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DBA vs. LLC: Key differences you should know

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When people talk about business formation, a lot of acronyms get thrown around — LLC, LLP, dba, S corp, C corp, LP, etc. That's why it's important to know the ins and outs of each type of entity so that you can make the best business formation decision for your startup.

discuss the pros and cons of each, look at their key differences and walk through when each might be a good fit for your business.

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What is an LLC?

LLC stands for limited liability company. As you might have guessed from the name, an LLC is a type of business entity that provides limited liability for its owner(s) — meaning personal assets (home, car, etc.) are protected from seizure if the business goes bankrupt or gets sued.

There are no restrictions on the number of members (owners) an LLC can have, and most states allow members to be individuals, corporations or even other LLCs or foreign entities. However, in most cases, neither banks nor insurance companies are allowed to be members. The number of members and any

business when tax time rolls around.

LLC taxes

By default, a single-owner LLC is considered a “disregarded entity,” and business income gets claimed on the owner’s personal income tax return — generally referred to as “pass-through taxation.” Essentially, income is only taxed once, avoiding the dreaded “double-taxation” on dividends (profit payouts to members/shareholders) that C corporations are subject to.

Multi-member LLCs are taxed as partnerships unless they file form 8832 to be treated as a corporation. Any LLC (single-owner or multi-member) can elect to be taxed as an S corporation by filing form 8832 and then subsequently filing form 2553 (for S corp status), assuming it meets the [S corp filing guidelines](#).

Related: [LLC vs. corporation: Differences, pros and cons](#)

LLC advantages

LLCs are one of the most popular and fastest-growing business structures — for good reason. They provide some key advantages to get businesses started on the right trajectory. Let’s get into them.

- **Liability protection:** The personal assets of an LLC’s owners/members are protected from seizure if the business goes bankrupt or gets sued.
- **Distribution income only taxed once:** Distribution payouts (non-salary profit payouts) aren’t subject to corporate income tax, meaning owners/members are only taxed once.
- **Flexibility of ownership:** LLCs, unlike [sole proprietorships](#) or [S corporations](#), can have an unlimited number of members and members that are corporations or non-US residents.
- **Simple to form and manage:** [Nancy Hancock](#), co-chair of the business organizations and finance practice at Pullman & Comley, emphasized how cheap and easy it is to set up an LLC. She’s spot on. In our experience, if you have the necessary information ready, you can complete your LLC filing in under an hour. Also, the annual compliance requirements to stay in business are very manageable, especially compared to

LLC disadvantages

As with any business structure, LLCs also have some disadvantages. These are important to consider before you make a final decision about which structure is best for your business.

- **Self-employment tax obligations:** Although LLCs avoid double taxation, members are considered self-employed and must pay a 15.3% self-employment tax on any business income they claim (12.4% for social security and 2.9% for Medicare). Members also pay federal income tax on any profits (variable depending on total taxable income and tax bracket). Together, an LLC's tax burden can be quite substantial and at times higher than other business structures like an S corp or C corp.
- **Ownership complications:** Unless otherwise specified in an LLC's operating agreement, some states require LLCs to dissolve if an existing member leaves or a new member joins. Also, transferring ownership is much more complicated than with an S corp or C corp (where stocks can just be bought/sold).
- **Harder to raise capital:** Investors often prefer to invest in [S corp and C corp](#) structures over LLCs. For example, corporations allow shares to be easily bought/sold (giving investors a lot of flexibility) and can conduct multiple rounds of fundraising by selling shares to new investors. LLCs don't have shares/stock to sell, which makes attracting investors trickier.

What is a dba?

The term [dba](#) stands for "doing business as." Some states also refer to a dba as a "trade name," "assumed name" or "fictitious business name." It's not a business structure. A dba is simply a name you use publicly for your business that isn't its legal name. You can have as many dbas as you want, but you have to officially file for them or you can get in trouble with the state/sued by other businesses using the same name. State requirements for [dba registration](#) vary, with some states requiring registration at the state level, others at the county level and some both.

Let's explore an actual scenario to explain how this works. Say you want to open a pizza restaurant but you already have a business with the legal name of

name for a pizza joint. So, you file for a dba as "Petey's Pitry Pies" (with pizza names like, "Ring Around a Roni" and "Cheese Louise"). Now you're in business!

DbA advantages

Using a dba can be a great move for your business. It can help you:

- **Solidify your brand:** In many cases, the legal name of your business might not be the best fit for your brand (especially in the case of sole proprietorships where you generally use your personal name as the business name). Filing for a dba allows you to select a business name specifically tailored to your industry or product, better clueing customers into what your brand is about.
- **Maintain privacy:** If your business name is connected with your personal name, a dba provides a layer of public privacy.
- **Branch out into new industries/business markets:** If you start a business in one industry/field and want to branch out into another, a dba is a great way to start fresh without having to do a complete rebrand or file for a new business startup.
- **Streamline accounting:** If you have multiple business ventures under one main business, you can open separate [bank accounts](#) using your dbas to help keep things separate and organized. You'll also need an [employer identification number \(EIN\)](#).

DbA disadvantages

There are a few downsides to using a dba vs an LLC or other business structure. Here are a few of the main ones.

- **No liability protection:** Although a dba may help protect your privacy, it doesn't provide any kind of liability protection like an LLC or corporation does. So, if you're a sole proprietorship or partnership that decides to use a dba, you'll still be fully liable for all business debts and liabilities.
- **Your business name isn't actually reserved:** Filing for a dba will allow you to do business under that name. But, in most cases, it doesn't actually [reserve or protect that name](#) for you exclusively. Another business can use the same name as you, either by filing as a business entity or via a dba filing.
- **No tax advantages:** A dba isn't a business structure or tax election status and therefore provides no tax advantages of any kind.
- **Paperwork can be a hassle:** Some states require you to file a dba in every county you'll be doing business in. Between that and often having to renew dbas every few

LLC and dba key differences

In some ways, it doesn't really make sense to compare a dba vs LLC, because they're categorically different things. An LLC is a business structure that provides you with limited liability and certain taxation benefits, among other things. A dba is really just an alias for your business, one that isn't even reserved exclusively for you. That said, here's a quick snapshot of the differences.

	LLC	Dba
Business structure/entity	Yes	No
Reserves your business name in filing state	Yes	No
Liability protection	Yes (limited liability)	No
Tax benefits	Yes	No
Average filing cost	\$123	\$37

Can an LLC have a dba?

LLCs, like most business structures, can have one or multiple dbas. Theoretically, you can have as many dbas as you want for your LLC, although at some point it would probably make more sense to formally start a new business.

Just keep in mind that some states require you to file for a dba in every county in which you do business. So, if you had 10 dbas and you do business in five counties, you might very well have to file for 50 dbas, which gets pricey and will be quite the hassle to manage.

accomplish different things

In the dba vs LLC debate, there are some similarities. You can use both to establish a business name other than your personal name that you can operate under. Also, when paired with an EIN, you can use either to open a business bank account. But, it's better to think of LLCs and dbas as separate things that you can use in different situations to accomplish different outcomes.

When to use an LLC

If your goal is to [start a business](#) that is separate from you and provides you with limited liability and taxation benefits, then an LLC is the way to go. An LLC will add legitimacy to your new business, ensure you have a solid foundation in place for your business to grow and provide you with options moving forward (such as adding investors as new members, filing for S corp tax election, etc.)

When to use a dba

If you're simply looking for a way to do business under a name other than your current legal business name (personal, LLC, corp, etc.), then a dba makes a lot of sense. There are a variety of use cases for this. Perhaps you already have an LLC or corporation set up and just want to expand by using a different name. Or, maybe you're a sole proprietor and want to have a business name that is more on-brand and easier to market. Either way, a dba is a solid choice.

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Frequently asked questions (FAQs)

Do I need a dba for my LLC? ^

Whether or not you need a dba for your LLC depends on whether you're happy with the current legal name of your LLC. If you want to operate under a name different than your LLC's current name, you'll need to file for a dba.

How does a dba work under an LLC? v

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