

BUSINESS ENTITIES VIDEO SERIES, Script Seven
LIMITED LIABILITY COMPANY

A **limited liability company**, or LLC, is a business entity that combines the limited liability of a corporation with the flexible management options of a general partnership.

- Each member of an LLC enjoys liability limited to that of the investment in the business and pays taxes in proportion to ownership share, thus avoiding the corporate malady of double taxation.
- Every LLC formed in Kansas must have at the end of the company name the words "limited company," or the abbreviation "LC," or "L.C.," or "limited liability company" or the abbreviation "LLC" or "L.L.C."
- An LLC must maintain a resident agent and file Annual Reports.
- Members of an LLC may be involved in the management of the business without incurring personal liability.
- If properly structured, an LLC may receive pass-through income tax treatment similar to a partnership.

Registration with the Office of the Secretary of State is required.

- The **professional limited liability company** is comprised of a single professional or group of professionals, who file both Articles of Organization and a certificate from their specific professional regulatory board with the Office of the Secretary of State. The certificate must state that each member is duly licensed and that the company name has been approved. No special wording denoting that they are different from a regular, non-professional LLC is permitted.
- A **domestic LLC**, one formed in Kansas, must file Articles of Organization.
- A **foreign LLC**, one formed in another country, state or jurisdiction other than Kansas, must file a Certificate for Authority to Engage in Business in Kansas/Foreign Limited Liability Company Application.
- The fee is \$165.00 for a domestic, foreign and professional paper filing or \$160.00 for electronic filing available only for domestic LLCs.
- It may be necessary for the limited liability company interests to be registered with the Office of the Securities Commissioner.

Limited liability companies have certain **advantages**.

- Liability of members of the limited liability company is limited to the amount invested.
- An LLC has very flexible management options.
- An LLC may be taxed as a partnership.
- An LLC can be perpetual.

Limited liability companies have certain **disadvantages**.

- Transfer of interest is limited.
- An investment is of limited liquidity since all members must vote to transfer a member's interest.

- Annual Reports must be made to the Office of the Secretary of State.

This is the seventh of eight business entity videos created by the Office of the Kansas Secretary of State. The first is an introduction to the series, and the remaining seven videos each target a specific type of business organization. Each video provides a brief description of the business entity type, its registration requirements, and the advantages and disadvantages of its structure.

I'm Kansas Secretary of State Kris Kobach, wishing you success in your new business venture. For further assistance, please visit www.sos.ks.gov or call (785) 296-4564.