

Entrepreneurship Questions



Made by: Simon and Ben

What is the organization in Virginia through which businesses are registered?

The Virginia State Corporation Commission (SCC) is the main state office for registering corporations, LLCs, limited partnerships, and other covered entities.

Its Clerk's Information System (CIS) lets businesses file formation documents, register out-of-state entities, pay fees, and maintain records.

Start here: cis.scc.virginia.gov

What are the different types of businesses that can be formed?

Sole proprietorship — one owner; simplest structure.

Partnerships — general partnership (GP), limited partnership (LP), and limited liability partnership (LLP).

Limited liability company (LLC), including professional LLC (PLLC).

Corporations — stock corporation, nonstock/nonprofit corporation, and professional corporation (PC).

Other structures exist, including business trusts and cooperatives. Tax status (such as S corporation) is not always a separate legal entity type.

Do all of these types require registration?

No. A sole proprietorship generally does not file formation papers with the SCC, and a basic general partnership may begin without creating an SCC-registered entity.

LLCs, corporations, LPs, and LLPs generally file specific documents with the SCC to form or register the entity.

Even when SCC formation is not required, a business may need a fictitious-name filing, tax registration, local license, or professional license.

Rules depend on the activity and structure—check the SCC and Virginia Business One Stop.

What is a Professional LLC or Professional Corporation, and why does Virginia require a separate classification?

A PLLC or PC is formed to provide certain licensed professional services, such as law, medicine, dentistry, accounting, architecture, or engineering.

Virginia uses a separate classification because only eligible professional services and appropriately licensed owners/practitioners can use these structures.

The entity can provide liability protection for many business debts, but it does not automatically protect a professional from personal liability for their own malpractice.

PLLC form: LLC1103. PC form: SCC 544.

What are the specific filing forms and fees for the most common entities?

Virginia LLC: Articles of Organization, LLC1011 — \$100. Professional LLC: LLC1103 — \$100.

Stock corporation: Articles of Incorporation, SCC619 — \$25 filing fee plus a charter fee based on authorized shares (minimum total generally \$75).

Nonstock corporation: SCC819 — \$75 total (\$50 charter fee + \$25 filing fee). Professional corporation: SCC544 — \$25 filing fee plus any applicable charter fee.

Limited partnership: LPA73.11 — \$100. Registered LLP: UPA132 — \$100. General partnership statement, if filed: UPA93 — \$25.

Fees can change; confirm the current form and amount on the SCC website before filing.

How does a foreign entity register in Virginia? How is that different from forming a new Virginia entity?

“Foreign” means formed in another U.S. state or country—not necessarily outside the United States.

A foreign LLC generally files Form LLC1052; a foreign corporation files SCC759/921; a foreign LP files LPA73.54-DOC. The LLC registration fee is \$100; corporation fees include \$25 plus any applicable entrance fee.

Foreign entities typically provide evidence of good standing/existence from their home jurisdiction and appoint a Virginia registered agent with a Virginia office.

Forming new creates a Virginia entity. Foreign registration lets the existing out-of-state entity operate in Virginia without creating a second entity.

For each entity type, who is personally liable for business debts?

Sole proprietor: owner is personally responsible. General partnership: partners generally have personal liability for partnership obligations.

LP: general partner generally has personal liability; limited partners generally risk their investment, subject to exceptions.

LLC/PLLC: members and managers generally are not personally liable solely because of their role.

Corporation/PC/nonstock corporation: shareholders or members generally are not personally liable solely because of ownership.

LLP: partners generally receive liability protection for many partnership obligations. Personal guarantees, personal wrongdoing, or failure to respect the entity can change the result.

In a Limited Partnership, what is the trade-off between the General Partner and Limited Partner?

General Partner (GP): manages and controls the business, but generally has personal liability for the partnership's debts.

Limited Partner (LP): contributes money or other value and usually has liability limited to their investment, but typically has less management control.

The partnership agreement sets the partners' rights and responsibilities. A corporate or LLC general partner may be used to help manage the GP's liability exposure.

What is the default tax classification for a single-member LLC versus a multi-member LLC?

Single-member LLC: default federal tax treatment is a “disregarded entity”; business income usually goes on the owner’s tax return.

Multi-member LLC: default federal tax treatment is a partnership; the LLC files an informational partnership return and owners report their shares.

An eligible LLC can elect corporate taxation, including S corporation treatment if it qualifies. Tax classification does not change the LLC’s state-law entity type.

Confirm the best option with a tax professional.

How does pass-through taxation differ from C-Corporation double taxation?

Pass-through: profits and losses generally flow to owners' tax returns; the business usually does not pay federal income tax as a C corporation.

C corporation: the corporation pays tax on its profits. If after-tax profits are distributed as dividends, shareholders may pay tax again on those dividends.

A corporation may still be preferable for certain investors, growth plans, or employee equity; tax results depend on the facts.

What is Virginia's Elective Pass-Through Entity Tax (PTET), and why might a business choose it?

PTET lets an eligible pass-through entity elect to pay Virginia income tax at the entity level, currently at a 5.75% rate.

Eligible owners may claim a corresponding refundable Virginia tax credit for their share of the tax paid by the entity.

Businesses may consider it because an entity-level state tax payment may receive different federal deduction treatment than state income tax paid personally, potentially improving the owners' overall tax result.

The election is not automatically best for every business; eligibility, federal rules, cash flow, and filing requirements matter. Virginia removed the sunset provision in 2026, making the election permanent.

What ongoing annual reports or fees does the SCC require for good standing?

LLC: \$50 annual registration fee, due by the last day of the month it was formed/registered; generally no annual report.

Stock corporation: annual report (no filing fee) and annual registration fee based on authorized shares; due by the end of the formation month.

Nonstock corporation: annual report plus \$25 annual registration fee.

LP and business trust: \$50 annual registration fee, due by September 30. Registered LLP/LLLP: \$50 annual continuation report, due July 1.

Late fees and cancellation/termination can apply. Foreign entities also need to keep their Virginia registration active.

If a startup plans to seek venture capital and eventually go public, which entity is likely the best fit, and why?

A Virginia stock corporation—often structured to elect C-corporation tax treatment—is usually the strongest fit.

Corporations can issue different classes of stock, support familiar investor rights, and provide a clear structure for stock options and equity financing.

Venture capital firms commonly prefer the corporate structure, and a corporation is the usual foundation for an eventual public offering.

Trade-off: more formal governance, recordkeeping, and potential double taxation.

If a solo consultant wants minimal paperwork and maximum flexibility, which entity makes the most sense?

A sole proprietorship is simplest if the consultant accepts personal liability and does not need a separate legal entity.

A single-member LLC is often a practical middle ground: limited-liability protection in many situations, flexible management, and default pass-through tax treatment.

An LLC requires a \$100 formation filing and a \$50 annual SCC registration fee in Virginia.

For many consultants, an LLC balances simplicity and protection, but the best choice depends on risk and insurance.

When might a business convert from an LLC to a corporation later?

A growing company may convert when it plans to raise venture capital, issue preferred shares, establish employee stock options, or prepare for an IPO.

Investors may prefer the corporation's familiar share structure and governance model.

Conversion can affect taxes, contracts, ownership, licenses, and filing obligations; the method and consequences depend on the company's facts.

Plan the conversion with legal and tax advisers before filing. Virginia SCC provides conversion procedures and forms.