

LLC vs. S-Corp: What's Right for You as a Freelancer or Independent Pro?

If you're stepping into the world of freelance work or starting your own business, one of the first big decisions you'll face is how to structure it legally. Two of the most common options are forming an **LLC** (Limited Liability Company) or electing **S-Corp** (S Corporation) status. While both offer liability protection, they differ in how you're taxed and how you pay yourself.

Here's a simple breakdown to help you understand the pros and cons of each — and figure out which might be right for your business.

What's an LLC?

A **Limited Liability Company (LLC)** is one of the easiest business structures to form. It creates a legal separation between you and your business, protecting your personal assets from lawsuits or business debts.

Key Benefits:

- **Simplicity:** Easy to set up and maintain with fewer formalities than a corporation.
- **Flexibility:** You can operate as a single-member LLC (just you), or with partners.
- **Pass-through taxation:** Income passes through to your personal tax return, avoiding double taxation.

Potential Drawbacks:

- **Self-employment tax:** You'll pay self-employment tax (15.3%) on all your net income.
 - **No salary structure:** You take “owner's draws” rather than a regular paycheck.
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What's an S-Corp?

An **S Corporation** isn't a business entity type — it's a tax election you can make **as an LLC or corporation**. If you're earning a solid profit, choosing S-Corp status can reduce how much you pay in self-employment taxes.

Key Benefits:

- **Tax savings:** You can pay yourself a **reasonable salary**, and the remaining profits may be taxed at a lower rate (not subject to self-employment tax).
- **Still offers liability protection.**
- **Perceived legitimacy:** Some clients see “Inc.” or “S-Corp” status as more formal or professional.

 **Potential Drawbacks:**

- **More paperwork:** You’ll need to run payroll, file a separate tax return, and keep cleaner records.
- **Must pay yourself a salary:** The IRS expects it to be “reasonable,” based on your role and industry.

 **Quick Comparison**

Feature	LLC	S-Corp
Liability Protection	<input checked="" type="checkbox"/> Yes	<input checked="" type="checkbox"/> Yes
Tax Filing	On personal tax return (Schedule C)	Separate business tax return
Self-Employment Tax	On 100% of profits	Only on salary portion
Payroll Required	<input checked="" type="checkbox"/> No	<input checked="" type="checkbox"/> Yes
Setup Complexity	Low	Moderate
Annual Requirements	Minimal	More involved (e.g., payroll, filings)

 **So... Which One’s Right for You?**

- **Choose an LLC if:**
You're just getting started, want to keep things simple, and aren’t earning more than ~\$60,000/year in profits yet.

- **Consider an S-Corp if:**

You're consistently earning **\$75K or more** in net income, want to reduce your tax burden, and are ready to take on a little more administrative work.

 **Pro Tip: You Can Start as an LLC and Elect S-Corp Later**

You don't have to get it perfect on day one. Many freelancers start as an LLC and elect S-Corp status later when their income increases. It's a common path — and often a smart one.

 **Final Thoughts**

There's no one-size-fits-all answer — your decision depends on how much you're earning, your tolerance for admin work, and your future goals. Consider talking to a CPA or tax advisor who understands freelance or small business tax strategy to make the best move.

Need more help?

Download our **Freelancer's Complete Guide** or check out our **Quarterly Tax Prep Checklist** for more tools and tips.