

SERIES LLCs

THE ENTITY OF CHOICE FOR

REAL ESTATE INVESTORS

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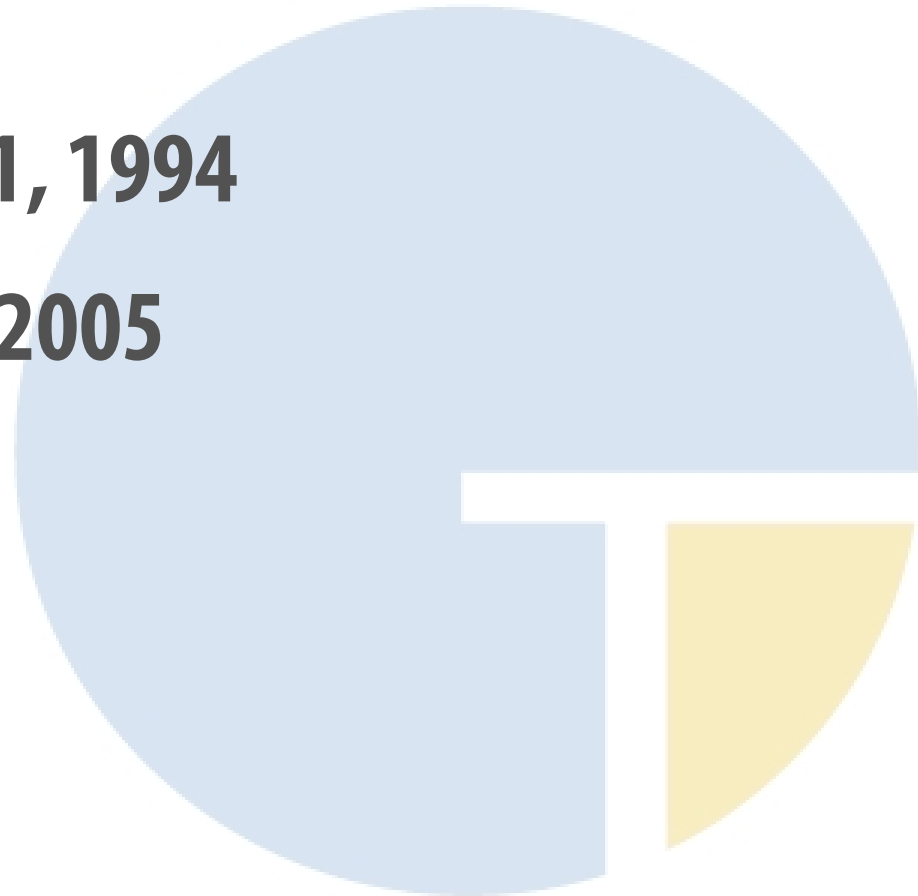
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I. LLC BASICS

A. HISTORY

- **LLCs authorized Jan. 1, 1994**
- **Series LLCs - Aug. 16, 2005**



B. STRUCTURE

- Owners are “members”
- Ownership interests are “membership interests”
- Decision-making by “managers”



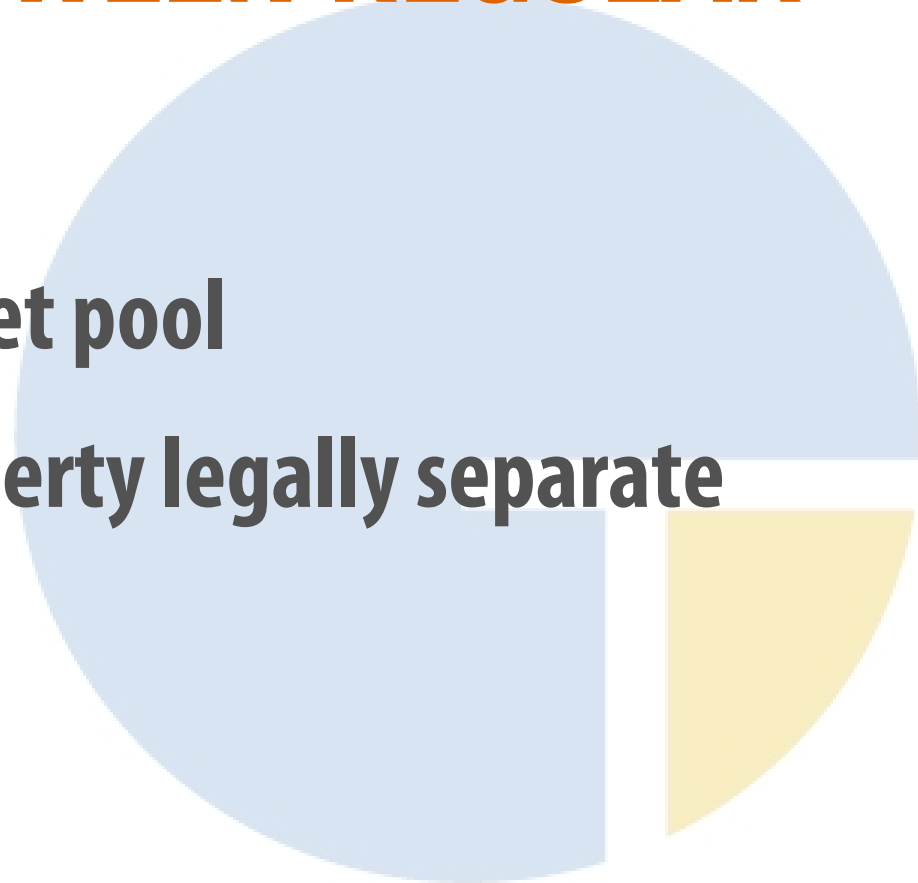
COMPARISON TO A CORPORATION

- **Members similar to stockholders**
- **Membership interests similar to stock**
- **Managers similar to directors**

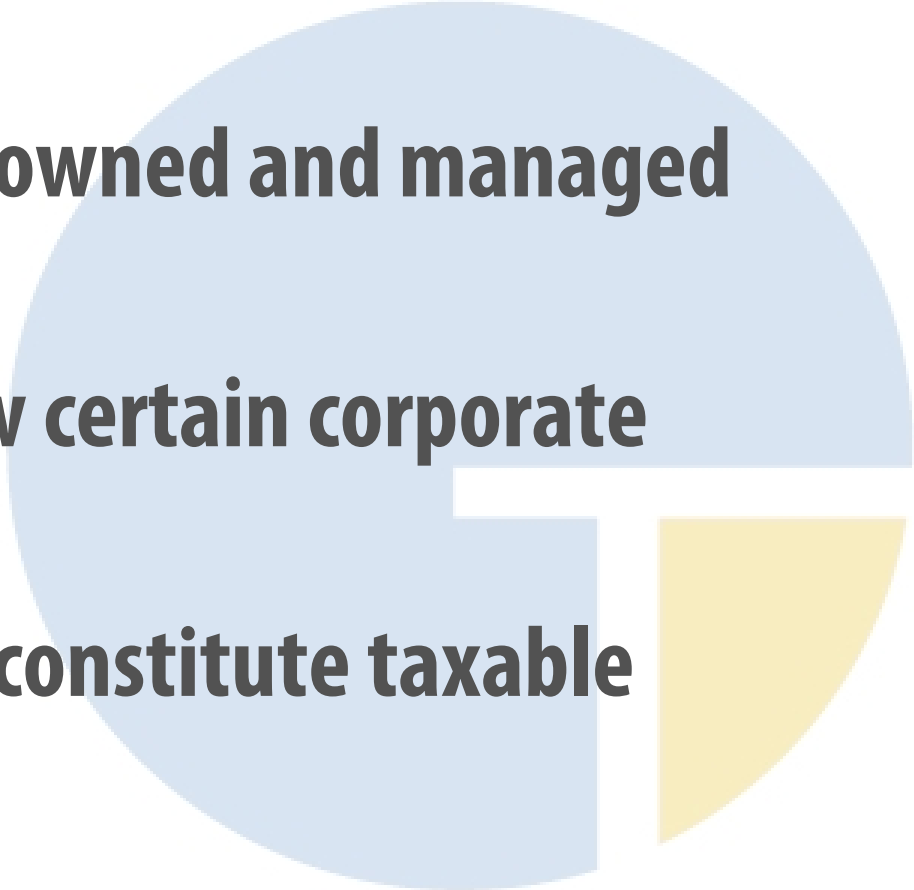


DIFFERENCES BETWEEN REGULAR AND SERIES LLC

- **Regular LLC - one asset pool**
- **Series LLC - each property legally separate**



C. FLEXIBILITY

- **Each property can be owned and managed by different persons**
 - **Not required to follow certain corporate formalities**
 - **Contributions do not constitute taxable events**
- 

D. UNCERTAINTY

- **Series LLCs are new**
- **Not authorized in all states**
- **Series LLC statutes differ**





II. ASSET PROTECTION

A. FOR PERSONAL ASSETS

- **Protection by law**



B. FOR ASSETS HELD IN THE SERIES LLC

- **Protection by law for each series**



C. COMPARISON TO OTHER ENTITIES

- **Living trusts, land trusts, general partnerships**
- **Regular LLC, C or S corporation, limited partnership, family limited partnership**



D. REQUIREMENTS TO OBTAIN

- Legal provisions
- Assets placed
- Operating procedures



OPERATING REQUIREMENTS

- **Separate records**
 - **Assets held and accounted for separately**
 - **Separate bank accounts**
 - **Cash transfers justified and documented**
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III. FORMATION AND MAINTENANCE COSTS

A. FILING FEES

- **To form series LLC is \$750**
 - **To create each series is \$50 per series**
 - **Each year, \$250 + \$50 for each series**
 - **Legal fees to draft an operating agreement**
- 

B. COMPARISON TO OTHER ENTITIES

- **Living trusts and land trusts**
- **Family limited partnership**
- **Corporation**





IV. TAXATION

A. TAX ELECTIONS

- **Partnership or disregarded**
- **C corporation**
- **S corporation**



B. TAX CONSEQUENCES

- **“Double taxation” avoided**
- **Contributions without tax**
- **Include LLC’s debt in basis of membership interests**



DISADVANTAGES:

- **Fringe benefits and tax-free reorganizations**



C. MULTIPLE TAXABLE ENTITIES

- Depends on series characteristics



D. SELF-EMPLOYMENT TAX

- **15.3% subject to a cap**
- **Long term do not pay investors**
- **“Dealers” pay**





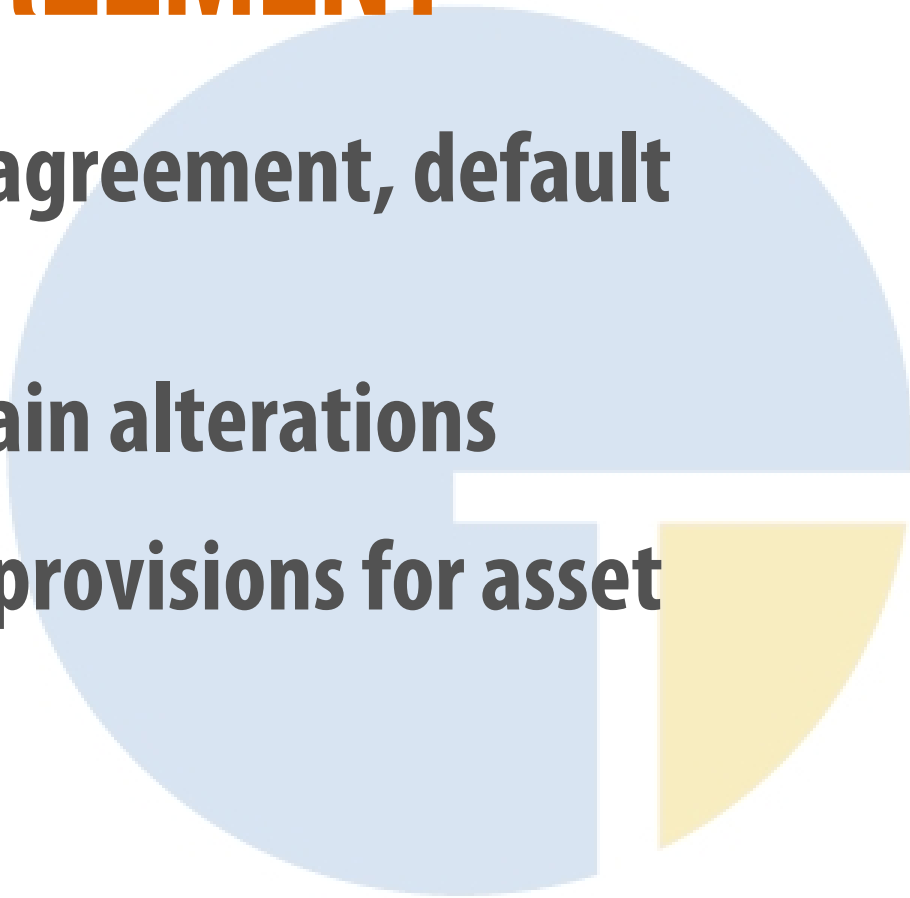
V. LLC MECHANICS

A. FORMATION

- **“Articles of organization”**
- **“Certificate of designation”**



B. OPERATING AGREEMENT

- **Absent an operating agreement, default provisions**
 - **LLC Act prohibits certain alterations**
 - **Must contain certain provisions for asset protection**
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C. CONVERSION

- **Easy to convert regular LLC to a series LLC**



D. REPORTS AND DOCUMENTS

- **List of members**
- **Articles of organization**
- **Tax returns**
- **Operating agreement**
- **Financial statements**



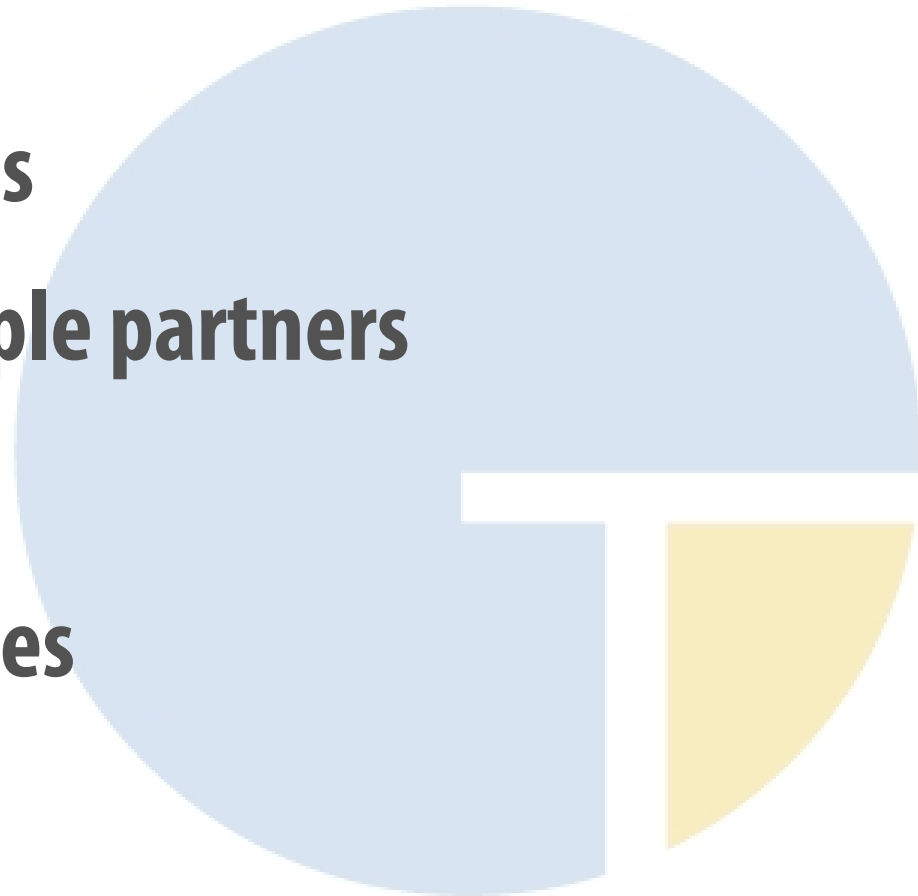
E. OPERATING

- **A series will use its own name**
- **Brand new series for new properties**



F. FINANCING

- **Asset protection helps**
- **Mechanism for multiple partners**
- **Securities laws**
- **Transferring properties**





**THANK YOU
FOR ATTENDING**