



Wright Law Firm



# LIMITED LIABILITY COMPANIES

Auto and truck accidents happen. For more than twenty years we have assisted in forming hundreds of business entities, ranging from closely held corporations and limited liability companies, to operating subsidiaries for new divisions of existing corporations, to emerging growth companies destined for an IPO.

## Limited Liability Company

A limited liability company, or LLC, is a business entity created under law that combines characteristics of both a corporation and a partnership. Although an S corporation shares many of the same tax characteristics as a LLC, a LLC has more flexibility and fewer restrictions than an S corporation. An S corporation cannot have more than 100 stockholders, cannot issue more than one class of shares, and is subject to more formalities than a LLC. However, owners of a LLC are required to pay Social Security and Medicare taxes on profits. Corporate stockholders are not required to pay these taxes on profits over and above the stockholders' salaries.

## Reasons to Form a LLC

**Phone** 480) 558-1700

**Email** [office@wrightlawaz.com](mailto:office@wrightlawaz.com)

Limited liability companies, are becoming more and more popular, and it's easy to see why. They combine the personal liability protection of a corporation with the tax benefits and simplicity of a partnership. In other words, the owners (or members) of a LLC are not, absent special circumstances, personally liable for the LLC's debts and liabilities, but also have the benefit of more flexible tax treatment. Moreover, LLCs are more flexible and require less ongoing paperwork than an S corporation.

## Ownership of a LLC

LLC ownership can be expressed in two ways: (1) by percentage; and (2) by membership units, which are similar to shares of stock in a corporation. In either case, ownership confers the right to vote and the right to share in profits.

Unlike a corporation, a LLC can distribute its ownership interests as it pleases, without regard to how much money or property a member contributes to the company. For example, if John contributes \$10,000 to the company and is a silent partner,

and Mark contributes no money, but runs the company on a daily basis, they could still decide to split the membership interests 50%-50%.

## Choosing the Best Structure For Your Business

There is no best business entity for all situations, and there is no such thing as perfect protection. The best idea is to meet with an attorney and discuss your business situation. You can then weigh the initial expenses, long term costs and risks against your needs and make the best decision for you.

As a final note, remember that you can lose your protection under certain circumstance. The right business entity, a good lawyer and good accountant can help you avoid problems before they occur.

For a detailed discussion on business formation including, personal liability protection, flexibility of entities, formal requirements and basic tax considerations, please contact our office at (480) 558-1700 to schedule an appointment.