

Choosing A Business Structure

Having a business entity is very valuable and important for all those involved in real estate. There are many choices, and ways to do it. Here are some of the options and things to consider as you set yours up.

The Need for a Business Structure

Having a business structure to operate under and flow your money into is not just smart, but can make all the difference in how much you really net, and how safe your money is for the long term.

How it can help:

- Minimizing taxes
- Increased privacy
- Liability protection
- Asset protection
- Increased net income

The right entity can help save a lot in taxes, and let you keep a lot more of what you make. You can also benefit from various levels of privacy protection which can make you less of a target for opportunistic criminals who are out there looking for juicy targets. Separating your business assets and income, and credit from your personal can also be very helpful if you are ever sued. You might get hit in your business or personal life and finances, but the other can be kept safe. Plus, having a business can add a lot of credibility, and in turn can make it easier to close deals, and add more perceived value to your product or service. It can also open up new financing options which can help accelerate and grow what you do. The returns are so great that it really makes no sense to be without a business structure.

Legal Structures

There are a variety of structures to choose from. Here are a few of the most common.

Limited Liability Companies

An LLC is a common go to business entity solution for real estate investors and businesses. Many highly profitable big money investors and investment firms in NYC use LLCs to invest in prime real estate every day. Limited Liability Companies are highly flexibility, which is one of the reasons they are so attractive. There is no double taxation as which C Corporations, as gains are passed through to individuals and their personal tax returns.

S Corporations

S Corps are another highly versatile business structure which are often used for real estate businesses. As an S Corp, you can actually choose how you want to be taxed. You don't have to be doubled taxed. You can also enjoy limited liability, and draw down a smaller taxable income, than as an LLC.

REITs

REITs can be private or public. They are designed for larger operations with more shareholders. Yet, they can offer tax advantages, and prestige. Check out the qualifications for being a REIT [here](#).

Where to Form Your Business

Where to form your business can make a big difference too. It can make a difference in how much it costs to file and form your business, as well in how much you pay in taxes, and the level of asset protection it affords you.

One of the biggest decisions is whether it should be a domestic or offshore company. Going offshore was big in the early 2000s, and could be again soon. Though it is important to note that many old offshore tax havens don't provide the benefits they used to, and you are probably still subject to US income taxes. You'll also want to consider withholding hassles when selling properties too. Some investors simply prefer to open a company in their home state for the ease. Others like the tax benefits and privacy of corporations in certain states like Delaware, Nevada and Wyoming.

Where to Get Help Structuring Your Business

There are several ways you can register and file your business. You can take the DIY route and do it directly in your state. Often this can be done online. There are also third party online discount services which may or may not be helpful. The best move is to consult an attorney and a CPA, and have them provide you with custom advice. One of the services we recommend for this is Titanium Asset Protection.