

LLC

A limited liability company [LLC] offers the liability of a corporation with structure a lot like a partnership with the members of an LLC being the "owners".

Taxes

Under partnership tax treatment, each member of the LLC reports income or loss on his or her individual income tax return. However, an LLC with either single or multiple member may elect to be taxed as a corporation through the filing of IRS Form 8832.



Formation

Documents that must be filed include: articles of organization, an operating agreement, licenses, permits and registrations. Additionally, the name of an LLC must be unique, indicate that it is an LLC and not include restricted words.

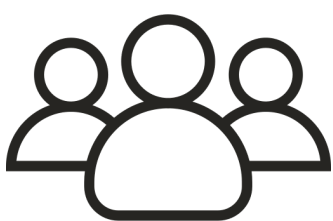


Advantages

- Better chance of raising capital, similar to partnership
- Liability cannot exceed amount invested in the company
- Fewer restrictions on sharing profits among members of an LLC
- Less registration paperwork, smaller start-up costs and ease of operation as compared to an S-Corp

Disadvantages

- In some states, if a member leaves, it can dissolve the business forcing members to fulfill obligations
- The net income of an LLC is subject to self-employment taxes
- Investors may be more comfortable investing funds in the better-understood corporate formation



Examples

YouTube, United States Postal Service, Chrysler