

BE THE BOSS



OVERVIEW AND CHECKLIST

WHY YOU NEED

*The* POWER OF AN LLC





In 2021, 5.4 million new businesses were started in the U.S. For most of them, an LLC business structure works perfectly and likely will for your business too.

## WHAT IS AN LLC.

### HERE IS THE OFFICIAL EXPLANATION

A limited liability company (LLC) is a business structure in the U.S. that protects its owners from personal responsibility for their debts or liabilities. LLCs are hybrid entities that combine the characteristics of a corporation with those of a partnership or sole proprietorship. While the limited liability feature is similar to that of a corporation, the availability of flow-through taxation to the members of an LLC is a feature of a partnership rather than an LLC.

## AND HERE IS MINE

### AN EVEN BETTER EXPLANATION!

*An LLC is a way to protect you, your personal assets (like your home!), your business assets and a way for you to keep a lot more money than you are now.*

The great benefit of a small business and an LLC is this: they allow you to save thousands of dollars per year. How? By allowing you to write off assets that would have been a personal expense. This means phone expenses, internet, computers, iPads, rent, insurance, accounting, legal expenses, and office supplies.

So this means most expenses used for legitimate business purposes can be deducted.



Disclaimer: Always use a good accounting system to track your income and expenses and always use the counsel of an accountant or CPA to make sure your expenses are deductible.

## Should I start an LLC before making money? Is an LLC necessary to start a business?

You don't need to start an LLC when establishing your business. However, if you want to differentiate between your personal assets and the company's, an LLC is the right way to go. You should start an LLC if you want to start a business and protect your personal assets.

### LLC – Limited Liability Protection

LLCs provide limited liability protection. This means your personal assets (such as your car, house, bank account) are protected in the event your business is sued or if it defaults on a debt.

Small businesses will benefit from liability protection because of the risks involved with owning any business, including financial data breaches, trademark infringement and even workplace accidents or being sued by vendors or customers.

An LLC will also protect your personal assets in the event of commercial bankruptcy or loan default.

*To maintain your LLC's limited liability protection, you must keep your personal and business expenses separate.*

## What Costs Are There?

An LLC is inexpensive (usually \$100 - \$200 to form). States usually charge an initial formation fee. Many states also impose ongoing fees, such as annual reports and/or franchise tax fees.

- How many people do you need for an LLC? Just one, You. You can make your business an LLC with just you as the owner.

And, you also can have other Members. These members do not have to be people, though. They can also be businesses, trusts, IRAs, and other legal entities.

There is no maximum number of members either, unless your LLC is taxed as an S-Corporation. In that case, only 100 shareholders are allowed, and owners cannot be certain types of businesses.



## How Do I Set Up an LLC?

In most states, you can apply online for your LLC. Usually, you will search for the office of the Secretary of State. You can also apply in person.

**The initial set up fee is usually around \$100.**

## Articles of Organization for Your LLC

The **Articles of Organization** is the LLC formation document that you must file with the state. In some states, it's called a Certificate of Formation or Certificate of Organization. In this document, you'll list some of the basic information about the company. This can include its address, registered agent, whether it is member-managed or manager-managed, and its owners.

Usually it is included in the online LLC process.

Different states have different forms, which can typically be filed online or by mail, depending on the state. Filing the articles of organization is not difficult, and you can usually do it yourself.

## Operating Agreement

An Operation Agreement is part of your LLC that outlines the ownership and member duties of your limited liability company.

A handful of states (*California, Delaware, Maine, Missouri, Nebraska, and New York*) legally require LLCs to have an operating agreement, but it is optional in most states. However, we recommend having one even if it is not required for a few reasons.

First, an Operating Agreement can help prevent or resolve disputes between LLC owners. And even if your business is a single-member LLC, an operating agreement can bring the company credibility and ensure courts uphold its limited liability status.

## Can I Change My LLC Later to a Subchapter S Corp or a C Corp?

**As your business grows, you may need to change your business structure for shareholder, investor or financing reasons.**

You can switch your limited liability company's (LLC) tax status to an S corporation, provided it meets the Internal Revenue Service's (IRS) requirements. You don't have to change your business structure, but you'll need to file a form with the IRS.

If you're looking to find investors for your company with the intent of raising capital for growth, running your business as a C Corporation would make sense. Through your corporation, you can create and sell shares in your company and even entice and reward your employees by making share distribution part of their incentive package. Having a corporation can even give you the opportunity to become a publicly traded company.

*For both of these conversions, you'll definitely want to consult with an attorney specializing in corporate law.*



# GET AN EIN FOR YOUR LLC

## Why do I need an Employer ID Number (EIN)?

An Employer Identification Number (EIN), also called a Tax ID Number, is a 9-digit code assigned by the IRS to identify your business. You can think of it as the Social Security number for your company. An EIN is usually required for a partnership, corporation, or LLC to open a business bank account, gain financing, hire employees and to obtain financing.



There are a few different names that all refer to the same nine-digit number — with the EIN format 12-3456789 — that business entities must obtain from the Internal Revenue Service (IRS) in order to start a business, even if it does not plan to have any employees.

This number is used to identify a business entity or additional entities like Estates or Trusts, just as you as an individual are identified by your Social Security Number.

Without an EIN, it's more difficult to keep your business and personal funds separate, which could open you up to *increased liability* and put your personal assets at greater risk.

I highly encourage you to get a federal EIN number and open a separate business bank account so you can keep your business and personal transactions separate.

### **You will need an EIN/Tax ID Number if you:**

- Hired or will hire employees, including household employees
- Formed or created a Trust, pension plan, Corporation, Partnership or LLC
- Need to open a business bank account or want to start a business line of credit
- Changed the legal character or ownership of your organization (i.e., you incorporate a Sole Proprietorship or form a Partnership)
- Represent an Estate that operates a business after the owner's death

Depending on the type of business established, a Tax ID will grant certain benefits unique to the business entity. With a Tax ID, you'll be eligible to establish a bank account in the company's name, apply for credit and, in most instances, file income taxes.

## HOW DO I GET AN EIN? IS THERE A COST?

**No, there is no cost.** (please be aware, there are many online sites that appear to be a government site but are not. Then they want to charge you to help you get an EIN.

**Get your free EIN Tax ID here:** <https://sa.www4.irs.gov/modiein/individual/index.jsp>

## GET A REGISTERED AGENT FOR YOUR BUSINESS

What is a Registered Agent? An LLC registered agent is an individual or entity designated by an active company, such as an LLC, C Corp, or any other business entity type, to receive service of process notices, government correspondence, and compliance-related documents on behalf of the company.

### Why Do You Need a Registered Agent?

If you have any legal issues, all the documents that are served will go to your Registered Agent first, then to you. That means no sheriff will appear at your work or home to serve you the legal documents.

*(Before I knew what a Registered Agent was, I was served legal documents by a sheriff during a team meeting - not pleasant!).*

The registered agent for an LLC has one primary function: to be an agent for service of process, as well as receiving other important correspondence on behalf of the company. Additionally, a registered agent must promptly forward such materials to an active company, such as an LLC, C Corp, Sub-Chapter S or any other entity type.

## How Do You Find a Registered Agent in Your State?

Simple... do an online search, check on their references, decide on which services to use, submit your LLC info and you're done. Peace of mind!

## How Much Does a Registered Agent Cost?

Typically it costs \$30 - \$150 per year based on the services you want. Here in Idaho, I pay \$35 each per year for three different LLCs. So here is **Your LLC Checklist** when you are setting up a business or even if you are just thinking of a future business:

- Make sure you have a business name ready
- Research your business name in your State to avoid conflicts
- Apply online or in person at your State's Secretary of State office
- Include an Operating Agreement and Articles of Incorporation
- Calendar your annual renewal date (required by each State)
- Apply for an EIN for your business online
- Find a Registered Agent in your State
- Open a business checking account for your LLC
- Keep a copy of your documents in a safe off-site location
- Use an online accounting system to track income & expenses
- Here is a link for a free website and email marketing system for your business:

[bit.ly/3yLamp9](http://bit.ly/3yLamp9)

I'm delighted you downloaded this document to help you understand and move your business into an LLC. Your future self, family, investors and bankers will thank you!

All the Best,

*Jerome*



**If you are ready for a business income  
that belongs to you, I can help you.**

If you need help starting a business, no matter what idea, concept or product you have in mind to share with the world, I have designed a Start Up Coaching Course to get a business idea out of your head and into reality - and help make you happier and wealthier than you are today.

Reach out to me anytime if you'd like to discuss start up coaching help. We can schedule a Strategy Session to discuss your ideas and next steps.

**Message Center: 208.514.1850**

**Email: [hello@betheboss.com](mailto:hello@betheboss.com)**

**See more about the course at:**

**<https://www.betheboss.com/about>**

**You can also learn a ton more on our YouTube Channel:**

**<https://www.youtube.com/@betheboss1>**

