

SOLE PROPRIETORSHIP vs LLC DECISION WORKSHEET

Free Fillable Legal Template — ClearLegalTips.com (2026)

SOLE PROPRIETORSHIP vs LLC DECISION WORKSHEET

Work through these to decide whether to form an LLC.

1. Liability Exposure

- ☐ My work could lead to a lawsuit (advice, contracts, deliverables)
- ☐ I have personal assets (savings/home) to protect
- ☐ I own business assets/equipment

2. Income & Stage

- ☐ My income is real and ongoing (not occasional)
- ☐ Clients would take me more seriously as a registered company
- ☐ I may approach the income level for an S-corp election

3. Cost Tolerance

My state LLC filing fee: _____

Annual report / franchise tax (if any): _____

Registered agent (self or service): _____

4. Decision

- ☐ Mostly YES above -> form an LLC
- ☐ Mostly NO -> stay a sole proprietor for now; revisit as you grow

5. Tax Note

A single-member LLC is taxed like a sole proprietorship by default (Schedule C + self-employment tax). Forming an LLC does NOT by itself lower taxes; an S-corp election later can.

INSTRUCTIONS FOR USE

Complete the bracketed fields, delete anything that does not apply, sign where required, and keep with your records. This template is provided for informational purposes only and does not constitute legal advice. Laws vary by state and change over time. Have an attorney review your completed document before relying on it. ClearLegalTips.com is not a law firm.