

Module 1B

Business Organization



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Limited Liability or LLC

Advantages:

- Combines the advantages of a sole proprietorship with the protection of a corporation;
- No formalities or requirements like a corporation;
- Flexibility in management and organization;
- Flexibility in allocating income to the members;
- No annual requirements, paperwork and fees (in some states;)
- Easy dissolution.

Disadvantages:

- More difficult to raise capital with an LLC than a corporation entity;
- Operating agreement is suggested, but not required;
- Organization sometimes confusing.



Corporation

Advantages:

- Limited liability – self standing legal entity;
- Corporate tax treatment separate from the owners;
- Attractive to investors for stock ownership possibility;
- Owner/Employee – deductions, benefits;
- Operational organization structure;
- Easily transferrable through shares.

Disadvantages:

- Fees;
- Formalities and Paperwork;
- Dissolution Formalities;
- Tax Consequences – double taxation for C Corporations.



My Suggestions for RE Investing

- LLC or Corporation
Secretary of State Website or See Internet Resource
- Elect Your Entity as an S-Corp
- Form One LLC or Corp per RE Niche

... in order to be in “business”

- Form an LLC or Corporation
Secretary of State Website or See Internet Resource
- Obtain your FED ID # or EIN
See link in Module 1 to apply online
- Operating Agreement
Optional, but some banks require it to
open a business account (see sample in Module 1)