



SMALL BUSINESS STRUCTURING

featuring the use of

LIMITED LIABILITY COMPANIES



Small businesses take many forms: sole proprietorship, general partnership, limited partnership, business trust, “C” corporation, “S” corporation, and limited liability company (LLC). One of the challenges to the small business owner is selecting the proper structure to attain the owner’s goals regarding:

- ✎ tax savings
- ✎ liability limitation
- ✎ estate planning / business continuation
- operational management and control
- future sale of business
- asset protection

Limited liability companies are the newest and most flexible form of ownership available to small businesses and are often the best choice for the small business owner to attain their goals. Limited liability companies presently offer the greatest flexibility in ownership, management, and tax treatment while providing a shield for limitation of liability and asset protection without the hassle of the annual report filing required for corporations.

Due to changes in state and federal law over the past few years, limited liability companies are able to be used by small businesses that have one or more owners, and management can be separated from ownership by use of a manager-managed LLC or retained by the owners in a member-managed LLC. LLCs have flexibility in choosing tax structure between sole proprietorship (disregarded entity) treatment, partnership treatment, “C” corporation treatment or subchapter “S” corporation treatment.

Most—but not all—small business owners will find significant tax advantages using “S” corporation tax treatment for a limited liability company which is an operating business. Real estate ventures and situations where “S” treatment is not available often favor partnership treatment. LLCs can be formed for perpetual existence or for a limited period of time. Of course, the right structure for you depends largely upon matching the right organization for your goals and financial situation.

In most cases, small business owners find that limited liability companies are superior to any other form of ownership. They offer asset protection where sole proprietorships offer none. There are no state corporation commission annual reports as required for any corporation. They can offer tremendous savings in self employment taxes. LLCs are also very flexible for meeting gifting or estate planning goals or desires. LLCs, if formed carefully, not only help in protecting a business owner’s personal assets from the risks of business operations but can also help to protect your business from the risks of incurrence of personal liabilities.



LLCs are deceptively easy to form, but the prudent small business owner will seek the proper team of experienced advisors to assist in identifying the issues and options to create the structure right for you. Every business owner should have a coordinated, qualified and competent team to provide advice and assistance on bookkeeping, tax, investment and legal matters. We would be honored to join your team and put our experience to work for you.