LegalZoom can help you prepare and submit business formation documents, but the advertised package price is only one part of the cost. Before forming an LLC through LegalZoom—or any other formation service—check what the package includes, what your state charges, which services renew, and what work you will still need to handle yourself.

Formation is also just the starting point. Once you hire, your budget needs to account for employer payroll taxes, benefits, workers' compensation, and the cost of replacing people who leave. Free small business calculators can help you plan, but they are estimates, not quotes or legal and tax advice. This guide explains the main LegalZoom LLC watch-outs and how to connect formation decisions to your hiring costs.

What a business formation service does—and does not do

Formation services such as LegalZoom typically help prepare and submit paperwork to create an LLC or corporation. Depending on the package and state, that may include preparing articles of organization, filing them with the state, and providing other setup resources. The exact offering can change, so review the current package details before you pay.

A service is not the same as a lawyer, accountant, or ongoing compliance department. Unless a specific service americanbusinesscenter.org says otherwise, do not assume it will choose the right tax classification for you, draft a tailored operating agreement, obtain every local permit, or make sure you meet every future filing deadline. You remain responsible for your business's obligations.

LegalZoom LLC costs: look beyond the advertised price

When comparing formation services, separate the service's charge from government filing fees and optional or recurring services. A low introductory price can make the first step look inexpensive while leaving important costs outside the headline.

Cost to check What to verify Formation service fee Which documents and support are included, and what is available only in higher-priced packages? State filing fees Is the state's fee included in the displayed price, or added at checkout? Check the current fee with your state agency. Registered agent Is it included only for an initial period? What is the renewal price, and how do you cancel or appoint your own agent? Optional add-ons Are items such as operating agreements, tax consultations, compliance help, or business licenses necessary for your situation, and are they one-time or recurring? Ongoing state obligations Does your state require annual or biennial reports, franchise taxes, or other filings, regardless of who formed the company?

Filing fees vary by state and by filing type. There may also be separate charges for expedited processing, name reservations, certificates, or later amendments. Don't rely on a general national estimate: check the official state business filing website for the fee that applies to your entity and filing.

Watch for renewals and deadlines

Some services are useful at launch but become recurring expenses. If you use a formation provider's registered-agent service, note when the included period ends and how much renewal costs. A registered agent receives official notices for the business; the state generally requires an eligible agent, but you may be able to serve as your own agent if you meet your state's rules and are comfortable with the privacy and availability trade-offs.

Put state reports, tax payments, licenses, and service renewals on a calendar. Missing a required filing can lead to penalties or loss of good standing, even if a provider helped submit your original formation paperwork.

How to compare formation services fairly

Compare the same scope, not just the first price shown. Before ordering LegalZoom or another service, write down your total first-year cost and likely renewal cost. Confirm whether the provider will submit the filing, whether you can review it before submission, how long processing may take, and what happens if the state rejects the paperwork. State processing time is separate from the service's preparation time.

- Confirm the exact legal name and entity type you want to form.
- Check whether the package includes an operating agreement or merely offers a template.
- Find out what registered-agent service costs after any introductory period.
- Review add-ons individually; don't buy a service just because it appears in a bundle.
- Save the order summary, renewal terms, cancellation instructions, and filing confirmation.

If you have multiple owners, unusual profit-sharing, investor plans, or questions about liability and taxes, get advice from a qualified attorney or tax professional. A standard formation package may not address those details.



Formation is not the end of the setup checklist

After formation, you may still need an employer identification number (EIN), business bank account, state or local licenses, tax registrations, and an accounting process. Requirements depend on your business activity and location. An LLC also does not automatically determine how the business is taxed; discuss your circumstances with a tax professional.

Keep business and personal transactions separate, save receipts, and decide how you will track income, expenses, and payroll before you start hiring. QuickBooks, for example, offers accounting tools that can help a business organize bookkeeping and financial records. It does not replace legal compliance or automatically guarantee that your records are correct. Check the current product features and pricing before choosing a plan.

Estimate the true cost of hiring employees

A salary is not the full cost of an employee. Employers may also pay Social Security and Medicare taxes, federal and state unemployment taxes, workers' compensation premiums, and benefits. Depending on the job and location, there can also be recruiting, equipment, training, paid leave, and payroll administration costs.

For a quick planning estimate, start with gross wages, then add employer-paid costs that apply to your business. Don't confuse employee deductions with employer expenses: federal and state income tax withholding, for example, generally comes out of the employee's gross pay. Employer payroll taxes and benefits are additional costs for the business.

Back-of-the-napkin example: Suppose you plan to pay an employee $60,000 in annual wages. If your rough budget adds 15% for employer payroll taxes, workers' compensation, and other employer-paid costs, that is another $9,000, for a preliminary total of $69,000. The 15% is only an illustrative placeholder—not a universal rate. Your actual figure can be higher or lower based on state rules, industry, wages, benefits, and tax limits.

Free small business calculators to use before you hire

Free small business calculators can help you test assumptions before committing to a hire. Look for calculators that show their inputs and explain what is excluded. Useful tools include:

- **Employee cost calculator:** Estimates employer payroll taxes and other costs on top of wages.
- **Payroll tax calculator:** Helps estimate employer and employee tax amounts, subject to current rates and limits.
- **Paycheck calculator:** Estimates gross-to-net pay based on pay frequency, location, and withholding assumptions.
- **Turnover cost calculator:** Adds recruiting, vacancy, training, and productivity costs when an employee leaves.
- **Break-even calculator:** Estimates the additional revenue or margin needed to cover a new role.

Gusto provides payroll-related tools and resources, including paycheck estimates; available calculators and features can change. Use any calculator as a planning aid, then verify payroll setup and tax requirements for the employee's work location. QuickBooks and Gusto serve different purposes: QuickBooks is commonly used for accounting, while Gusto focuses on payroll and related HR workflows. Compare current integrations, features, and fees rather than assuming one tool handles every task.

Paycheck and take-home pay estimates need state-by-state inputs

Employees often ask what a salary means per paycheck. A rough gross-pay calculation is straightforward: divide annual salary by the number of pay periods. For a $60,000 salary paid biweekly, gross pay is about $2,308 per paycheck ($60,000 divided by 26). Take-home pay will be lower after withholding and any deductions.

Net pay depends on federal tax withholding, Social Security and Medicare taxes, state and sometimes local taxes, benefits, retirement contributions, and the employee's Form W-4 elections. State rules and local taxes can make two employees with the same salary take home different amounts. A calculator cannot know an employee's final tax liability, and an estimate should not be presented as a guarantee.

Use a current paycheck calculator with the employee's work location and pay frequency. Ask the employee to complete the appropriate tax forms, and have payroll set up withholding using the information provided. For a

business hiring across state lines, check whether you need to register and withhold taxes in each state where employees work.



Employee turnover cost math: account for more than recruiting

Replacing an employee costs more than posting a job ad. A practical estimate includes recruiting and screening time, hiring administration, vacancy coverage or overtime, onboarding, training, and the time it takes a new hire to reach expected productivity. The right calculation depends on the role; replacing a specialized or revenue-generating employee can cost much more than replacing a short-term position.

Simple turnover formula:

Turnover cost = recruiting and hiring + vacancy coverage + onboarding and training + estimated productivity loss

For example, suppose replacing an employee costs $2,000 in recruiting and hiring, $1,500 in coverage during the vacancy, and $2,500 in onboarding and lost productivity. The estimated turnover cost is $6,000. If two employees leave in a year, that is roughly $12,000—before considering any customer disruption or management time not included in the estimate.

These are example inputs, not a standard rate. Keep your assumptions visible, use your own hiring records, and avoid counting the same cost twice. A free turnover calculator can make the arithmetic easier, but the result is only as reliable as the numbers you enter.

A practical checklist before you buy

1. Check your state's official filing requirements and current filing fees.
2. Compare the total first-year price, including required government charges.
3. Record renewal dates and prices for registered-agent or compliance services.
4. Confirm which documents are included and whether they fit your ownership structure.
5. Budget for post-formation tasks, such as licenses, tax registrations, and bookkeeping.
6. Before hiring, estimate employer costs, turnover exposure, and likely take-home pay.

7. Verify state and local payroll requirements for every location where an employee works.

The bottom line

LegalZoom may be a convenient way to prepare and file formation documents, but convenience does not remove your responsibility for state compliance or make every add-on worthwhile. Compare formation services by total cost, renewal terms, and what they actually do. Then plan beyond formation: use transparent calculators for hiring and paycheck estimates, build a realistic turnover budget, and verify state-specific requirements before putting an employee on payroll.

This article is for general information, not legal, tax, or payroll advice. Prices, product features, filing fees, and state rules change; confirm current details with the provider and relevant government agencies.