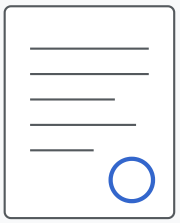
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Limited liability company

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Limited liability company



Abbreviation	LLC
Owners	Members (one or more)
Formed by	Filing articles of organization
Liability	Limited
Governing document	Operating agreement

A **limited liability company** (**LLC**) is a business structure, best known in the United States, that gives its owners, called *members*, limited liability while allowing flexible management and tax treatment.

Formation

An LLC is formed under state law by filing **articles of organization** (sometimes called a certificate of formation) with the state's business filing office, usually the Secretary of State, and appointing a registered agent.

Management

An LLC may be *member-managed*, where the owners run it directly, or *manager-managed*, where appointed managers do. The **operating agreement** sets out ownership, voting and profit sharing.

Taxation

By default, US federal tax treats a single-member LLC as a disregarded entity and a multi-member LLC as a partnership. An LLC can instead elect to be taxed as a corporation.

Equivalents elsewhere

Similar forms include the UK private company limited by shares (Ltd), the German GmbH and the Polish sp. z o.o. See Company formation in the United Kingdom and Company formation in Poland.

Frequently asked questions

Is an LLC the same as a corporation?

No. Both give limited liability, but an LLC has members instead of shareholders, more flexible management, and pass-through taxation by default.

How is a single-member LLC taxed?

By default the IRS treats it as a disregarded entity, so its activity is reported on the owner's own tax return, unless it elects to be taxed as a corporation.

Can an LLC choose to be taxed as a corporation?

Yes. An LLC can elect corporate tax treatment by filing Form 8832 with the IRS.

Does an LLC need an operating agreement?

Most states do not require it to be filed, and some require one to exist. It is strongly recommended in either case, especially when there is more than one member.

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