**1. You Avoid Double Taxation**

Depending on how the company is established and how many employees/investors there will be, a small business startup often creates an LLC because this helps it avoid double taxation and can still support multiple classes of stock if needed. Double taxation usually occurs when an entrepreneur chooses a C-Corp business structure, so the company and the owner are both taxed separately in April. An LLC prevents this, as it is taxed more like a sole proprietorship. This can be especially useful if you are using a [startup accelerator](https://www.inc.com/john-boitnott/why-a-startup-accelerator-may-not-be-the-best-choice-for-you.html). You can always convert the LLC to a corporation through a fairly simple process later on.

2. You Can Choose Your LLC Location

Another main question is in which state you should establish your entity. Delaware has been at the forefront of incorporation and has low costs. The judges of the Delaware Court of Chancery are also usually pro-business. You'll find an increasing number of states are following Delaware's lead, in case you want to incorporate as an LLC closer to home. In all cases, you'll want to consult a professional who can help you with this, or even get help from online services like [MyCorporation](http://www.anrdoezrs.net/click-8258206-10570182),  [Legalzoom](http://www.legalzoom.com/limited-liability-company/limited-liability-company-overview_v1.html" \t "_blank) or [BizFilings](http://www.bizfilings.com/).

The cost of setting up an LLC depends on what state you are setting it up in. Regardless of the cost, it usually makes sense to set it up in that state that you work in. For example, in New York many people think they can set up a Delaware or Nevada LLC to avoid paying New York State and New York City taxes. That's not true. If you operate in New York State at all, you are subject to their tax filing (and tax paying) requirements regardless of what state your LLC was formed in.

Prospective startups often ask "How will the IRS find me?" Opening a bank account in the state, having addresses on your website and business cards, or receiving mail that includes credit card bills or bank statements to an address in that state are all ways they will find you. It often ends up being more expensive to try to avoid certain state taxes. This is because not only do you have to pay all of the state and local taxes where you operate, but you also have to pay Delaware/Nevada franchise fees just for forming in their respective states.

**3. You Can Make Changes Easily**

Another benefit of the LLC structure to a startup is that once you have set it up, there's not a need for a lot of continual maintenance and, perhaps more importantly, it's easy to add new partners or sell interest in the entity to someone else. This is more relaxed than the C-Corp business structure, in which minutes are required for making board decisions. Generally, LLCs have fewer restrictions on many administrative items compared to other business structures.

**4. You Can Protect Your Assets**

Many startups create the LLC structure to protect their personal assets against lawsuits directed at the company. A sole proprietorship can be a risky entity to start. More risky is a general partnership. After a period of expansion and growth, many founders convert their LLCs to an S-Corp or C-Corp. This is because an LLC is limited in what it can do when it comes to acquisitions and mergers. LLCs tend to be adequate for businesses that are more in their beginning stages.

**5. You Can Register Easily**

"An LLC is an ideal company structure for a startup because it is fast and simple. You can do the registration without an attorney," says Brett Hamilton, the founder of Simple.be. He goes on to note that in some states, such as his native Oregon, "the filing fee for an LLC is only $100. Once you've registered your LLC with the state, you can get an Employer ID Number (EIN) from the IRS, and get business bank accounts and business checks. Just that quickly, you are in business. The manager of the LLC (often the owner) has the authority to enter into contracts as the LLC. An inventor can also assign their patents to their LLC."