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What is a Single Member LLC?

Question: What's a Single Member LLC?

Answer: In some states a limited liability company (LLC) can have a single member. The single member LLC (sometimes called the SLLC) is a very attractive form of doing business for several reasons.

First, if you're a sole proprietor who is seeking liability protection, as the sole member of a SLLC you will enjoy the same liability protection as that of a corporate shareholder. That means that your personal assets won't be at risk.

Second, the SLLC will not be regarded by the Internal Revenue Service as a separate taxable entity from its member. This means that you will report your profits or losses on Schedule "C" of your federal income tax return under your own social security number. The SLLC does not file its own tax return. (In the event your state has an income tax you should consult your lawyer to determine if a separate return has to be filed for any state income tax.)

Third, the fact that a SLLC is a separate legal entity allows you to transfer all or part of your interest in the SLLC to someone else, which would be impossible for a sole proprietor.

Your lawyer can fill you in on what your state requires and advise you as to whether this form of business organization makes sense to you.

Contact Us

Denver

P: 303.741.6410
F: 303.741.6512

280 E. 20th Ave.
Denver, CO 80205

Breckenridge

P: 970.390.6587
F: 707.922.1047

291 Gold King Way
Breckenridge, CO 80424