

Limited Liability Company & Corporation F.A.Q.

By Mark Warda, Attorney at Law, author of *How to Form a Limited Liability Company* and *How to Form Your Own Corporation*

Who should form a limited liability company or corporation? Because of the high risk of liability and the low setup costs, anyone who is in business today should either have a corporation or limited liability company.

What are the benefits of a corporation or LLC?

By setting up your business as a corporation or LLC you can avoid personal liability in many cases where the business becomes liable for an injury or debt. You can also avoid probate when passing on your business after your death.

Corporation. With a corporation you can avoid some social security taxes by paying out dividends instead of wages. (With an S corporation this also avoids double taxation.)

LLC. An LLC requires much less paperwork than a corporation, has lower fees, and offers double asset protection.

How does an LLC offer double asset protection?

With both corporations and LLCs the owners are protected from debts of the business (unless they sign or are personally responsible). But with an LLC, if you have 2 or more members, the members' creditors cannot touch the LLC property, they just get a charging order (lien) on the property which is worthless.

Which is better, an LLC or a corporation?

An LLC has lower fees and less paperwork, but in some cases a corporation may save you money in taxes. One drawback of an LLC is that it must pay Social Security taxes on all earnings, whereas an S corporation can distribute some money free of social security taxes. An LLC can sometimes avoid this tax by taking money out in other ways, such as by paying fees to a related corporation.

Are tax returns more complicated for LLCs and corporations?

Every business must file some breakdown of its income and expenses. A one-person LLC files the same form, Schedule C, as a sole proprietor business. An LLC with two or more members files the same form as a partnership, Form 1065 (or if it chooses, a corporate tax return). A corporation files form 1120, or if it is an S corporation form 1120-S.

How do I set up a corporation? To form a corporation you must file Articles of Incorporation with the Secretary of State, obtain a federal taxpayer identification number, hold meetings of shareholders and directors, record minutes of the meetings and issue stock to the shareholders.

How do I set up an LLC? To form an LLC you must file Articles of Organization with the Secretary of State, obtain a taxpayer identification number, and put together and sign an operating agreement.

What are the filing fees for corporations and LLCs?

Corporations are \$70 to start and \$150 per year. LLCs are \$125 to start and \$50 per year.

Can I set up my own corporation or LLC? Yes, you can do it all yourself. The Secretary of State provides the Article of Organization or Articles of Incorporation. The other forms are in our books, *How to Form a Limited Liability Company* and *How to Form Your Own Corporation*. These cost \$24.95 each.

What about such things as business licenses, advertising rules and employment regulations? For all of the other laws and rules covering a business in Florida you can see our book, *How to Form a Business in Florida* which sells for \$18.95.

Would it be better to have an attorney set up my company? For some people the time is better spent working in the business than setting up the paperwork. However not all attorneys keep up to date. After a trust client went to an attorney who charged \$800 for an LLC and used obsolete forms, we decided to set up LLCs and corporations for our clients for just \$300 plus filing fees. This includes all setup forms, obtaining your tax number and a copy of our book. For more info call 727-581-8685 or see our web site www.floridalandtrust.com.