LLC - PRIMER

LIMITED LIABILITY COMPANY (SLIDE 1)

A limited liability company, or an LLC, is governed by the limited liability company law. In this primer, let’s go over the basic characteristics of an LLC.

HYBRID ENTITY (SLIDE 2)

The LLC is a hybrid of a partnership and corporation. It offers entrepreneurs the simpler method of governance and transparent taxation of a partnership, while providing the strong liability protections of a corporation.¹

CHARACTERISTICS (SLIDE 3)

An LLC is owned by members. Members can be individuals or another legal entity, like a corporation or another LLC.² Both single-member LLCs and multi-member LLCs are permitted to operate in New York.³

The LLC is governed by an operating agreement. This document outlines the operation policies and management of the company. An LLC can be managed by members or by third-party managers appointed in the operating agreement.⁴

STATUTORY FORMATION (SLIDE 4)

An LLC is what lawyers call a creature of statute. This means the LLC would not exist but for statutory authority creating it. Because the LLC is a creature of statute, entrepreneurs must strictly follow the formation requirements outlined in the limited liability company law. Failure to complete all formation requirements can result in the failure to form an LLC. This means a business owner or business owners would not have the liability protection of the LLC; they would be operating as either a sole proprietor or in a general partnership.

Review the checklist posted in this resource to make sure all steps have been completed for your LLC’s formation.

³ See N.Y. LTD. LIAB. CO. LAW § 401 (Consol. 2013).
⁴ See id.; see also Id. § 408.