

Title:

LLC - FAQ

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Summary:

The limited liability company, or LLC, is a new concept for businesspeople in the United States. Internationally, LLC's are fairly common. However, investors, employees, and lawmakers aren't always quick to warm up to such a structure in America. Let's clear up some of the misunderstandings and confusion about LLC's and hopefully we can figure out what an LLC is all about in the process! Here are frequently asked questions about the topic; chances are you've stumbled upon the same ones in your own thought process.

Keywords:

LLC,FAQ,law,legal,business,company,corp,inc,incorporation

Article Body:

LLC's: They don't have to be so confusing!

The limited liability company, or LLC, is a new concept for businesspeople in the United States. Internationally, LLC's are fairly common. However, investors, employees, and lawmakers aren't always quick to warm up to such a structure in America. Let's clear up some of the misunderstandings and confusion about LLC's and hopefully we can figure out what an LLC is all about in the process! Here are frequently asked questions about the topic; chances are you've stumbled upon the same ones in your own thought process.

How does an LLC differ from a corporation?

LLC's resemble partnerships or sole proprietorships in that they feature advantageous pass-through taxation. Economically, they make a lot more sense! But they also have the benefit of limited liability for their members, just like a corporation. Basically: the LLC is not a separate entity from its owners but its owners are still protected from personal liability. No double taxation and no liability - LLC's are hybrids of a partnership and a corporation.

If LLC's are so great, why would you not structure your business in such a way?

Simply put - LLC's are like the new neighbors; a lot of people don't trust them.

Shareholders aren't as eager to invest in them. Members get confused about what LLC means for them (they aren't forced by the state to be organized in any standard way). More importantly, in many states, an LLC becomes almost a corporation by default. Franchise taxes and other restrictions haunt many LLC's because lawmakers aren't as willing to give them more freedom and tax benefits than typical corporations.

Do you need more than one owner to form an LLC?

Nope - you only need one member!

Is it hard to form an LLC?

It's quite easy to form an LLC. In most states, you simply have to fill out an "articles of organization" form and pay a fee. If you already own a partnership or sole proprietorship, it's easy to switch over to an LLC. Some states have further requirements, however, and you'll want to research this on your own.

Can an LLC be taxed like a corporation?

If you so choose, the LLC can be taxed as if it were a corporation. This benefits LLC owners who want to keep more of their profits.

Is an LLC in Texas the same as an LLC in Maryland?

Not at all. LLC's in some states will thrive, while in other states, they might die. Local laws regarding LLC's, especially when it comes to the issues of taxes, are highly variable.

As the years pass, LLC's might become more and more appealing. The reverse situation could occur, however, if legislatures only become more and more restrictive and consequently make the LLC structure meaningless, as all its advantages will be offset by fees and regulations. However, if shareholders and businesspeople can wise up to the benefits of LLC's, they'll probably just grow in popularity.

You've taken a step in the right direction by reading this article. Your next step will be toward a corporation or an LLC; it's a very personal decision that depends entirely on the unique character of or your company and your state's laws.