



“Limited Liability Companies”

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For many years, corporations have been the most popular way to shield personal assets, but limited liability companies (LLCs) should also be considered. LLCs offer just what they say: limited liability for the owner(s), i.e. personal asset protection. Besides protection similar to a corporate shield, LLCs offer benefits similar to a partnership or sole proprietorship.

As with a partnership, pass-through income taxation is possible with an LLC. This means that the income of the LLC passes through to the owners and this avoids the issues of being taxed twice, as with a traditional corporation. In this way, an LLC is similar to an S-Corp (discussed below) but less formal and with less paperwork and government maintenance requirements, and with fewer overhead expenses.

Since the income flows through the LLC to the owner(s) each year, the amount of income allocated to each owner is reported to the government. You do get the liability shield and since the overhead of a corporation is much more than with an LLC, these are easier to operate and maintain.

With both a corporation and an LLC you get protection from creditors in the even of a business failure, but you do not have the excessive paperwork and licensing requirements that usually go along with a corporation (this is state dependent). The LLC is easy to set up and simple and cheap to maintain.

You are not forced to hold annual meetings or have shareholders, or maintain corporate records to the degree that you are with a corporate entity. With an LLC, you can usually file with your state and be up and running in a short amount of time. No corporate seals and heavy binders filled with reams of legal sounding verbiage and corporate jargon.