



# LLC

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# CHAPTER 1

## Getting Your Plan in Writing

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fig. 1



Components of a business plan.

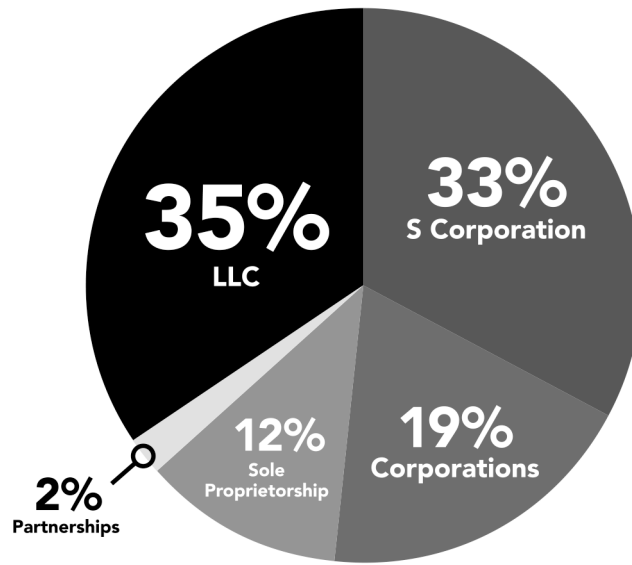
## CHAPTER 2

### Different Types of Business Entities

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fig. 2

#### LEGAL STRUCTURES OF U.S. SMALL BUSINESSES



Source: National Small Business Association

fig. 3

#### CORPORATE INCOME



fig. 4

<b>ATTRIBUTES AND DOWNSIDES</b>				
	<b>SOLE PROPRIETORSHIP</b>	<b>GENERAL PARTNERSHIP</b>	<b>C CORP</b>	<b>LLC</b>
<b>FORMATION</b>	No filing required	No filing required	State filing required	State filing required
<b>LIMITED PERSONAL LIABILITY</b>	No	No	Yes	Yes
<b>TRANSFERABILITY OF INTEREST</b>	No	No	Yes	Yes, often limited
<b>DURATION</b>	Until withdrawal or death of the owner	Unlimited	Unlimited	Unlimited
<b>PASS-THROUGH TAXATION</b>	Yes	Yes	No	Yes upon election
<b>ABILITY TO RAISE CAPITAL</b>	Not as a separate entity	Yes	Yes	Yes
<b>LIMITATIONS OF THE # OF OWNERS</b>	Yes	No	No	No

Use the chart in Figure 4 to compare advantages and disadvantage of sole proprietorships, general partnerships, corporations, and LLCs.

## CHAPTER 3

### Deciding to Form an LLC

---

fig. 5

#### Professional LLC

- Business entity designed for licensed professionals
- Protects owners from personal liability for lawsuits and debt
- Does not shield from malpractice

#### Nonprofit LLC

- Normally allowable for a company owned by a single tax-exempt nonprofit organization
- Difficult to establish, as it is not encouraged as an entity type by the IRS
- Probably will become easier to establish in the future

#### Low-profit LLC

- Required to provide a product or service that benefits the public
- Relatively new entity type; not widely available
- Designed to make it easier to attract funding from private foundations

#### Series LLC

- Consists of parent LLC and one or more sub-LLCs
- Each sub-LLC operates as a separate business
- Popular with companies that operate multiple lines of business

fig. 6

BUSINESS NAME	DESCRIPTION
<b>APPLE</b>	Friendly and inviting; intended to encourage everyday people to buy computers, which when the company started were considered mysterious and inaccessible.
<b>HAAGEN-DAZS</b>	Foreign and exotic-sounding; conveys a sense of luxury and indulgence.
<b>REDDIT</b>	Mimics the words “read it,” which calls attention to the company’s focus on providing internet content from around the world.
<b>NIKE</b>	Named for the Greek winged goddess of victory who was worshipped by athletes; targets athletes of every level who are striving to achieve their athletic goals.
<b>DOVE</b>	Evokes simplicity, elegance, and gentleness.
<b>GAP</b>	Easy to remember and pronounce; supposedly refers to the generation gap, to highlight the company’s focus on younger customers.
<b>PANERA</b>	Based on the words “pan” and “era,” the name focuses on the company’s Latin and Spanish roots. “Pan” is Spanish for bread and “era” in Latin means time or age, depicting the company’s commitment to making the best bread through the ages.
<b>LEGO</b>	Short and easy to remember, the name is a contraction of two Danish words, “leg godt,” which translates to “play well.” The brevity of the name makes it easy to position on the company’s products.



## CHAPTER 4

### Converting an Existing Business to an LLC

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fig. 7

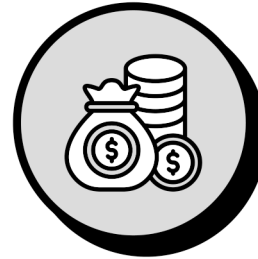
#### WHY CONVERT TO AN LLC?



Reduces risk of  
personal liability



Options for how your  
business will be taxed



Increases ability to  
raise capital

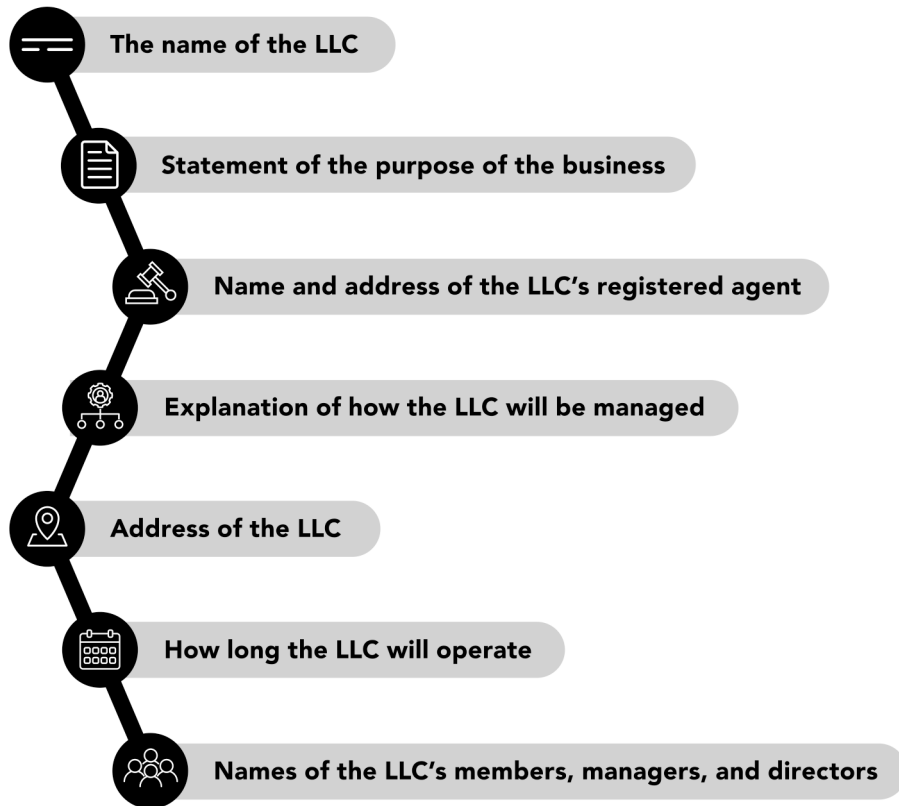
# CHAPTER 5

## Articles of Organization

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fig. 8

### ELEMENTS USUALLY INCLUDED IN ARTICLES OF ORGANIZATION

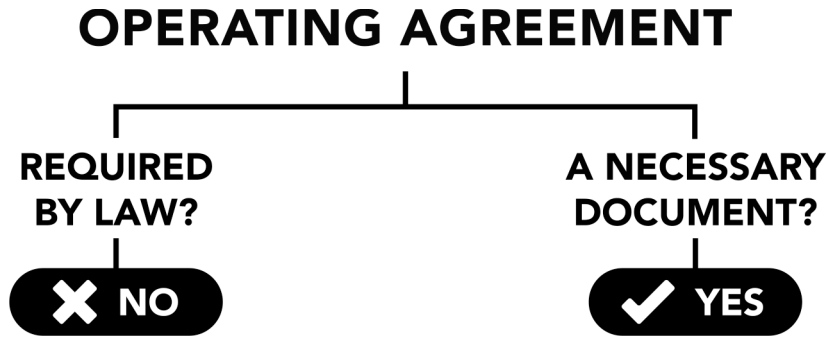


# CHAPTER 6

## Making the Big Decisions

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fig. 9



# CHAPTER 7

## Deciding How Your LLC Will Be Taxed

fig. 10

Form 8832 (Rev. 12-2013) Page 2

**Part I Election Information (Continued)**

**6** Type of entity (see instructions):

a  A domestic eligible entity electing to be classified as an association taxable as a corporation.

b  A domestic eligible entity electing to be classified as a partnership.

c  A domestic eligible entity with a single owner electing to be disregarded as a separate entity.

d  A foreign eligible entity electing to be classified as an association taxable as a corporation.

e  A foreign eligible entity electing to be classified as a partnership.

f  A foreign eligible entity with a single owner electing to be disregarded as a separate entity.

**7** If the eligible entity is created or organized in a foreign jurisdiction, provide the foreign country of organization: \_\_\_\_\_

**8** Election is to be effective beginning (month, day, year) (see instructions) . . . . . ▶ \_\_\_\_\_

**9** Name and title of contact person whom the IRS may call for more information \_\_\_\_\_ **10** Contact person's telephone number \_\_\_\_\_

IRS Form 8832, commonly referred to as the “check the box” form.

fig. 11

<b>FEDERAL INCOME TAX BRACKET FOR 2023</b> (FILING DEADLINE APRIL 15, 2024)				
	<b>SINGLE</b>	<b>MARRIED FILING JOINTLY</b>	<b>MARRIED FILING SEPARATELY</b>	<b>HEAD OF HOUSEHOLD</b>
<b>10%</b>	\$0 - \$11,000	\$0 - \$22,000	\$0 - \$11,000	\$0 - \$15,700
<b>12%</b>	\$11,001 - \$44,725	\$22,001 - \$89,450	\$11,001 - \$44,725	\$15,701 - \$59,850
<b>22%</b>	\$44,726 - \$95,375	\$89,451 - \$190,750	\$44,726 - \$95,375	\$59,851 - \$95,350
<b>24%</b>	\$95,376 - \$182,100	\$190,751 - \$364,200	\$95,376 - \$182,100	\$95,351 - \$182,100
<b>32%</b>	\$182,101 - \$231,250	\$364,201 - \$462,500	\$182,101 - \$231,250	\$182,101 - \$231,250
<b>35%</b>	\$231,251 - \$578,125	\$462,501 - \$693,750	\$231,251 - \$346,875	\$231,251 - \$578,100
<b>37%</b>	\$578,126 +	\$11,001 - \$44,725	\$346,876 +	\$578,101 +

## CHAPTER 8

### Deciding on a Management Structure

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fig. 12

<b>MEMBER- VS MANAGER-MANAGED LLCs</b>		
	<b>MEMBER-MANAGED</b>	<b>MANAGER-MANAGED</b>
<b>Good for small memberships?</b>	Yes	Not usually
<b>Good for large memberships?</b>	Not always	Yes
<b>Simplicity</b>	More streamlined	Less streamlined
<b>Allows passive investment?</b>	No	Yes
<b>Attracting investors</b>	Harder	Easier
<b>Attracting qualified management</b>	Harder	Easier
<b>Decision-making speed</b>	Slower	Faster
<b>Member control</b>	High	Low

Some pros and cons of member-managed and manager-managed LLCs

## CHAPTER 9

### Managing Day-to-Day Operations

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fig. 13

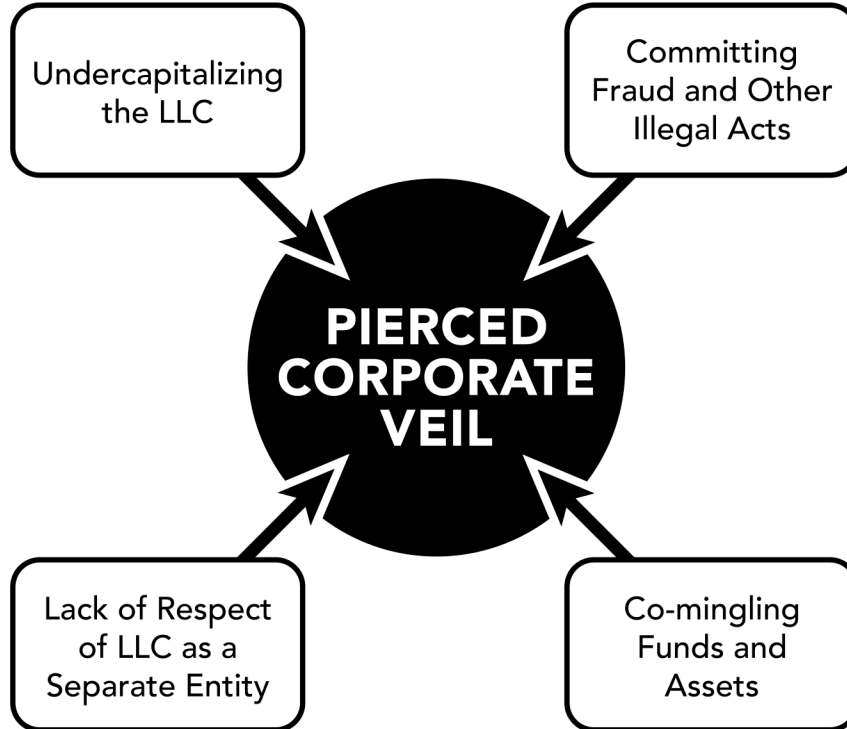













fig. 14

<b>TYPES OF BUSINESSES REGULATED BY A FEDERAL AGENCY</b>	
 <b>AGRICULTURE</b>	<p>If your business imports or transports animals, animal products, biologics, biotechnology, or plants across state lines, you must have a license from the U.S. Department of Agriculture.</p>
 <b>ALCOHOLIC BEVERAGES</b>	<p>If you manufacture, wholesale, or sell alcoholic beverages at a retail location, you'll need a license from the Alcohol and Tobacco Tax and Trade Bureau, as well as one from your local alcohol control board.</p>
 <b>AVIATION</b>	<p>If your business includes operating some sort of aircraft, transporting people or goods by air, or maintenance of aircraft, you'll need a license from the Federal Aviation Administration.</p>
 <b>FIREARMS, AMMUNITION, &amp; EXPLOSIVES</b>	<p>If your LLC manufactures, deals, or imports firearms, ammunitions, or explosives you must have a license from the Bureau of Alcohol, Tobacco, Firearms, and Explosives.</p>
 <b>FISH &amp; WILDLIFE</b>	<p>If your business involves any activity related to wildlife, including importing or exporting, you'll need a license from the U.S. Fish and Wildlife Service.</p>
 <b>COMMERCIAL FISHERIES</b>	<p>If you engage in commercial fishing, you must get a license from the National Oceanic and Atmospheric Administration Fisheries Service.</p>
 <b>MARITIME TRANSPORTATION</b>	<p>If your business provides ocean transportation or facilitates the shipment of cargo by sea, you must obtain a license from the Federal Maritime Commission.</p>
 <b>MINING &amp; DRILLING</b>	<p>If your LLC is involved in mining or drilling for natural gas, oil or other resources you'll need a license from the Bureau of Safety and Environmental Enforcement.</p>
 <b>NUCLEAR ENERGY</b>	<p>If you produce commercial nuclear energy, distribute or dispose of nuclear materials, or operate a fuel cycle facility, you must have a license from the U.S. Nuclear Regulatory Commission.</p>
 <b>RADIO &amp; TV BROADCASTING</b>	<p>If your business broadcasts information by television, radio, wire, satellite, or cable, you'll need a license from the Federal Communications Commission.</p>
 <b>TRANSPORTATION &amp; LOGISTICS</b>	<p>If you operate an oversize or overweight vehicle, you should contact the U.S. Department of Transportation which will direct you to the agency in your state that can issue you a permit for oversize vehicles.</p>

# CHAPTER 10

## Dissolving Your LLC

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fig. 15

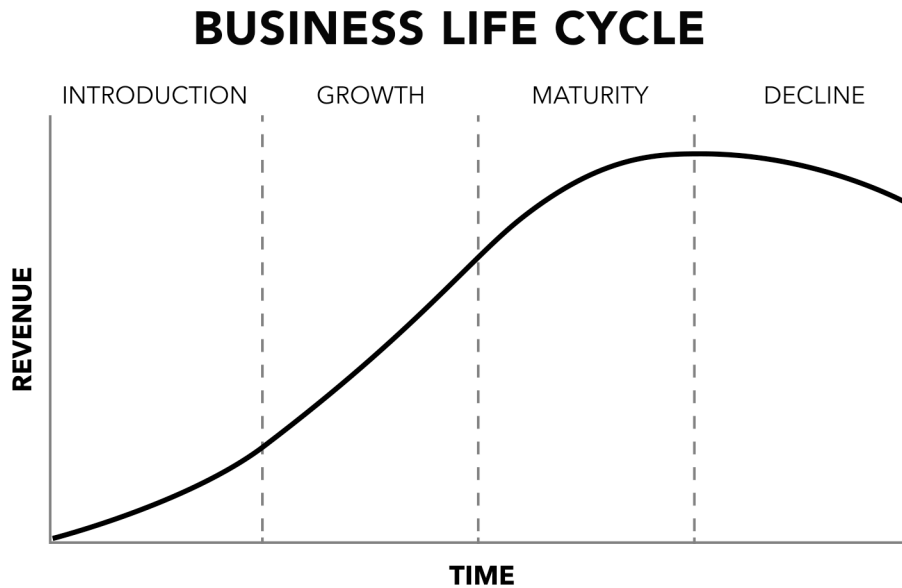


fig. 16

### 3 STEPS TO CLOSING YOUR LLC

