

# Virginia Limited Liability Company (LLC)

A Limited Liability Company (LLC) combines the personal liability protection of a corporation with the tax benefits and simplicity of a partnership. In other words, the owners (or members) of an LLC are not, absent special circumstances, personally liable for the LLC's debts and liabilities, but also have the benefit of more flexible tax treatment. Here are some of the main advantages to forming an LLC:

## Personal Liability Shield

Without an LLC (or similar form of entity) you will be liable personally for the debts of your business. This means that the supplies you order, your advertising and the service contracts that you enter into for your business are all your *personal* debts. If these companies ever have to collect, your personal assets are at risk. By forming an LLC and running it properly, you can limit the exposure of your personal assets. This becomes even more important when you consider risk from accidental causes, such as a car accident in a company vehicle, or a slip and fall at your business. Forming an LLC is a great way to minimize these risks and liabilities.

## Tax flexibility

Depending on how you elect to be taxed, an LLC can be taxed either as a partnership or as a corporation. What works best for you will depend on many factors including how you plan to pay yourself. The basic choices are to let the LLC be a pass through entity, meaning that the LLC's receipts will be taxed to you as personal income, or to be taxed as a corporation. Being taxed as a corporation allows you to have more separation between yourself and the LLC. It also allows you to pay yourself through a combination of W2 wages and dividends, giving you more flexibility from a tax perspective.

## Credibility

People want to deal with a business that appears to be professional and well established. One way to show this is to form an LLC. Doing business as an LLC conveys the message of permanence. On the other hand, doing business under your own name says to your clients that you have not taken the time to establish the business, and that you may not have your whole foot in the water. Given the relatively low cost of forming an LLC, it is an easy way to show your customers that you are serious about your business.

### The Virginia Country Lawyer, PLC

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