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THE SERIES LIMITED LIABILITY COMPANY

Introduction

The past few years have been exciting for those watching and keeping up with the entity known as the "Series Limited Liability Company" (Series LLC). So much has happened and so much has developed. From the treatment given from the IRS, state trends, and case law, we are now getting a clearer picture of what is and will become of the series LLC.

Background

The Series Limited Liability Company is based upon the Limited Liability Company (LLC). The LLC is a business structure created and allowed by state statute. This is unlike sole proprietorships and partnerships that do not necessarily owe their existence to statute, but more based upon formal or informal agreements. Though states vary, most states also permit "single member" LLCs, those having only one owner. There are limits that exist as to what kinds of businesses endeavors LLCs can partake in. Banks and insurance companies cannot hold LLC status for instance. Further, the name of an LLC MUST include LLC, L.L.C., or Limited Liability Company AND CANNOT HAVE Inc, Corp, Corporation, or Incorporated following the name. All of the rules in this paragraph apply to the Series LLC.



What is a Series LLC?

The Series LLC is a new creature born from a past design. The statutes were created as early as the past 10 years. Liabilities and such are only enforceable against the particular series in question and are not against assets of other series. They are more expensive to set up as opposed to other business entities.

A series LLC is simply an LLC formed at the state level and then the client requests, via a written instrument to the state, how many series are desired. For example a client has ABC, LLC. That client can request to have ABC, LLC, series 1, series 2, 3, 4 and it can go on and on. They are in essence sub companies. It is also important to point out here that if you have an existing LLC,

many states allow you to convert to a series LLC by way of filing the required forms with the respective state.

States

Currently, there are 13 states and 1 territory that have series LLC legislation. The states are: Delaware, DC, Illinois, Iowa, Kansas, Minnesota, Nevada, North Dakota, Oklahoma, Tennessee, Texas, Utah, Wisconsin, and Puerto Rico.