

# What Makes an LLC Different from a PLLC?



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There are a lot of similarities between a **PLLC (professional limited liability company)** and an **LLC (limited liability company)**. Understanding the differences can help you choose which one is best for your professional company.

## Limited Liability Company

When weighing a **PLLC vs. LLC**, you need to know the restrictions and requirements for each. An LLC is a legal entity created under state law to organize a company. The members (owners) contribute to the company and are not personally responsible for the company. One of the biggest benefits is that each member is only liable for company debts and liabilities up to the amount they contributed to the company. LLCs also have partnership pass-through taxation, so the LLC is responsible for the taxes, not the members. LLCs can have one or more members and can generally be formed by almost any type of company, but each state has its own laws and some do prohibit certain licensed professionals from forming an LLC.

## Professional Limited Liability Company

**What is a PLLC?** A **professional LLC** is a special kind of LLC available only to certain licensed professionals who will only be offering services specific to their profession. Some states do not permit licensed professionals to form a regular LLC, requiring them to form as a PLLC. Each state has its own list of **PLLC requirements** with a list of professions that qualify, but in general the professions permitted to form one includes lawyers, doctors, engineers, accountants, and so on.

There is not much difference between **LLC vs. PLLC** when it comes to how they actually function. The primary **difference between LLC and PLLC** is that while a PLLC offers the same liability protection for members as an LLC, it does not shield individual members from malpractice claims against them. Because of this, malpractice insurance is essential. Each member remains personally liable for his or her own malpractice, but they are not liable for each other's malpractice, unlike in a partnership where all the partners are liable for each other's malpractice. Some states do not permit licensed professionals to **form a PLLC** and instead require them to become a professional corporation (PC).

## How to Form a PLLC

To form a PLLC you must follow your state's filing requirements which includes filing forms and the articles of organization as you would with an LLC, but you must also provide proof that every member is licensed in the profession and at least one licensed professional must sign the articles of organization in most states. The state licensing board for your profession must approve the formation of the PLLC. Some states require that all the members of the PLLC be licensed professionals, but this is not always the case. In some states only half the members must be professionals and in some instances heirs of a deceased member can continue ownership. Once your PLLC is formed, you may need to add "PLLC" after the official name of your company.

## Taxes

Whether you **form an LLC** or a PLLC, you will have to select a different type of entity for tax purposes. The IRS does not recognize LLCs or PLLCs. For taxes you must elect to be taxed as an individual (if there is only one member, called "disregarded status"), a partnership or an S corporation. It is important to make this election. If you don't, the IRS chooses for you.

If you are a licensed professional, it is essential to understand which type of company you need to form to comply with your state laws. An LLC or PLLC can provide you with protections you need as you perform your services.

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