

LIMITED LIABILITY COMPANY

Simplicity in Operation and Formation	Generally similar to a partnership but required to file articles of organization.
Liability for Debts, Taxes, and Other Claims	Members are generally not liable for an LLC's debts but often have to guarantee loans as a practical matter, which is similar to a corporation. Owners / officers may be liable to the IRS for failure to withhold and pay withholding taxes on employees wages.
Federal Income Taxation of Business Profits	Taxed to owners at their individual tax rates, unless the owners elect IRS treatment of the LLC as a corporation.
Double Taxation if Profits Withdrawn from Business	No, unless the LLC is treated as a corporation.
Deduction of Losses by Owners	Yes, generally, if treated as a partnership by IRS. No, if treated as a corporation by IRS. Losses are generally restricted by the "passive loss" rules.
Social Security Tax on Earnings of Owner from Business	Partner(s) subject to both the employee's and employer's share of Social Security (FICA) tax on self-employment earnings up to a certain level and the employee's and employer's share of Medicare tax beyond that level, but same as a corporation, if the LLC is treated as a corporation.
Unemployment Taxes on Earnings of Owner	Same as a corporation if owners elect to have LLC treated as a corporation.
Retirement Plans	Same as for partnerships if IRS treatment elected as a partnership. Same as a corporation if IRS treatment as a corporation is elected.
Tax Treatment of Medical, Disability, and Group-Term Life Insurance on Owners	Same as a partnership, if treated as a partnership by IRS. Same as a corporation if treatment as a corporation is elected.
Taxation of Dividends Received on Investments	Dividends taxable to individual members, if the LLC is treated as a partnership.

NOTE: This overview is intended as general information only and may not include the latest developments. Check with your accountant or attorney for up-to-date information about which structure makes the most sense for your individual situation.