

NEW LLC GUIDE

What is an LLC?

- An LLC limited liability company is a legal entity separate from its owners and organized under the business law statutes of each state.
- All states have LLC legislation, and the rules vary from state to state.
- The LLC is created by filing articles of organization. At the state level. As a separate entity, the LLC has the power to collect business in its own name. It can sign contracts by property, be sued, etc.
- An LLC can have a single owner member or a number of members. There is no limitation to the number.
- Similar to a corporation, the LLC offers limited liability to its members, which includes personal asset protection.
- The LLC offers business asset protection from the personal debts of the members. Creditors cannot seize LLC property or force a member to liquidate due to personal debt.
- The LLC form of organization offers contractual flexibility in that the members can alter the operating agreements to suit their needs.
- Most state rulings on LLC's are informal, the lack of formal rulings make decision making easier.
- The LLC form of organization is very flexible from a taxation standpoint because it allows various options for filing and paying taxes.

LLC Tax options.

An LLC can be taxed as one of the following entities.

- Sole proprietorship.
- Partnership.
- C corporation.
- S Corporation.

To elect one of the above federal tax classifications, the LLC files Form 8832 to make its choice if the LLC does not file Form 8832 to choose a classification, **A single member LLC will default to a sole proprietorship. And a multi member LLC will default to a partnership.**

SHOULD YOU ORGANIZE YOUR BUSINESS AS AN LLC?

The answer is most likely yes. Nowhere else will you get limited liability teamed up with limited regulations and ease of operation.

The corporate form was set up for large businesses and along with limited liability, comes with the disadvantage of rules and complicated structure.

The sole proprietorship, on the other hand, is easy to operate, but liability to the owner is unlimited. When you are the sole proprietor, **you are** the company.

THE LLC OFFERS THE BEST OF BOTH WORLDS.

Getting started checklist.

You can use the following checklist to get started. Because the LLC is a legal entity, the help of an attorney or tax professional is advised.

- Decide on a business name for your entity. Most states require some variation of LLC to be included in the name. Check with your state for details.
- According to the laws of your state, you will need to file the articles of organization for your LLC.
- Decide which tax entity best suits your business for federal tax purposes and file Form 8832 to check the box. You must stay with your initial choice for 60 months, so choose wisely.
- Outline your rules of operation with an operating agreement. The operating agreement is not required for the LLC to be valid, but it is wise to map out your intentions. Items to include are:
 - Name and address for LLC in each member.
 - Registered agent.
 - Management structure and operation.
 - Items contributed by each member.
 - Accounting method.
 - Tax treatment for the LLC.
 - Operating procedures.
 - Appointment of officers.
- Arrange a schedule for regular meetings. Not all states require meetings, but meetings help the business stay on course.
- Open a bank account. Your LLC is a separate entity, and it needs its own bank account. It needs to be separate from your personal finances.

New for 2024. Report beneficial ownership information with the Financial Crimes Enforcement Network. You have 90 days after forming the LLC to file the report. LLC's that existed before 2024 will have until 12/31/24 to file. Failure to comply may result in hefty fines and criminal prosecution. The details of reporting the BOI are beyond the scope of this guide. So, For more information go to www.fincen.gov/BOI.