GUIDE

Form 8832, the entity classification election

Form 8832 is the IRS form an eligible business, usually an LLC, files to choose how it is taxed. A single-member LLC is ignored for tax by default, and a multi-member LLC is a partnership. File Form 8832 to be taxed as a C-Corp instead. To be an S-Corp, you usually file Form 2553 alone.

QUICK FACTS

- **What it does.** Lets an LLC or other eligible entity pick corporation, partnership or disregarded status for federal tax
- **Effective date.** Can start up to 75 days before or 12 months after the date you file it
- **Change limit.** After a change, you generally can't change again for 60 months

Who files Form 8832?

Eligible entities that want a status other than their default. In the US that mostly means LLCs. The defaults are:

- A single-member LLC is a disregarded entity. Its income goes on the owner's Schedule C, E or F.
- A multi-member LLC is a partnership, filing Form 1065.
- A corporation formed under state law is always a corporation and can't use Form 8832.

You don't file Form 8832 to keep your default. You file it to change, most often to make an LLC taxable as a C-Corp, or for a foreign entity choosing its US status.

Do I need Form 8832 to become an S-Corp?

Usually not. An LLC that files a timely Form 2553 is treated as having elected corporate status too, so one form does both jobs. File Form 8832 first only if you want C-Corp status for a period before the S election. Our Form 2553 guide covers the S-Corp side, and the S-Corp vs LLC guide shows when the election pays off.

General information, not tax advice for your situation.

When does the election take effect?

On the date you pick on line 8, which can be up to 75 days before you file or up to 12 months after. If you leave it blank, it starts the day you file. Missed the 75-day window? Revenue Procedure 2009-41 gives late relief if you file within three years and 75 days of the date you wanted, have reasonable cause, and meet the other conditions.

What is the 60-month rule?

Once you change classification, you generally can't change again for 60 months. A newly formed entity choosing its first status isn't counted as a change. The IRS can allow an earlier change in some cases, such as when more than half the ownership has changed.

How do I file it?

Form 8832 is filed on paper, at the IRS address in the instructions for your state. Every owner signs, or one officer or member authorized to sign for all. The IRS sends a letter accepting or rejecting the election, so keep it with your formation papers. Our LLC formation service handles the forms when you set up.

Should an LLC elect C-Corp status?

Sometimes. A C-Corp pays a flat 21% federal tax on profit and the owners pay tax again on dividends. That can suit a business keeping profits in to grow, or one planning a qualified small business stock sale. For most owner-run businesses taking money out each year, the pass-through or S-Corp route costs less. Our C-Corp vs S-Corp guide runs the numbers.

Common questions

What is the default tax status of an LLC?
A single-member LLC is disregarded, so its income goes on the owner's return. An LLC with two or more members is taxed as a partnership.

Can I file Form 8832 online?
No. It's mailed on paper to the IRS service center listed in the instructions.

How long does the IRS take to respond?
Often 60 days or more. Keep a copy and proof of mailing until the acceptance letter arrives.

Can I undo a Form 8832 election?
Only by filing a new one, and usually not until 60 months have passed since the last change.

Starting a business?

We form the LLC, get the EIN and set up your books. Book a free 30-minute call at eminenttax.com/contact or call (972) 347-4590.

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