



STRATEGIES FOR Success

LIMITED LIABILITY COMPANIES

Operating as an LLC can produce many benefits for your business. Do you know what they are?

One of the most discussed business topics today is the **Limited Liability Company (LLC)**. LLCs offer an unprecedented combination of corporate-like protection and partnership pass-through taxation.

There's no magic formula to determining whether or not it's beneficial for a business to operate as an LLC. Business owners need to analyze their situation carefully and make a decision based on what is best for their particular company.

Some businesses that may benefit from operating as an LLC are:

- Small groups of real estate investors
- Sole proprietors who want to attract investors
- Farmers
- Small manufacturers, retailers and service businesses whose owners need limited liability
- Family businesses that can benefit from the estate planning flexibility
- An entity that wants to escape double taxation when appreciated assets are sold
- Businesses wanting to pass losses through to owners, but which don't fit into partnership or S Corporation categories.

This doesn't mean, however, that all businesses should become LLCs. Established corporations with appreciated assets may find the tax cost of conversion to be prohibitive.

Some businesses that may not benefit from an LLC status are:

- Businesses where owners are scattered
- C Corporations with nonresident shareholders
- Businesses where members want to take advantage of tax-free benefits
- Partnerships where one or more partners would have debt relief
- S Corporations that would have a large built-in gains tax if they dissolved
- Businesses with high total income and low net income or a loss.

Since LLCs are relatively new, they require a cautious approach. Some states may try to tax them as corporations or charge them annual fees. Also, it's not clear what kind of liability protection members of multi-state LLCs will have if they operate in states that don't authorize them.

To obtain more information on LLCs and the benefits they can provide, consult your Fiducial Business Services representative.

Mark E. Gabriel

**Comprehensive
Accounting
Services**
22018 Harper Ave
St Clair Shores Mi
48080
586-775-5222