CALIFORNIA BUSINESS LAW

LLC vs. Corporation: What's the Difference?

By Ari Tuchman | Tuchman Law, APC | Los Angeles, CA

Choosing the right legal structure is one of the most important decisions a business owner can make. Two of the most common entity types are limited liability companies (LLCs) and corporations. While both offer liability protection, they differ in management, taxation, and operational flexibility.

What Is an LLC?

An LLC is a flexible business structure that combines elements of partnerships and corporations. It provides limited liability protection to its owners (known as members) while allowing for relatively simple management and fewer formalities. LLCs can also choose how they are taxed, often benefiting from pass-through taxation.

What Is a Corporation?

A corporation is a more formal legal entity that is owned by shareholders and managed by a board of directors. Corporations are subject to more regulatory requirements, including formal governance procedures and reporting obligations. They are typically taxed separately from their owners, although certain corporations may elect pass-through taxation under specific conditions.

Key Differences

The main differences between LLCs and corporations involve structure and taxation. LLCs generally offer greater flexibility in management and fewer administrative burdens, while corporations provide a more standardized structure that may be attractive to investors.

Corporations are often preferred for businesses seeking venture capital or planning to issue stock, whereas LLCs are commonly used for closely held businesses that prioritize simplicity and operational control.

Legal and Strategic Considerations

Selecting the appropriate entity involves evaluating factors such as growth plans, funding strategy, tax implications, and governance preferences. Each structure carries distinct legal and financial consequences.

Final Thoughts

Both LLCs and corporations offer valuable benefits, but the right choice depends on the specific needs and goals of the business. Careful consideration at the outset can help set a strong foundation for future growth.

About the Author

Ari Tuchman is a Los Angeles transactional attorney and founder of Tuchman Law, APC. He focuses on real estate transactions, business acquisitions, and general counsel services for companies and investors throughout California.

This post is for general informational purposes only and does not constitute legal advice or establish an attorney-client relationship.