

The LLC Set-up

To set up an LLC or limited liability company is one of the major decisions that any business or company can undertake. This form of business registration has a lot of implications for the operation and management of the company and can ultimately contribute to its success or failure. But the first thing any business that wants to set up an LLC should do is to get good advice. There are pros and cons to this type of business registration and to set up an LLC will take some time and money, the two most important resources that any business has. It is useful to examine the options before investing either.

The simplest form of business registration is a sole proprietorship. This is usually a simple registration of the fact that an individual wishes to engage in public commerce and the nature of that business. Unless there are other licenses to obtain from the local regulatory authorities because of the nature of the business, this means a trip to City Hall, filling out the required forms, paying the minimal fees, and obtaining a business number that allows the company to begin business. The individual owner can then start up operations and assume all of the liabilities and tax requirements of the business.

A more complex form of business registration is incorporation. This involves registering the business as a corporation and issuing shares in that business to others who may wish to be part of the business. The act of incorporation involves filing acts of incorporation with the state and while an individual can prepare and file these without an attorney, legal and financial advice is usually required to ensure that the documents are in order. There will have to be a Board of Directors, officers of the corporation and a method to inform shareholders of the on-going operations of the business.

Somewhere in the middle of the previous two options is the option to set up an LLC. An LLC is more complex than a sole proprietorship and simpler than incorporation. It has some benefits and disadvantages. The disadvantages to choosing to set up an LLC are mostly in the time and costs of going through the process. Once the business has been set up as an LLC or a limited liability company the advantages begin to kick in.

The major reason to set up an LLC is to protect the owner or owners of a business from liability. This form of business registration limits the liabilities of the owners to the level of investment that they have made in the business. All other debts, responsibilities or liabilities that are incurred or caused by the operation of the business are not their responsibility.

The other main reason to set up an LLC is for taxation purposes. Income from a limited liability company is only taxed once and the state does not levy additional income tax on the company or business itself. This is different from a C-corporation where income is seen as both corporate and personal and taxed at both levels when dividends are taken.

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