A DE BEDOUT CPA GUIDE · 2026 EDITION

# Choosing Your Business Entity

LLC vs. S Corporation vs. C Corporation — one decision that affects your taxes long after your business is up and running.

A boutique Miami CPA firm · English · Español · Português

THE DECISION

# One of the first decisions. One of the hardest to undo.

Many business owners spend weeks choosing a name, designing a logo, or building a website. Far fewer spend the same amount of time thinking about how the business should be structured.

That is understandable. At first glance, the options all sound similar. Form an LLC, elect S corporation status, maybe even create a corporation. Most people assume they are choosing between different types of businesses.

They are not.

In reality, you are making two separate decisions.

> ### The two decisions
> *First: how your business exists legally.*
> *Second: how the IRS taxes it.*
>
> *These two are often confused — which is why business owners receive so much conflicting advice online.*

Choosing the right structure can affect:

- how much tax you pay each year,
- how you pay yourself,
- how easily you can bring in investors,
- how exposed your personal assets are,
- and how easy it is to sell the business later.

The good news is that this decision is rarely permanent. Many successful companies start with one structure and change as the business grows.

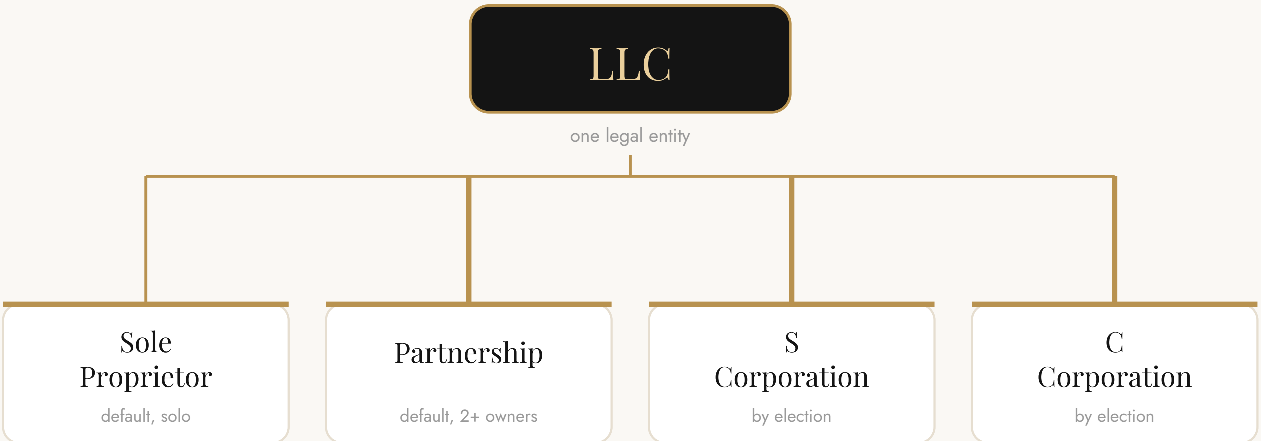
The objective is not to choose the "best" entity. It is to choose the one that makes sense for your business today, while leaving room for where you expect it to be tomorrow.

A COMMON MISCONCEPTION

# An LLC is not a tax classification

One of the biggest sources of confusion is the belief that an LLC is a tax classification. It is not.

An LLC is simply a legal entity created under state law. The IRS can tax that same LLC in several different ways:




That distinction matters because many conversations start with the wrong question. People ask:

> *"Should I become an LLC or an S Corporation?"*

A better question is: "What legal entity should I form, and how should that entity be taxed?"

Once you separate those two decisions, the rest becomes much easier to understand.

WHAT ACTUALLY CHANGES

# Four areas every choice affects

## Taxes

How profits are taxed. Whether all of your income is subject to self-employment tax. Whether certain deductions remain available.

## Liability

Whether your personal assets are generally protected from business liabilities. While no entity replaces good insurance or proper legal practices, choosing the right legal structure creates an important layer of protection.

## Administration

Some structures are remarkably simple. Others require payroll, additional tax returns, corporate formalities, shareholder rules, or annual compliance that may not make sense for a smaller business. Saving a few thousand dollars in taxes is rarely worthwhile if the administrative burden costs even more.

## Future flexibility

Think beyond next year's tax return. Will you eventually bring in partners? Raise outside investment? Sell the business? Expand internationally? The entity that works perfectly for a solo consultant may become a poor fit for a growing company with multiple owners.

### Not sure which structure fits your business?

*The right answer depends on your specific facts, not a rule of thumb. We map it out for your situation before you commit. Your first consultation is complimentary.*

Book a consultation    debedoutcpa.com

*This guide is general information, not tax or legal advice. Entity selection depends on your specific facts and may involve legal documents we do not draft. Tax law changes and figures reflect 2026 federal rules. Please talk with us — and where appropriate, an attorney — before acting.* 