

Understanding the *Limited Liability Company*

LLC's are very popular, but why?

As one of the easiest types of business to form and one of the simplest to maintain, LLCs allow you to expand as needed when your business grows. LLCs are chosen typically because the business can be set up like a corporation or partnership, allowing for pass-through taxation if desired, and has less operation requirements than corporations.

LLC Simply Defined

- An LLC is a business entity created by state law that is:
- Formed by filing "Articles of Organization"
 - Controlled by owner(s) or managers
 - Board of Directors/Shareholders are not required
 - Rights and requirements of owners/members and how the LLC conducts business is typically laid out in the Operating Agreement (OA is not legally required)
 - Less complications and paperwork

Functions of an LLC

- It is a business entity unattached from the owners
- Rights and Duties are separate from the owner
- Protects personal property from liabilities
- Ability to enter into contracts
- Capacity to purchase and sell property
- Members liability is limited and they cannot be held responsible for its debts and liabilities

Drawbacks of the LLC

- Can cost more to file articles
- Lacks of flexibility when adding or removing members
- Fewer statutory protections for owners
- Can be difficult to find investors people still prefer to buy stock in corporations
- Potential to pay more in taxes

LLCs Choose Their Type of Business Tax

- The form of taxation can be chosen:
- Pass-Through Taxation - The Entity is not taxed on its earnings; income and losses flow through to the Owners
 - Double Taxation - The entity pays income tax if dividends are declared and if the owners pay taxes on their earnings

Who Would Choose to Form an LLC?

- LLCs can be a wise path for entities that:
- Are entrepreneurs
 - Own property
 - Operate commercial businesses
 - Are in the same line of work as most corporations

Common Myth: LLCs Are Limited to Small Businesses

- LLCs can actually be used for large businesses much as they are used for small businesses. There are a lot of large companies that are LLCs, including:
- Amazon
 - Google
 - GM



We can help if you choose to proceed with creating an LLC, visit our website capitollien.com to learn more.

Our team of compliance experts are available and ready to help with any questions you may have, you can reach out to them at contact@capitollien.com or give us a call at 800-845-4077