What is an LLC?

Limited liability companies (LLCs) are entities used to structure small businesses and sole proprietorships. Forming one can simplify business maintenance and offer protections to business owners by providing limited liability. This generally means that personal and business assets are separated, allowing a business’ debts and assets to be limited to the business itself, not its owners.

The protections provided by forming an LLC are especially beneficial in the event of lawsuit, lien and judgments, limiting exposure and liability solely to the business entity, in most cases.

Below are 5 steps to forming an LLC successfully!

1. **Consult An Attorney About The Structure Of Your Business**

Initial consultation with an attorney about your individual circumstances is recommended to ensure that this type of entity will best suit your business needs.

2. **Choose a Name**

To avoid rejection when choosing a name, owners must be sure to select a name that is not a duplicate of another active entity registered with the Secretary of State where the LLC is being formed. In addition, most states require some variation of the words “limited liability company” or its initials (LLC, L.L.C) to appear at the end of the entity’s name.

3. **Appoint a Registered Agent**

A registered agent is a person or entity appointed by the business to receive legal documents on its behalf. A designated agent is required in most states and must be located in the state of formation. Some states require the name of the agent in the formation documents.

4. **Draft, Execute and File Docs**

In most cases, the initial documents required to form an LLC will include:

- Formation Documents commonly known as a **Certificate of Organization, Certificate of Formation** or **Articles of Organization**. These are filed with the Secretary of State where the entity is formed.

- LLC Agreements commonly known as **Operating Agreements**, which state the rights and responsibilities of each owner, how conflicts will be handled and how the business will be governed. This is usually the most detailed of all the formation documents and critical to defining ownership terms and responsibilities of the LLC members. Although the document is not required to be filed in most states, consultation and preparation by an attorney is highly recommended.
• Additional documents (licenses, publications, tax registrations, foreign qualifications, etc.) may be required depending on the type of business and specific requirements in your formation state and/or other states where you may transact business.

• Employer Identification Numbers commonly known as Tax ID Numbers or EINs are sometimes required, depending on the entity’s structure. The tax identification number must be applied for using the IRS website and will act as your business’ identifier for tax purposes. Financial institutions may require proof of your assigned tax identification number upon opening a business account.

5. Follow up

You’ve fulfilled all of your requirements and have your documents in order. Congratulations, you have an LLC! Beware of any issues or questions that present themselves early on and consult an attorney! The time, effort and expenses incurred during the formation process may save the business’ bottom line over time.

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If you have a small business, forming an LLC can be a major benefit, providing important legal protections for your personal assets without interfering with the cash flow and management of your company. Consult with an attorney and consider your options!

Finding informed counsel willing to become knowledgeable about your company’s needs is the first step in building a successful business. Contact the Corporate Group of Ivey, Barnum & O’Mara, LLC for assistance with your corporate legal matters.

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