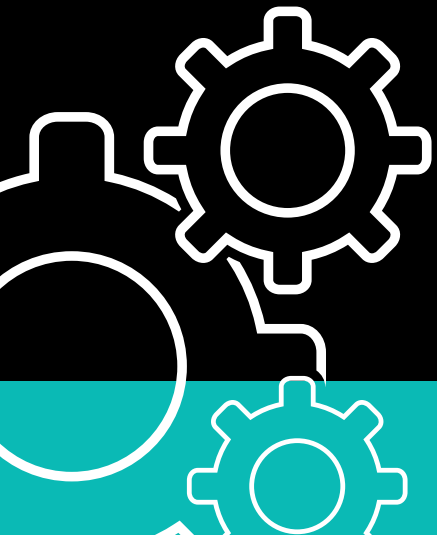
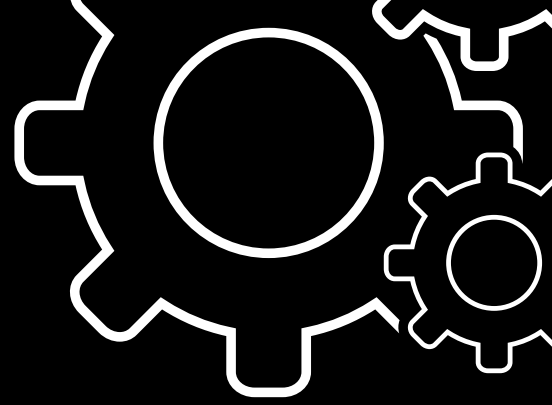


LLC OWNER'S MANUAL

A must-have guide for LLC owners

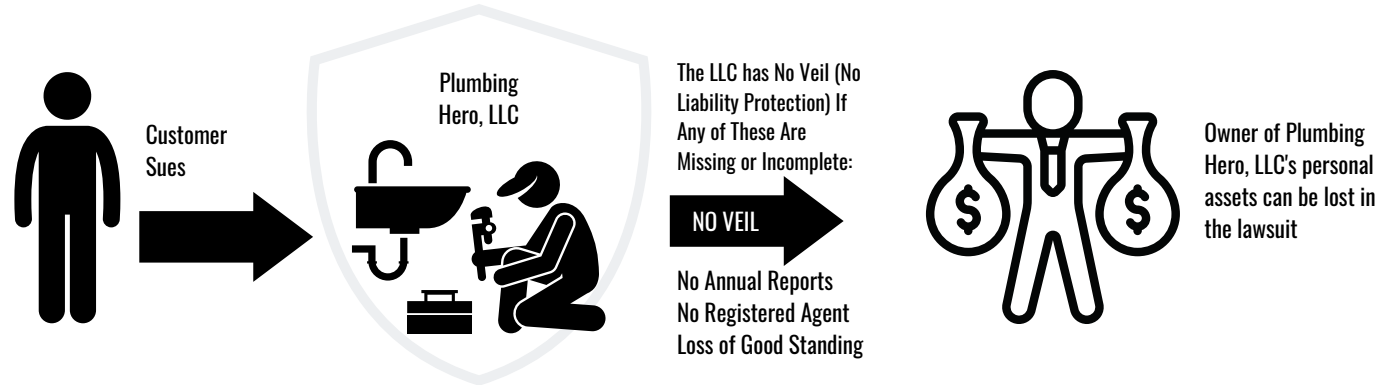



Legit
My Biz

Features of your LLC

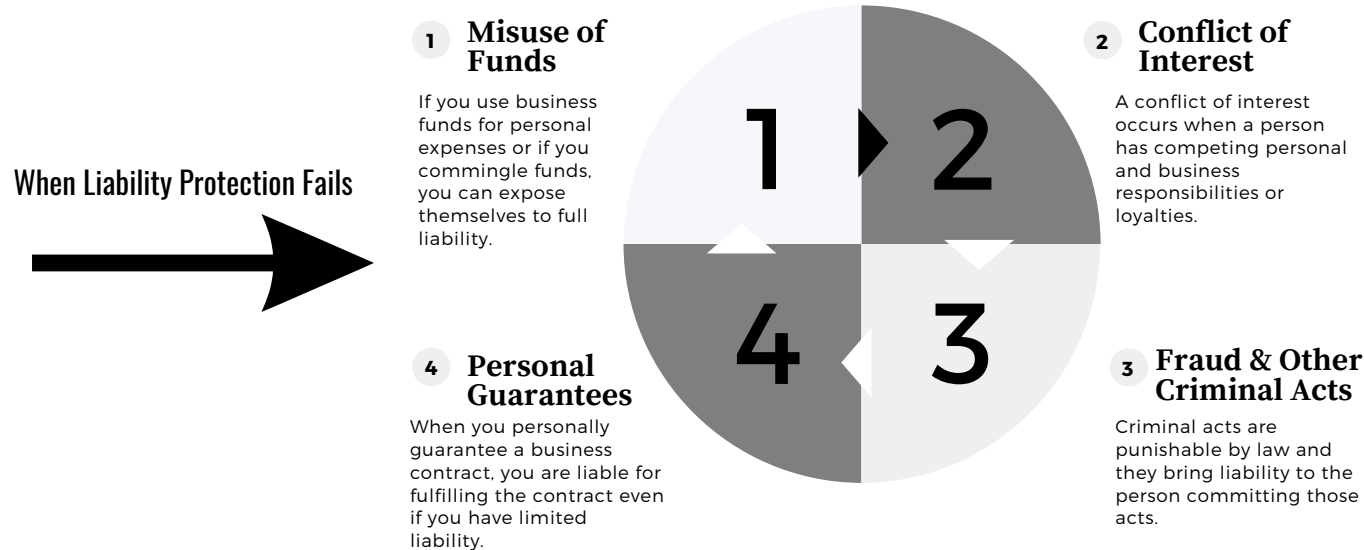
When Liability Protection Fails

Losing the protection of limited liability is sometimes called "piercing the corporate veil (shield)."



DEFINITIONS

Piercing the corporate veil is a legal term that means that a court disregards the limited liability of a corporation and holds the owners personally liable for the company's actions or debts.



Operating Agreement	18
Setting Up Your Accounting	19
Keeping Books and Records	21
Paying Taxes	23

Operations
Management

Operating Your LLC

PAYING YOUR TAXES



One of the most beautiful features of an LLC is that it can choose its taxation form. That means you can opt for partnership taxation, corporation taxation, or S-corporation taxation. What flexibility!

The IRS does not recognize an LLC, you are either a Sole Proprietor or Corporation. Sole proprietorship taxation is the default for LLCs with one member, so this form is what you'll be subject to if you don't elect otherwise—and it can be a little bit messy. With sole proprietorship taxation, the business's profits and losses get passed on to the owner, who reports their share on their personal tax return.

These portions of profits and losses that get passed on to the members are called allocations. This type of taxation is commonly referred to as pass-through taxation.

DEFINITIONS

Pass-Through Taxation: Businesses don't pay taxes on an entity level; income passes to the owners of the business, who pay personal income taxes for their share of the business.

Sole Proprietorship: Someone who owns an unincorporated business by himself or herself.

Specifications

Form Schedule C allows you to report profit or loss to the IRS. An activity qualifies as a business if: Your primary purpose for engaging in the activity is for income or profit.



CAUTION

If you're clueless about taxes, hire an accountant. Missing up on taxes can land you in hot water with the IRS.

NOTICE

You don't need to use a Schedule C to report income from a hobby if you don't intend to make a profit and you don't run it regularly or continually.

Safeguarding Your LLC

Safety Specifications

Legally enforceable agreements are tools to help businesses operate smoothly. Business contracts provide necessary legal protections that you need in any operation.

Not only do contracts minimize risk, but they protect both you and your company by helping you understand your rights and obligations under each agreement

6 Common Types of Business Contracts

