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## LLC vs. CORPORATION

<u>Entity Characteristics</u>	<u>LLC (Limited Liability Company)</u>	<u>“C” Corporation</u>	<u>“S” Corporation</u>
<b>Ownership Rules / Formation</b>	Unlimited number of Members allowed	Unlimited number of shareholders; no limit on stock classes	Up to 100 shareholders; only one class of stock allowed
<b>Owners’ Personal Liability</b>	Generally no personal liability of the Members	Generally no personal liability of the Shareholders	Generally no personal liability of the shareholders
<b>Tax Treatment</b>	The entity is not taxed (unless chosen to be taxed); profits and losses are passed through to the Members	Corporation taxed on its earnings at a corporate level and Shareholders are taxed on any distributed dividends	With the filing of IRS Form 2553, a “C” becomes an “S”; profits and losses are passed through to the Shareholders
<b>Key Formation Documents</b>	Articles of Organization / Certificate of Formation; Operating Agreement Buy-Sell Agreement	Articles of Incorporation (file with NY SOS) ; Bylaws; Organizational Board Resolutions; Stock Certificates; Stock Ledger; Shareholder Agreement	Articles of Incorporation; Bylaws; Organizational Board Resolutions; Stock Certificates; Stock Ledger; IRS & State “S” Corporation election; Shareholder Agreement
<b>Management of Business</b>	The Operating Agreement sets forth how the business is to be managed; a Member (owner) or Manager can be designated to manage the business	Board of Directors have overall management responsibility; Officers have day-to-day responsibility; Shareholders elect Board; Board elects Officers	Board of Directors has overall management responsibility; Officers have day-to-day responsibility
<b>Capital Contributions</b>	Members typically contribute money or services to the LLC and receive an interest in profits and losses	Shareholders typically purchase stock in the corporation, either common or preferred	Shareholders typically purchase stock in the corporation, but only one class of stock is allowed
<b>Restriction on Ownership</b>	-NONE-	-NONE- Double Taxation	Some restrictions; for ex. certain Trusts invalidate entity

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