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How to Set Up a LLC in PA

DISCLAIMER: This outline is a general guide. Be sure to contact an attorney if you have questions or specific issues that need to be addressed.

Forming a Limited Liability Company (LLC) for your business can be a great option to protect your personal assets, have a structure for growth for your business, and have formal documentation if you want to apply for grants, loans, and other programs. LLCs do not have annual filing requirements and have multiple options for how to be taxed, which can allow the owner to choose the best option for them. If you have multiple owners, it is a great way to keep the business separate from each individual owner and provide a clear outline as to how the owners will make decisions and more.

- 1. Decide on the Name and Owners.** Before forming an LLC, if you have more than one owner, you should decide which founders will actually be owners in the entity. **(See our resource on planning for multiple owners: [here](#).)** Then you want to decide on a name for your business. If you plan to have more than one product, think of a name that will represent your business, not just your first product. You can search and see if the name of your business is available to register in Pennsylvania [here](#). You may also want to see if the name is already trademarked or if other businesses are using the same name as you in the same industry.
- 2. File a Certificate of Organization with the State.** Once you decide on a name and determine that it is available, the next step is to file your LLC with the PA Department of State. This is done through filing a certificate of organization which details your business name, registered office, contact person, purpose of the business, and start date. There is a \$125 filing fee, but it can also be helpful to pay a lawyer to make sure it is set up correctly.
- 3. File an EIN and Talk to an Accountant.** Once you have filed a certificate of organization with the State, you should get an Employer Identification Number (EIN) from the Internal Revenue

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Service (IRS). The EIN is basically like a social security number for your business. It gives you a separate tax identification number to be tied to your entity. This can be helpful for tax registrations, W-9s, etc. Applying for an EIN is free and also designates your initial tax filing status. For single member LLCs (one owner) you are by default taxed as a sole proprietor, if you have more than one owner you will be taxed as a partnership by default.

It is also recommended that you talk to an accountant when you form an entity to determine if a different tax election may be best (you can elect to be taxed as a S-corporation or C-corporation if you do not want to be a sole proprietor or partnership), how to pay yourself, and how to plan for taxes.

- 4. Draft an Operating Agreement.** An operating agreement is the governing document for your LLC and is important to have even if you only have one owner. The operating agreement does two things. First, it helps to show you are running the business separate from the owners which helps to protect your limited liability status (protecting your personal liability from your business liability). Proper documentation can help establish this. Secondly, it establishes how decisions are made, who has authority, how owners are removed if necessary, and what happens if the business needs to be closed.

Need help drafting an operating agreement? Don't worry we have your back! You can reach out to us to draft one for you (subject to a conflicts check), or you can check out one of our affordable templates! We have templates for single owner LLCs, multiple members, and manager managed multiple member LLCs (if you want to just have a select number of owners or appointed individuals run the organization and have others as investors). **Check them out and get more info here:**

<https://www.trellispgh.com/shop-all?Collection=LLC+Operating+Agreements>

- 5. Open a Business Bank Account and Determine any Tax Registrations.** After you have all the formal documents established, it is important that you open a separate business bank account. Keeping your business funds separate from your personal funds is crucial in order to prove you run the business separately from yourself. Typically, to open a business bank account you need a copy of your certificate of organization, EIN, and operating agreement (if you have only one owner they may not require the operating agreement.) You will also want to talk to your accountant to see if there are any sales tax, local, or other tax registrations that may be applicable to your business.

We hope this resource helps on your journey to form an LLC for your business. It is also recommended that you reach out to an attorney to see if there are any unique considerations for your business including intellectual property, special provisions in the operating agreement, etc.