



LIMITED LIABILITY COMPANIES

THE ABCS OF LLCs: 5 THINGS YOU NEED TO KNOW ABOUT LIMITED LIABILITY COMPANIES

The Limited Liability Company is a hybrid that offers tax filing flexibility like a partnership, and protection against liability like a corporation. But there's more to it than that. Here are 5 things we think you should know about Limited Liability Companies:

1. An LLC is not a corporation.

The biggest difference is that all operational authority vests in the managers of the company, not in officers and/or a board of directors. The managers of an LLC have broad discretion in how they run the business of the company.

2. An LLC is not the same from state to state or country to country.

Each U.S. state has different laws regarding LLCs, and some foreign countries don't recognize LLCs as a valid business entity at all.

3. "Limited liability" doesn't mean "no liability."

The members of an LLC may be liable for: written obligations to make capital contributions, their negligence or intentional actions, and for contracts they signed as an individual rather than on behalf of the LLC or prior to setting up the LLC.

4. Using Legal Zoom

Sure, lots of people use it because it's cheap and easy. But have they read their Terms of Use? Probably not, because they state that the legal information they provide "is not guaranteed to be correct, complete, or up to date." Yikes.

5. Piercing the corporate veil

A court can pierce the corporate veil (hold the LLC's owners personally liable for the LLC's activities) if certain factors are present, such as the owners commingling funds, fail to follow corporate formalities (such as having an Operating Agreement, etc.), or it was used to commit fraud.

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Non-waivable provisions in the Florida Revised Limited Liability Company Act

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LLCs are the most common business entity for new businesses (according to sba.gov)

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Ways an LLC can be taxed by the IRS (as a pass-through entity or as an S-Corp)

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