

	CORPORATION	LLC
Sate of formation	Any state Most of the time Delaware	Any state Most of the time Delaware
Legal documentation for creation	<ul style="list-style-type: none"> • Certificate of Incorporation • Shareholders' Agreement (to set up rules if more than 1 shareholder) 	<ul style="list-style-type: none"> • Certificate of Formation • Operating Agreement (to set up rules if more than 1 member)
Equity	Common or Preferred Stock	Membership interests
Governance	<ul style="list-style-type: none"> • Shareholder(s) owns the company (parent company or individual) • Owner(s) elects the Board of Directors <ul style="list-style-type: none"> ○ at least 1 individual called Sole Director ○ directors don't have to be physically in the USA and don't need a visa as long as they don't enter the USA • The Board names Officers <ul style="list-style-type: none"> ○ at least 1 individual called CEO or President ○ officers don't have to be physically in the USA and don't need a visa as long as they don't enter the USA 	<ul style="list-style-type: none"> • Member(s) owns the company (parent company or individual) • Member(s) names the Manager <ul style="list-style-type: none"> ○ at least 1 individual ○ (managers don't have to be physically in the USA and don't need a visa as long as they don't enter the USA) • Manager may name officers <ul style="list-style-type: none"> ○ not required ○ officers don't have to be physically in the USA and don't need a visa as long as they don't enter the USA
Publication	No requirement	Some states such as New York require that the LLC publishes a notice of formation in 2 newspapers (additional expense)
Annual report/ Franchise tax	According to state laws	According to state laws
Qualification to do business	Filing is required in every state where the company conducts business (office, inventory, employees, sales, etc.)	Filing is required in every state where the company conducts business (office, inventory, employees, sales, etc.)
Corporate income tax	<ul style="list-style-type: none"> • Eligible to corporate income tax • Tax returns must be filed for the Federal, States, and Local tax administrations 	<ul style="list-style-type: none"> • No income tax is paid at the LLC level • "Pass through taxation" applies, which means taxes are filed at the member(s) level
Owner taxation	<p>Shareholders may be taxed on the dividends they receive depending on the percentage they own and their nationality.</p> <p>1- if they are from a country who signed a tax treaty with the USA :</p> <ul style="list-style-type: none"> • and their US entity's ownership is $\geq 80\%$ => tax rate is 0% • and their US entity's ownership is $\geq 10\% \ \& \ < 80\%$ => tax rate is 5% • and their US entity's ownership is $< 10\%$ => tax rate is 15% <p>2- if no tax treaty has been signed => tax rate is 30%</p> <p>3- if they are US residents => tax rate is 15%</p>	<ul style="list-style-type: none"> • Members must include the LLC's results in their individual tax return based on the percentage they own • Members who are non-US entities or non-US citizens must file a US tax return that includes their worldwide revenue for all tax administrations where the LLC conducts business (Federal, States, and Local)
Alternative for owner	Depending on situations, check with an international tax expert whether it would make sense to implement intercompany transactions with the Parent Company or other subsidiaries and how to justify them.	No alternative Unless your business requires that you create a corporation that owns several LLCs (e.g. retail chains)
Best for	<p>US entities owned directly by non-US companies or non-US citizens that wish to :</p> <ul style="list-style-type: none"> • protect their interests at the group level abroad • mitigate tax exposure by being taxed at the US entity level only • raise funds (since US investors only deal with Corporations). 	<p>US entities owned directly by other US companies or US citizens that wish to:</p> <ul style="list-style-type: none"> • benefit from the "pass through taxation" • split the risk of litigation between several LLCs owned by a holding Corporation (e.g. retail chains). <p>Non-US entities that have interests in creating a holding Corporation that owns several LLCs.</p>