Keywords: Company formation, LLC

**Incorporation vs LLC; Which Should I Choose?**

If you are unable to decide that what category you should go for when it comes to choosing between incorporation and Limited Liability Company (LLC) in the state of California. Then you are in the right place, we going to share the major differences between the two categories as well as the state taxes on them. Undoubtedly company formation is a difficult process but it also depends on what kind of company formation you want. If you prefer to establish an LLC company formation, then this is going to be a little bit easier for you. But, if you are thinking about establishing incorporation then it would be a little difficult for you.

**Why you should Select LLC Company Formation?**

Limited Liability Companies (LLCs) regulate under the jurisdiction of state law, so the legal framework should be done appropriately to avoid any inconvenience. LLCs have less paperwork to carry out while registering the company. To get your LLC registered in the state of California, you need to follow the following steps;

* You need to select the name of your Limited Liability Company and be careful about the naming rules of California.
* You need to choose a registered agent in California who will get the legal documents, important tax forms, a notice of lawsuits, and official government correspondence on behalf of your company.
* The third step in the formation of LLCs is to file your California LLC articles of organization with the California Secretary of State. You can do this in person, online, or by mail.
* You need to file the initial statement of information with the California Secretary of State. You need to do this within the first 3 months of the company by mail, online or in-person.
* You need to submit a California LLC operating agreement that will confirm that all the members are on the same page to reduce the probability of any future conflict.
* Lastly, you need to get an EIN (Employer Identification Number), so that state could keep a record of tax and identify your Limited Liability Company.
* The Internal Revenue Services does not recognize LLC as a separate vehicle for taxation. This gives major taxation flexibility to LLCs.
* The disadvantage of LLCs is that certain factors trigger its termination.
* The LLC members pay a self-employment tax of 12.4% for social security and 2.9% tax for Medicare.

**Why you should go for Incorporation in California?**

California is the best place to incorporate your business because it offers thriving and important business benefits. The steps to incorporate your company in California are mostly the same as LLCs;

* You need to name your incorporation according to California naming rules.
* You need to file articles of incorporation.
* You need to arrange a meeting of the organization and draft a set of corporation’s rules and regulations.
* Get your Employer Identification Number (EIN).
* Open a bank account of your incorporation.
* Get the business license from the state of California.
* Submit your report of information within the first three months.
* Incorporations offer more flexibility when it comes to excess more profit.
* The state of California provides anonymity to the stakeholders, so they do not need to be in public records.
* The California Corporation Taxes are only 9%, and you also get other advantages as per the type of your incorporation.
* The main detriment of incorporations is that they pay double tax on the same income.
* Incorporations are complex than LLCs as they have more burdensome record-keeping requirements.

As you have got a general idea about LLCs and incorporation and how they work in California. Now, you can make a rational decision as per your working potential and taste.