

STRUCTURE YOUR BUSINESS

Business Licensing

There are many legal ways to structure a new business, such as partnerships, S-Corporations and regular corporations. However, the most common forms are the Limited Liability Corporation (LLC) and the Sole Proprietorship.

	LLC	Sole Proprietorship
What is it?	<p>An LLC is a separate business entity owned, and usually managed, by members of the LLC. LLCs provide liability protection with tax advantages.</p> <p>Unlike a sole proprietor, where the owner remains responsible for the debts and liabilities of a business, in an LLC it is the LLC that is responsible for the business's debts and liabilities. This means, in most cases, LLC members are protected from creditors and any lawsuits which may arise against the LLC.</p>	<p>Sole Proprietorship is the simplest and most popular form of business startup, it may not provide entrepreneurs with the legal and tax advantages that an LLC does.</p> <p>If debts or litigation arise, a sole proprietor would be liable for the debts incurred by the business and creditors can go after the sole proprietor's home, car and other personal property to satisfy the debts.</p>
Benefits	<p>LLCs provide limited liability for members</p> <p>LLCs are subject to state laws governing them</p> <p>LLCs can be taxed as sole proprietorships, partnerships, or corporations</p> <p>If the LLC is structured properly, the income from the LLC is taxed directly to the members at their rates.</p>	<p>Sole proprietorships are generally less costly than LLCs</p> <p>Don't have to worry about co-mingling business funds with personal funds. In the eyes of the law, they are one and the same.</p>
Drawbacks	<p>Cost</p> <p>Annual Filing</p>	<p>You'll be taxed as a self-employed person, and the income of your business is considered your personal income for tax purposes</p> <p>No liability or legal protection</p>
Cost	<p>Setting up an LLC will cost \$1,000 on average, but that cost is well worth it when compared to the thousands of dollars you could be liable for as a sole proprietor.</p>	<p>Just the business license cost which can be as little as \$20 but can increase depending on the city endorsement.</p>
How to Setup	<p>Register with the state and pay registration/filing fees.</p> <p>Annual fees with the Secretary of State to stay active</p> <p>No co-mingling. Must keep financial records and funds separate from personal accounts. One of the easiest ways to accomplish this is to open a business account and have all the real estate income and expensed run through this account.</p>	<p>Business License established with the Department of Revenue</p>

***Disclosure: This information is intended to provide a summary of potential business structuring to licensed real estate brokers. No representation is made, or warranty given, express or implied, as to the completeness or accuracy of the information made available. It is the responsibility of the real estate broker to determine which business structure is right for their business. In no circumstances will the provider of this information be liable for any direct or indirect loss arising from the use of this information.*

Contact a vetted real estate CPA and Accountant:

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