

Starting a Limited Liability Corporation

Southeast Idaho Small Business Development Center

Benefits of Starting Business as an LLC

- LLC's are low cost to start and register, can be operated from home, have minimum legal requirements, and are easy to close.
- The owner/member is shielded from personal liability in the event of a lawsuit, or debt collection incurred by the business. This doesn't mean you cannot be sued.
- LLC's can elect to be taxed as an S-Corp rather than a sole owner proprietorship or multiple owner partnership. Check with your accountant to see if this benefits you.

Concerns About Starting an LLC

- You will be required as an owner/partner to personally guarantee any corporate debts or credit lines. Therefore, your personal assets pledged as collateral can be used to satisfy LLC debt.
- As the owner/member, you are subject to federal income tax, state income tax, and self-employment tax on the same profit. These taxes are in addition to any sales tax, employment taxes, or excise taxes incurred by the business.

How Do I Put Money or Assets into the Business?

- Use personal funds or personal credit until the business is established. **Establish a business bank account.** Accountants can help you understand how to manage this.
- The LLC itself may borrow from a financial institution or a government agency – any financing will require the owner/partner(s) to guarantee the loan.

How Do I Take Money or Profit Out of the Business?

- Profits can be taken as earned by transferring from the business account to the personal account. You will need a tax professional to help you with this.

How Do I Report the Business on a Tax Return?

- For the sole owner LLC, file a Form 1065 to report the income and expenses to arrive at the profit. A Schedule SE is used to calculate self-employment tax. Then file a Form 1040/1040SR. You will need a tax professional to help you with this.
- For the multiple owner LLC, file a Form 1065. The owner/partner then files a Form 1040, a Schedule E, and a Schedule SE. You will need a tax professional to help you with this.

Can the Business Have Employees?

- Any business may have employees, including family members. Request SBDC “Hiring Employees” guide.

How Do I Start an LLC?

- 1) You can check to see if the name of your business has already been used on the [Idaho Secretary of State website](#).
- 2) If the business name is not registered with anyone else, you should file with the Idaho Secretary of Domestic Limited Liability Company, attaching the written agreement [here](#). The cost is \$100 and it allows you to have a unique name that cannot be used by anyone else.
- 3) You will need to obtain a free tax identification number (TIN or EIN) from the IRS by completing a SS-4 on the [IRS website](#).
- 4) Once you have the TIN, you will complete a free registration for Idaho. This registration is a one-stop shop where you can obtain a sales permit, an income tax withholding permit, state unemployment number, and any other permits needed to do business in the State of Idaho. The registration is called an IBR-1 and is found [here](#).
- 5) Once you are registered, you can open the doors, start working, selling, manufacturing, or whatever else your business is.

How Do I Close an LLC?

- You simply stop doing business. As the sole owner, you file a Schedule C indicating you dissolved the business during the tax year. As one owner of a multiple-owner LLC, the LLC files a final Form 1065 and issues final K-1's to the owners/partners.