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LLC vs S Corp Made Simple (Plus Bookkeeping + Deadline Tips)

In this Issue:

- Entity structures explained (with pros + cons)
- Bookkeeping clean-up checklist (so your CPA isn't guessing)
- Common questions we're hearing this month
- Quick deadline reminders (at the end)

Entity structures: what they are + pros & cons

If you're thinking, "I just want to run my business... why do I have to pick an entity?", same. But your entity affects taxes, paperwork, payroll, and how you pay yourself.

Here's a beginner-friendly breakdown I've learned from our team. (And yes, we can help you choose the best fit, this is just the overview.)

1. Sole proprietorship (default for 1 owner)

What it is: You and the business are basically the same for tax purposes.

Pros:

- Easiest/cheapest to start
- Simple tax filing (usually reported on Schedule C)

Cons:

- Self-employment tax on profits can add up as income grows
- Less separation between business + personal (bookkeeping needs to be extra clean)

2. Single-member LLC (1 owner, legal protection)

What it is: An LLC is a legal structure. For taxes, it often still files like a sole prop unless you elect otherwise.

Pros:

- Legal liability protection (generally)
- Still relatively simple to run day-to-day
- Can be a stepping stone to an S Corp election later

Cons:

- State fees/annual requirements may apply
- For taxes, it may not reduce self-employment tax by itself

3. Partnership / Multi-member LLC (2+ owners)

What it is: A structure for businesses with multiple owners. Income/loss is split based on ownership (or an operating agreement).

Pros:

- Clear framework for multiple owners
- Flexibility in how profits/losses are allocated (when set up correctly)

Cons:

- Additional tax filing (partnership return)
- Requires good recordkeeping between partners (contributions, draws, reimbursements)

4. S Corporation election (tax treatment, not a “type of business”)

What it is: A tax election that can be made for certain entities when it makes sense.

Pros:

- Can reduce self-employment taxes in the right situation
- More structured approach to paying yourself (W-2 wages + distributions)

Cons:

- More compliance: payroll, separate filings, and “reasonable salary” rules
 - Not always worth it if profit is low/uneven or the business is still ramping up
- Key takeaway: The “best” entity is the one that matches: (1) how many owners you have, (2) your profit level, and (3) how you plan to pay yourself.

Mini bookkeeping clean-up checklist

If your books are messy right now, you’re not alone. Here are the top items that help us move faster during tax season:

- Reconcile bank accounts monthly (not once a year)
- Separate business + personal expenses (flag mixed charges)
- Label owner draws/contributions consistently
- Review uncategorized transactions
- Track receipts for major purchases and subscriptions
- Keep a simple list of assets purchased (equipment, computers, vehicles)

Questions we’re hearing a lot lately

- Do I really need to switch to an S Corp?

- What if I paid myself from the business but didn't run payroll?
- Can I write off meals, travel, or my home office?
- I used my personal card—how do I categorize that?

If any of these sound like you, it's a good time to do a quick check-in.

Quick deadline reminders (please don't wait until the last minute)

- Estimated tax payments: If you pay quarterly estimates, set a calendar reminder now so you're not scrambling.
- Payroll & sales tax filings: These are easy to miss when business is busy—double-check your filing schedule.
- New business setup: If you started a business recently, it's worth confirming you're registered correctly (federal + state) and withholding is set up.

If you're not sure which deadlines apply to you, reply and we'll point you in the right direction.

Want us to review your setup?

If you'd like, we can do a quick entity + bookkeeping review and give you a clear next-step list. We also provide ongoing bookkeeping services (monthly/quarterly) if you'd rather hand it off and keep your records clean year-round.

To schedule a consult, reply here and we'll send the booking link (or share a few times that work for you).

Reply with:

- Your business type (service, retail, etc.)
- How many owners you have
- Rough monthly revenue range
- What you're currently using for bookkeeping (QuickBooks, Excel, etc.)

Thanks for reading!

- DSJ Advisory (written by Tercella King & Lets Go Knicks!!)