



FREE GUIDE · CNE FINANCIAL AND TAX STRATEGIES

5 costly mistakes California owners make forming their own LLC.

Forming an LLC yourself looks easy — a few forms and a filing fee. The expensive part is what the forms don't tell you. These are the five mistakes we fix most often for owners who filed on their own, what each one costs, and how to avoid it.

1. Picking the structure before running the numbers.

Most owners default to whatever a friend or an online service suggested. But the wrong California LLC can add up to \$6,800+ a year in state fees with zero federal savings — and an S-Corp elected too early can quietly burn \$3,000–\$6,000 a year in payroll and bookkeeping costs that exceed the tax it saves.

Avoid it: run the numbers first. Our Tax Savings Analysis models your real situation across every structure and gives you a clear written answer — and the full \$475 is credited toward your formation packet, so it becomes part of your investment.

2. Missing the first Statement of Information.

California gives a new LLC 90 days to file its first Statement of Information with the Secretary of State — and many self-filers never hear about it until the \$250 penalty notice arrives. It then has to be renewed on schedule to keep the company in good standing.

Avoid it: calendar it the day you form — or use a formation packet that files it for you and hands you the compliance calendar.

3. Skipping the operating agreement.

California doesn't make you file an operating agreement, which is exactly why so many owners skip it. Without one, the state's default rules decide how your company is run — and banks, lenders, and courts will ask for it at the worst possible moment.

Avoid it: put a real operating agreement in place at formation, tailored to your ownership — not a downloaded template with someone else's terms.

4. Getting surprised by the \$800 annual tax.

Every California LLC owes the state's \$800 minimum tax each year it exists — even a year in which it earned nothing. Form at the wrong time of year without a plan and you can owe a full year's \$800 for only a few weeks of existence.

Avoid it: time the formation deliberately and know the payment deadlines before you file, not after the notice arrives.

5. Mixing personal and business money.

The main reason to have an LLC is the liability shield — and mixing personal and business money is the fastest way to lose it. If your finances are tangled together, a court can treat the company and you as one and the same.

Avoid it: open a dedicated business bank account with your EIN on day one, and run every business dollar through it.

Want the numbers run for your situation?

Start with a Tax Savings Analysis: we model your real federal and California taxes across every structure and give you a clear written recommendation. It's \$475 — credited in full toward your formation packet if you move forward. Call (949) 822-7004 or visit cnestrategies.com/entity-formation.html. Podemos revisar este documento con usted en español.

This guide is general information for California business owners, not tax or legal advice for your specific situation. Figures reflect common California fees and penalties as of 2026 and can change. CNE Financial and Tax Strategies · Eleanor Pena, Senior Financial Consultant, Accountant and Enrolled Agent Licensed to Practice in front of IRS.