefits of Forming a Legal Entity

Why Form a Legal Entity?



Protect personal assets (limited liability explained).



Establish credibility with customers, vendors, and partners.



Tax advantages and tax flexibility.



Ease of compliance and scalability for future growth.



What's Holding You Back?

Have you been putting off forming because:

- **It seems too complicated**
- **It's too expensive**
- **I'm not sure which entity type is right for me**
- **I'm not sure which state to form in**
- **I don't think I need one yet**
- **I have already formed!**

Answers will remain private

Choosing the Right Entity Type for Your Business LLC vs. Corporation

LLC vs. Corporation



Ownership
structure



Management
flexibility



Taxation
options

Ownership Structure & Management

| LLC

Members

| Corporation

Shareholders



Board of Directors



CEO

Taxation Options

| LLC

- Default disregarded entity
- Can choose S-Corp or C-Corp status

| Corporation

- Default C-Corp
- Can choose S-Corp status

LLC vs. Corporation





What Should You Choose?



Probably an LLC



Keep it simple now, convert later if you need

Choosing the Right State for Your Business

Do I Need to Form My Company in My Home State?



Delaware



Pro-business legal environment.



Preferred by large corporations due to its Court of Chancery for business disputes.



Drawbacks

Annual franchise tax can be costly.
Lack of Privacy.





Nevada



No state income tax or corporate tax.



Privacy-friendly laws.



Drawback

Higher initial and ongoing filing fees.

Wyoming



No state income tax.



Low filing and annual fees.



Strong privacy protections (e.g., no public disclosure of LLC members).



Anonymous LLCs and Protecting Your Privacy

Someone May Try To Figure Out Where You Live And What You Own

1

Privacy vs.
Anonymity

2

Reducing your
attack surfaces

3

You can't unring
the bell

Privacy vs. Anonymity



Reducing your attack surfaces



Can't hire a security detail (yet!)



Limiting disclosure



Secretary of State Records



Property Records



Nominees



You Can't Un-Ring the Bell

1

Once your information
is disclosed, it's out
there

2

Misinformation

3

Disinformation

4

Rebuilding



Compliance is Key



Creating a Stronger Veil

- 01 Avoiding “veil piercing”
- 02 Creating a clear distinction between personal and business activity
- 03 Avoid commingling assets
- 04 Avoid “Living out” of the business
- 05 Signing Contracts
 - Company Name
 - By: Jonathan N. Feniak
 - Title: Manager

Legal Compliance



Business Entities – the Limits of Protection

Helpful with these types of claims

1

Contract Disputes

2

Employee Claims

3

Copyright Infringement
Claims

Sometimes You Can't Separate Yourself From the Company

What's easier than "piercing the veil"? Sue everybody!

Holding individuals personally liable for company actions

Likely when these are involved

- Federal Trade Commission
- Securities and Exchange Commission
- State regulators
- Aggressive plaintiff's attorneys



Personal Asset Protection



Tax Compliance

Different Types of income

1

Earned Income

2

Unearned Income

3

Mixed

You Will Have to Pay Taxes.

One, Two, or Three Types of Taxes May Apply

Subject to

- A** Federal Income Tax
- B** State income Tax
- C** FICA Tax
 - **12.4%** of income up to **\$168,600**
 - **2.9%** of income with no limit
 - **0.9%** of amount above **\$200,000**



Reducing Taxes

Deductions reduce all taxes

Take every valid business deduction...and keep meticulous records so you are “audit proof”

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State Income Taxes

Move to a low tax state:

- Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington and Wyoming
- Puerto Rico!



Reducing Taxes by Changing Tax Classification



Entity Type is determined at the state level

- LLC
- Corporation



Tax Classification based on

- Default Rules OR
- Federal Election

Reducing Taxes with S-Corp Classification

FICA Tax



LLC or Corporation can make S-Corp tax election



All Income “passed through” to owners, but divided into

- **Reasonable salary** - subject to state, federal, and FICA taxes
- **Distribution** - subject to state and federal taxes



When an S-Corp Does Make Sense

Consider When

Owner does not have significant W2 income from other sources

- Majority of FICA is paid on **\$168,600** of ordinary income.
- If a high earner and this is a side hustle, savings is limited.

Reasonable Salary is low compared to total income of business

- Reasonable Salary must be paid to ALL owners

Business generates Earned Income

Costs of setting up payroll, registering as a foreign entity, etc, are significantly lower than tax savings



Reducing taxes With C-Corp Classification

Federal Income Taxes



Single and Multi Member LLCs “pass through” all income to owners and owners pay taxes on all income at personal rates



LLCs can elect to be taxed as a C-Corp



C-Corps can pay salaries to owners that are taxed at personal rates and “retain earnings” that are taxed at C-Corp rates (21%)



“Retained earnings” can be reinvested in company, compounding at 21% rate, and then paid as dividends to owners at a later date

When a C-Corp Does Make Sense

Consider When

Big losses in initial years will generate NOLS.

Venture Backing - Investors want growth, not current pass-through income



Big profits are more than owners will spend

- Owner can pay themselves to support lifestyle and leave remainder in C-Corp

Owner is in high tax jurisdiction and does not want all income to flow to personal return.

General Rules



Initially, Choose Disregarded Entity classification or Partnership Classification, Not C-Corp or S-Corp Classification



Evaluate if the company could benefit from an S-Corp or C-Corp election at the start of every year and make the election if the math supports it.



Keep good records, make quarterly payments, file returns as required



Next Steps?

After learning about LLC formation today, my next step will be:

- **Form my LLC immediately (within the next 48 hours)**
- **Form my LLC within the next week**
- **Review my specific business needs with an expert**
- **Still undecided - need more information**
- **Already formed my LLC - attending for additional education only**

Answers will remain private

How We Can Help

1

LLC formation

2

Registered agent

3

Compliance Tools

How We're Different

- 24 Hour Filing
- No Extra Charge for Privacy
- No Hidden Fees

Our Pricing



Starting at \$49 + State Fees
(One time fee)

Starting at \$14.99/Month

Future Webinars: What Would Help You Most?

Which webinar topic would interest you most?

- **How to stay compliant**
- **How to keep personal information private**
- **How to manage LLC finances**
- **How to form a holding company**

Answers will remain private

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