LLC Tax Classification Cheat-Sheet

Detailed overview of default rules and election options for LLC tax classification

Default Classification Rules

Understand the initial tax classification of your LLC based on IRS rules.

- [ ] Single-member LLCs are classified as disregarded entities by default.
- [ ] Multi-member LLCs are classified as partnerships by default.
- [ ] Review IRS Form 8832 for guidance on default classification.

Election Options

Steps to elect a different tax classification for your LLC.

- [ ] File IRS Form 8832 to elect corporate tax treatment.
- [ ] Submit IRS Form 2553 to elect S corporation status.
- [ ] Ensure all members consent to the election change.
- [ ] Check deadlines: Form 2553 must be submitted within 75 days of the start of the tax year.

Key Considerations

Practical tips and common pitfalls when choosing tax classification.

- [ ] Evaluate the impact of self-employment taxes on your income.

- [ ] Consult a tax advisor to understand long-term tax implications.
- [ ] Consider state-specific tax obligations that may affect your choice.

FAQs

Address common concerns with actionable responses.

- [ ] What is the deadline for changing my LLC's tax classification?
- [ ] How does electing S corporation status affect self-employment taxes?
- [ ] Can I change my election back to the default classification?