



IS A LIMITED LIABILITY COMPANY (LLC) RIGHT FOR YOUR BUSINESS?

Up until a few years ago there were only 3 types of formal business formations. These were the corporation, a partnership and a sole proprietorship. Each had both positives and negatives and depending on your situation, you would choose the right one for you.

The latest business type however has attempted to create like a hybrid with the benefits of sole proprietorship and protections of a corporation without the formalities.

An LLC (limited liability company) provides the benefits of liability protection, like a formal corporation but also features the tax design of a sole proprietorship or partnership. The biggest benefits of an LLC are in the taxation and liability areas, although unlike a corporation, an LLC can be set up for a limited amount of time only.

Unlike a corporation where income is taxed twice, an LLC business passes through income to the owners. That is, the income goes directly to the owners of the company who then are responsible for the taxes. Of course good business practices are a must and this doesn't mean that the company can be treated as a personal piggy bank for the owners.

As the rules that bind an LLC are more in line with a sole proprietorship, many of the corporate governance like a board of directors is not required. The LLC formation also makes it easy to dissolve without the filing and notice requirements of a formal corporation.

LLC's can usually be formed with a simple form filed with the state. Check your local authorities for more information on the type of filing, forms, and other information that may be needed. One identifying characteristic to note is that the name of any limited liability company needs to end with the letters "LLC."

Here's an example: Joe's Shoe Repair, LLC.

Filing LLC business documentation though is not difficult and can be accomplished in several ways.

An attorney can generate the basic documentation and should cost a couple of hundred dollars. This is recommended if you're planning to change the business type of an ongoing business. If you already have a business in operation, it's necessary to cover all the details. Using an attorney also can give peace of mind should you be concerned.

If however, you're just starting out or have a brand new business, filing the necessary paperwork is really very easy. To set up an LLC, you file articles of formation or articles of organization with the state. This document is usually an easy to complete one-page form. It has areas where you can fill in the blanks with basic information about your new company including the name and other important information. The state agency that is usually charged with accepting LLC filings is the state department of corporations. If your state doesn't use this name, a quick call to the secretary of state office can point you in the right direction. Some state also have additional minor requirements to open an LLC company. The state department where you file the documents will let you know of any additional requirements.

After the state accepts your articles of LLC formation and you complete any other state requirements, you're done with your LLC formation.

<https://blog.granted.com/>