

Can You Have Multiple Businesses Under One LLC?

You can have multiple businesses under one LLC by registering for doing business as (DBA) names. The LLC will act as an umbrella that any DBAs will funnel into. Depending on your situation and business needs, this may or may not be the best choice for you and your business.

LLC Structure for Multiple Businesses

If you are interested in owning multiple businesses or LLCs, there are a few different structures you can choose from. Depending on your circumstances, one of these options may work better for you and your business than others.

One LLC Using DBAs

One option is to have multiple businesses under one LLC. You can accomplish this by registering doing business as (DBA) names for your LLC, essentially creating nicknames to market different areas of your business.

All of your revenue streams under the umbrella LLC will flow together into the same LLC bank account, and there are no liability protections between the businesses as they are not technically separate entities.

This is often considered a great option when testing business models, owning multiple stores that have different names, want to market various aspects of a business under separate names, and other similar situations. You can see which model or models work without filing, paying filing fees, creating bank accounts, and completing annual tax forms for multiple LLCs.

If you have one LLC with multiple lines of activity (DBAs), you will report all income and losses for all DBAs under the LLC combined on your personal tax returns. Since DBA names are just a nickname and not separate business entities, you technically own just one LLC and will be taxed as you normally would with or without DBA names.

What is a DBA?

DBA stands for “doing business as” and is sometimes also known as a fictitious name, trade name, or assumed name. DBA names are essentially nicknames for companies—they are not companies in and of themselves, but instead allow a company to operate all or part of their business under a different name.

This would be like running one umbrella company with several businesses. These businesses can be unrelated or connected to one another. For example, the owner of Billy’s Pizza LLC could have multiple locations of stores with different names like Billy’s Pizza on Main Street, Billy’s Pizza on Broadway, and Billy’s Original Pizza. The owner of an LLC called Smith Industries LLC, could create DBA names for Smith Produce and Smith Exterior Painting.

Your DBA name must be registered through a state or county jurisdiction so it can be recognized, identified, and connected to its LLC by your state and the IRS.

There is a filing fee and paperwork required for registering DBA names, but they are typically inexpensive and simple. Many states require you to re-file paperwork and re-pay filing fees to renew your DBA annually or every few years. If your business is in a state where DBAs are registered at the county level, you'll need to register in each county where you do business. You may also be required to announce your DBA name as a public announcement in a newspaper.

Since having one LLC with multiple DBA names that bring in multiple streams of income is legally the same as having one LLC with one stream of income, you do not need separate bank accounts or books for your LLC's DBA-named businesses.

If you plan to market a business exclusively under the full legal name it is registered under, including the LLC identifier, you do not need to register a DBA name. You only need to register a DBA if you plan to use any other business name on materials like contracts, business cards, websites, and marketing in connection to your LLC. Some states allow you to register a DBA name that simply omits "LLC" from your business' name.

Real Examples of DBAs

- Google LLC has the DBA Google, allowing them to use their name without "LLC"
- Pepsi Bottling Ventures LLC has a DBA that allows them to omit "LLC" and go by a shorter name, Pepsi-Cola. Pepsi Northwest Beverages LLC has the DBA name Pepsico.
- International Business Machines Corporation is allowed to go by the acronym IBM thanks to its DBA name.

One LLC With DBAs Examples

You can register for a DBA when you plan on creating multiple streams of revenue, and want them to be housed under the same LLC.

For example, a small business selling athletic apparel may register an LLC called Elemental Athletics LLC. Let's say the LLC member decides to open three separate online shops to create a business for each of their three main categories of clothing.

So, Elemental Athletics LLC registers DBAs as Elemental Winter Sports, Elemental Swim, and Elemental. These three DBAs are not their own companies, they are nicknames or pseudonyms for Elemental Athletics LLC. All of the money that Elemental Winter Sports makes will funnel into Elemental Athletics LLC, and the same is true for the other two DBAs.

However, since they are not separate companies, the losses also all impact the same account and the LLC as a whole. This means that if Elemental Swim begins losing business and going into significant debt, money is being lost from Elemental Athletics LLC, and therefore Elemental Winter Sports and Elemental, meaning the success of Elemental Winter Sports and Elemental could be impacted.

Let's consider another example.

Jane is starting a creative services company. She isn't sure what the best way to market her versatile services is but thinks that the clientele for her writing and editing services will be separate from her video production services.

Before committing to filing for two separate LLCs—which will come with two sets of paperwork, filing fees, franchise fees, and annual tax forms—she decides to create one LLC, Jane’s Creative Services LLC, with two DBA names to test out her ideas for business models, Copy by Jane and Jane Video Production.

Without registering for these DBA names, Jane wouldn’t be able to use “Copy by Jane” or “Jane Video Production” on any customer-facing marketing or documents. Instead, she would legally be required to use the legal name of the business, Jane’s Creative Services LLC.

After registering for these two DBA names, profits and losses from both Copy by Jane and Jane Video Production flow through to her Jane’s Creative Services LLC bank account and all business activity for both DBA names are associated with Jane’s Creative Services LLC.

During tax time, the profits and losses from Jane’s Creative Services LLC—which are that of Copy by Jane and Jane Video Production combined—then flow through to her personal income taxes, just as they would have if she only had one stream of activity in the LLC.

Jane determines she doesn’t need to separate these businesses, as she wants customers to more freely and clearly access all of her services. However, she feels the name Jane’s Creative Services LLC is clunky, and would prefer to drop the “LLC.”

In some states and jurisdictions, she may be able to register a DBA called Jane’s Creative Services. In other states, she may have to come up with a new name, such as “Creative Services by Jane” or “Jane’s Writing and Video Production,” since some jurisdictions do not allow LLCs to create a DBA that removes “LLC” but is otherwise identical to its legal name .

Multiple Businesses Under Separate LLCs

You can also own multiple businesses by registering for multiple, separate LLCs.

In contrast to registering multiple DBAs under one LLC, separating your businesses into their own LLCs helps protect each business against each other’s liabilities. This means if one LLC incurs debt or legal action, the other LLC or LLCs won’t be affected financially.

Registering multiple LLCs means that you do have to file articles of organization, pay a filing fee and any franchise fees, complete annual tax forms, open a separate bank account, and keep a separate set of books for each LLC.

If you own multiple LLCs that are taxed as sole proprietorships, you will complete a separate Schedule C for each LLC. The profits and losses on each Schedule C will then be combined and will pass through to your personal income taxes. If you are an owner of multi-member LLCs that are taxed as partnerships, each LLC will require its own Form 1065 and Schedule K-1. Then the combined income and losses of your distributions will flow through to your personal income tax return.

Due to liability protections, improved clarity in accounting and tax filing, and having separate legal status, this is also the most structure for owning multiple businesses most recommended by tax professionals.

Series LLC

Series LLCs are a newer business entity structure that was specifically created for business owners interested in running multiple related businesses. There is only one set of fees and applications for all of the LLCs you register in the series, which means it could cost less than establishing and running multiple LLCs through a more traditional method.

However, its newness means series LLCs are not recognized by all states and many industry professionals are still unfamiliar. Series LLCs are still unproven and unpolished, and can be incredibly complex. As a result, they aren't typically recommended.

Running Multiple Businesses Under One LLC

There are many benefits to running multiple businesses under one LLC. For one, this is a great option for new entrepreneurs or new businesses, as it's simple, requires minimal additional financial commitments or paperwork filing, and you're able to test various business models. It also means business owners don't have to file multiple Schedule C tax forms or keep separate bank accounts or books for each business.

However, there are downsides to this business structure as well. In fact, not having separate books or bank accounts for each business could become confusing, as all your profits and losses will essentially funnel into one pile of finances.

Additionally, your businesses won't be protected from the risks they pose to one another. This is because LLCs offer liability protection, which separate your business assets and personal assets in order to protect your personal assets from business-related legal action or debt. This liability protection can also protect LLCs from other LLCs. This means that if you have two LLCs and one goes into debt, your other LLC's assets and your personal assets are protected.

Another potential drawback to running multiple businesses under one LLC is that registering DBAs could become expensive and time-consuming, especially if you are required to register in multiple counties or jurisdictions, place public notices in newspapers, or renew annually.

Holding Companies

LLCs can also act as a holding company, also known as parent companies or umbrella companies. This is not a company that makes or sells anything, instead they hold the controlling stock in other companies, which are in turn known as subsidiaries.

Holding companies can control and make decisions for their subsidiaries, but they aren't involved in everyday business operations.

As LLCs, holding companies are protected from any debt accrued or legal action taken against their subsidiaries.

One example of this is Swoosh, LLC, an LLC established by Nike's founding family [that holds 76.6%](#) of Nike's Class A stocks and 15.6% of their Class B stocks.

Bottomline

In conclusion, it is absolutely possible to run multiple businesses under one LLC. However, these businesses will be considered one entity for financial and legal purposes.

This is because to accomplish this, you will register nicknames, known as doing business as (DBA) names or fictitious names, that legally grant you the ability to run and market your business under a different name. Commonly, this is used to create a catchier name for an LLC or, in jurisdictions that allow it, omit "LLC" from consumer-facing branding and marketing. However, these nicknames can also offer the illusion of separate businesses, such as different online or brick-and-mortar stores or unrelated services, but they are not in and of themselves LLCs or their own company.

Your profits and losses from each DBA name will filter into the singular accounting books and bank account of the LLC they are associated with, and that combined amount will in turn pass through to your personal income taxes come tax time. You'll also only need to file and pay for one company.

This method is great for starting out, testing business models, or marketing multiple areas of a business separately.

However, if you want to run multiple established businesses, creating separate LLCs for each is often recommended. This is because of liability protection and the clarity that comes with each business having its own books and bank account. The downside to this method is that it will require you to register each business individually, meaning multiple articles of organization, multiple annual franchise taxes, multiple filing fees, and multiple Schedule C, 1065, or K-1 tax forms.

Form 990

Each year, organizations file Form 990 so the IRS can ensure they still qualify for tax-exempt status. But who really needs to file it, and how?

We're answering your questions about Form 990, including:

What is Form 990?

Who should file Form 990?

How do I fill out Form 990?

Where can I file my Form 990?

When do I need to file Form 990?

What is Form 990?

Form 990 is an annual tax form that must be completed by most tax-exempt organizations to provide the IRS with information about their activities, accomplishments, and finances. The IRS uses Form 990 to determine if organizations still qualify for tax-exempt status.

Smaller tax-exempt organizations may be able to file abbreviated versions of Form 990, such as Form 990-EZ or Form 990-N.

Filed 990s are public documents, and accessible via government websites, the IRS, and the organization itself.

Who should file Form 990?

Most tax-exempt organizations under section 501(a) are required to complete and file Form 990. This includes, but is not limited to, organizations with 501(c)(3) and 501(c) tax-exempt status.

Charitable trusts with 4947(a)(1) tax-exempt status and political organizations with 527 tax-exempt status are also required to file Form 990.

Depending on your organization's gross receipts and total assets, you may be eligible to file a shorter version of Form 990:

- You can choose to file Form 990-EZ if your organization's gross receipts are less than \$200,000 and your organization's total assets are less than \$500,000 at the end of the tax year.
- You can choose to file Form 990-N if your organization's gross receipts are typically \$50,000 or less.

However, some tax-exempt organizations are not required to file Form 990. These are:

Certain religious organizations, including:

- Churches
- Integrated auxiliary groups within a church and certain church-affiliated organizations or societies
- Church-affiliated schools below college level
- Any exclusively religious activity of a religious order

Certain governmental organizations, including:

- State institutions whose income is derived from any public utility or the exercise of essential governmental functions
- Governmental units and affiliates of governmental units
- Section 501(c)(1) organizations organized under an Act of Congress that are instrumentalities of the United States

Certain political organizations, including:

- State or local committees of a political party or candidate
- Caucuses or associations of state or local officials

For more information on this, see the IRS' [Instructions for Form 990](#).

How do I fill out Form 990?

Form 990 requires financial, organizational, and mission-based information.

Depending on your organization's assets, you may be eligible to file a shortened version of Form 990. If the below situations apply to you, tap the links to learn more:

- If your organization's annual gross receipts are \$50,000 or less, click here to see [instructions on how to file a Form 990-N e-postcard](#).
- If your organization's gross receipts are less than \$200,000 and your organization's total assets are less than \$500,000, click here to learn more about [filing Form 990-EZ](#).
- If your organization is a private foundation, click here to read the [instructions for Form 990-PF](#).

To complete your 990, follow these simple instructions:

Heading (Items A-M)

- Write in the dates of the tax year and fill out your organization's basic information.

- Form 990s are public documents, so do not include any social security numbers.
- If your organization changed its name or address since your previously filed 990, check the appropriate box in Item B. You will then be required to [attach a supporting document](#).
- Also in Item B, check the box that says “Initial return” if this is the first time your organization is filing a Form 990, check “Final return/terminated” if your organization has ceased operation, check “Amended return” if you have already filed Form 990 during this tax year, but are filing again to make a correction, and check “Application pending” if your organization has an application for tax-exempt status pending with the IRS.
- If you answer “No” to Item H(a), you should not check a box in Item H(b).
- You will need to attach a list with the name, address, and Employer Identification Number (EIN) of each subordinate organization not included in the group return if you answer “Yes” to Item H(a) but “No” to Item H(b). You will also have to enter “Form 990”, the tax year, the group exemption name, the four-digit group exemption number, and the EIN on the list. Do not use Schedule O to submit this list.

Part I (Summary)

- Provide a brief mission statement or description of your organization’s most significant activities.
- Fill out the number of voting members, employees, and volunteers within the organization during the tax year.
- Enter the amount of grants, investment income, and revenue your organization acquired during the current and previous tax years.
- Provide the totals of any grants, benefits, salaries, and other expenses your organization paid during the current and previous tax years.
- In the final part of Part I, you will note your total and net assets and liabilities from both the beginning and end of the year.

Part II (Signature Block)

- Sign at the bottom of the page to verify the information is true, correct, and complete. If you used a paid tax preparer, they must also sign in this section.

Part III (Statement of Program Service Accomplishments)

- Since Form 990 is used to help the IRS determine if your organization still meets tax-exempt status, you will begin this section by providing an overview of your organization’s accomplishments and mission.

- Continue describing your accomplishments in Item 4, where you'll be asked to provide specific details, expenses, grants, and revenue of your three most funded program services.
- If you need more space to provide this information, you can use and attach Schedule O. If you expand upon this section in Schedule O, check the box in the header of Part III.
- Finally, enter your total program service expenses.

Part IV (Checklist of Required Schedules)

- Answer the yes or no questions.
- Any question with the answer "Yes" will require you to complete part of or the entirety of a schedule, which you will attach to Form 990 when you file.
- The wide-ranging questions seek to learn more about your organization's assets, structure, activities, and finances. For more information on these questions, see the IRS' [Form 990 instructions](#).

Part V (Statements Regarding Other IRS Filings and Tax Compliance)

- Check the box in the heading of this section if your attached Schedule O contains any information relevant to Part V.
- Answer the additional yes or no questions. You do not need to answer questions 7-17 if they do not apply to your organization.
- As in Part IV, your answers may require you to fill out and attach an additional form.

Part VI (Governance, Management, and Disclosure)

- Check the box in the Part VI heading if your attached Schedule O contains any information referencing your organization's governance, management, policies, or disclosure.
- The IRS requires organizations to answer all questions in Part VI, even though federal tax law doesn't mandate specific management or operational structures.
- The "governing body" refers to one or more people authorized under state law to make governance decisions on behalf of an organization and its shareholders.

Part VII (Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors)

- Like previous parts, check the box in the heading if Schedule O is relevant to Part VII.

- In this section, you will enter the name, title, hours per week, position, and compensation of your organization's current and/or former officers, directors, trustees, key employees, and five highest-paid employees. You should order these from highest to lowest compensation.
- Then, list the five highest-paid independent contractors your organization hired during the tax year.
- If you list a former employee, an employee who is compensated more than \$150,000, and/or an employee who received compensation from an unrelated organization for services provided to your own, you will also need to complete and attach Schedule J.
- For a glossary of terms and more information about this section, please read the IRS' [Form 990 instructions](#).

Part VIII (Statement of Revenue)

- Be sure to check the box in the heading if Schedule O contains information relevant to Part VIII.
- In this section, you will provide a detailed breakdown of your organization's revenue, including form contributions, gifts, and program services.
- For more information about what counts as revenue, see the IRS' [Form 990 instructions](#).

Part IX (Statement of Functional Expenses)

- Check the box in the header if Schedule O contains information about your organization's expenses.
- Fill out the provided chart with a detailed breakdown of your organization's expenses.

Part X (Balance Sheet)

- Check the box in the header if Schedule O has any information about your organization's balance.
- Enter information about your organization's balance at the beginning and end of the tax year.
- You may not submit a substitute balance sheet.

Part XI (Reconciliation of Net Assets)

- Check the box if you respond to Part XI in the attached Schedule O.
- Fill in the required values to demonstrate your net assets.

Part XII (Financial Statements and Reporting)

- If you discuss financial statements and reporting in Schedule O, check the box in the heading of Part XII.
- Check the applicable boxes to answer the questions both in line with the text and in the right-hand column.

Where can I file my Form 990?

Tax-exempt organizations are [required to file Form 990 online](#). You can complete and submit your Form 990 and all of its attachments online through an [IRS Authorized e-File Provider](#).

Form 990-N is only available on the Form 990-N Electronic Filing System, located [here](#).

When do I need to file Form 990?

For organizations operating on a calendar year, Form 990 must be filed by May 15th.

Tax forms are due by the 15th day of the 5th month following the end of an organization's taxable year. If your organization's tax year does not end on December 31st, [click here to see the IRS' table of annual returns due dates](#).

If needed, you can request a 6-month extension of your Form 990 due date by completing [Form 8868](#). However, you cannot extend the due date of a Form 990-N.

What is a Multi-Member LLC

The owners of LLCs are called members. A multi-member LLC means the LLC has multiple owners.

Multi-Member LLC

A multi-member LLC is an LLC with multiple owners.

In an LLC, the owners are referred to as members. In a multi-member LLC, there are two or more owners, who all receive liability protections that keep their personal assets separate from their business assets in the event of business-related legal action or debts. These members can be individuals, LLCs, corporations, or non-US citizens.

Like single-member LLCs, multi-member LLCs benefit from pass-through taxation, meaning they are not taxed as a corporation, but the members claim profits and losses on their personal tax returns.

Members of a multi-member LLC pay themselves with a distribution of their portion of the business' profits and pay self-employment tax on their share. Multi-member LLCs can be a great option for any group, team, or partnership who want the legal status and liability protections not offered by a general partnership going into business or investing in property together.

There is no limit to the number of members in a multi-member LLC.

Multi-Member LLC vs Single-Member LLC

Both multi-member and single-member LLCs are legally registered with the state and are offered liability protections. This separates members' business assets and personal assets, and protects their personal assets in the event their business goes into debt or is sued.

The most obvious difference between a multi-member LLC and a single-member LLC is that single-member LLCs only have one owner, while multi-member LLCs have two or more.

As a business entity with a single owner, single-member LLCs are, by default, considered a disregarded entity, and are taxed as a sole partnership. Multi-member LLCs are automatically taxed the same as general partnerships. However, both types of LLCs can change their tax treatment, such as to be taxed as an S or C corporation.

Multi-member LLCs require members to fill out additional tax forms, including a Schedule K-1, to report their earnings each year. This is to help define and demonstrate to the IRS how profits and losses are distributed among members. In a single-member LLC, this is not required since profits and losses are passed to only one member's taxes.

Another difference is that multi-member LLCs are required to apply for an employer identification number (EIN), while single-member LLCs are only required to apply for an EIN if it plans to hire employees.

Multi-Member LLC vs General Partnership

General partnerships and multi-member LLCs are both businesses with multiple members. Typically, they are taxed the same way, although multi-member LLCs can choose to be taxed as an S corporation or a C corporation.

However, multi-member LLCs are a legal entity registered with the state. As a result of its LLC status, its members are granted liability protection, which separates their personal assets and business assets.

Since general partnerships are not a legal entity with this status, they do not receive these liability protections. This means that any legal action against the company or debts the business accumulates could impact general partnership owners' personal assets or require them to pay out of pocket.

Multi-Member LLC Taxes

Like single-member LLCs, multi-member LLCs are pass-through entities. This means the company itself doesn't pay federal, state, or corporate taxes. The LLC's profits and losses are "passed" on for its members to claim on their own personal income tax returns. This helps protect LLCs and members from double taxation.

On their personal income taxes, members are taxed based on their allocation or cut of the profit. If two members each own 50% of the LLC, they will each receive 50% of the profits. If three members evenly own shares of the business, they will also receive equal profits. If one member owns 50%, one member owns 30%, and one member owns 20%, they will each receive that percentage of profits, unless otherwise determined in their company's operating agreement.

If those multi-member LLCs each made \$200,000 in profit, here's how much each member would make:

- Two members—50% & 50%: \$100,000 each
- Three members—33%, 33%, 33%: \$66,666 each
- Three members—50%, 30%, 20%: \$100,000, \$60,000, and \$40,000, respectively

Members would then claim their respective allocation as their income on their annual taxes.

Multi-member LLCs require additional forms. The LLC must file Form 1065, which is a US Return of Partnership Income, and each member must complete a Schedule K-1. These tax forms document how the business' income was distributed as expenditures and profits among members.

On their personal income taxes, multi-member LLC members can expect to pay federal income taxes based on their tax bracket—which includes the income they make from the LLC—and any state and local income taxes required where they live.

In addition, LLC members must pay a self-employment tax of 15.3%. 92.35% of the member's share of profits are subject to taxation. That means that if a member makes \$100,000, \$92,350 of that income is taxable. In total, the member will pay \$14,129.55 in self-employment taxes.

Multi-Member LLC Operating Agreement

A multi-member LLC operating agreement is a contract that determines and outlines how an LLC will run as well as the roles, requirements, and ownership of each member. Single-member LLCs can also have an operating agreement, but an operating agreement in a multi-member LLC offers vital organization, planning, risk management, and mitigation of potential problematic dynamics that could arise in the future. They allow members to collaborate and agree upon how they would like the business to run.

This could include:

- **Members' Percentages of Ownership**
 - Operating agreements will document the percentage of the business that each member owns. This is important, as it helps keep a record of how much each member has bought in, influences how profits will be allocated among members, and helps determine how much decision-making power each member will have.
- **How Profits and Losses Will be Distributed**
 - Prior to starting a business, it's a good idea to create a contractual agreement regarding how profits—as well as losses and financial responsibilities—will be allocated among owners. This is likely based largely on the percentage of the business each member owns, but other aspects, such as day-to-day responsibilities and involvement in the business, may also factor into these decisions.
 - If the LLC chooses to be taxed as an S corporation or a C corporation and has owner-employees—members who work in the business' day-to-day operations and are paid via a salary instead of a distribution of profits—the operating agreement can also determine their pay. Owner-employees are required to be paid “reasonable compensation.” The IRS defines reasonable compensation as “the value that would ordinarily be paid for like services by like enterprises under like circumstances.”
- **Voting Rights**
 - Members of an LLC can also agree on how business decisions will be made.
 - One of these decisions is whether the business will be managed by themselves, the owners, or if they will hire managers.
 - Another decision will determine how voting will work. For example, if some members are more involved in the day-to-day operations of the business than others, which members can and cannot vote? Or, if members own different percentages of the business, are their votes weighted differently?
 - Then, members must decide what matters require a vote at all. What decisions can members make independently or informally, and which must be brought to the table for a discussion or vote? Common voting matters include investments, office purchases, and major company or brand decisions.
 - Members can also use their operating agreement to outline how votes are cast. Do votes need to be made in person? Can they be made virtually or by phone?

Can members assign a proxy, or another person, to cast the vote for them? Are there discussions leading up to the vote the member must be present for or other voting eligibility requirements?

- How a Member can Exit or the LLC Can be Dissolved
 - Operating agreements allow members to prepare for the worst. While it's not pleasant to think about, it's best to have a plan in place in the event that a member wants to exit the partnership, is voted out of the partnership, the partnership is dissolved, or the LLC is dissolved.
 - If these terms are not addressed in the operating outline, the procedures will default to the state law.
 - One common method of withdrawing from an LLC—and typically agreed upon within the operating agreement—is a buyout. This means member who is exiting the partnership's piece of the business—the percentage they own—is valued following an assessment of how much the company is worth. The members who remain in the partnership must pay the person exiting their value.
 - Example:
 - Let's say members A, B, and C start a business with \$50,000. Member A owns 50% (buying into the LLC with \$25,000), Member B owns 30% (with \$15,000), and Member C owns 20% (pitching in \$10,000). After a few years, Member C decides to exit the business via the buyout provision. In accordance with their operating agreement, the members have the business appraised—it's now worth \$200,000. Member C's 20% share is now worth \$40,000. Members A and B must buy out member C. They do this by paying Member C \$40,000, which effectively buys Member C's shares. Members A and B would need to decide how to allocate those shares, and how much they will each pitch into the buyout. For example, they could each pitch in \$20,000 and split Member C's shares evenly. Or, Member B may decide they want to purchase the shares themselves so they can be an equal owner with Member A.
 - A provision should also be put into place that outlines how, why, and when members could be voted out. Some operating agreements may require a vote as a formality when a member wishes to withdraw or when a member's exit is a mutual decision. Other agreements may establish specific reasons, scenarios, times, or protocol that would allow a member to be voted out, for example only when a member is acting against company interests, or only after a specific amount of discussion and other disciplinary action.
 - Terms for the LLC as a whole's dissolution can also be decided upon in an operating agreement. These terms may include:
 - The percentage of consensus a vote to dissolve the business would need
 - Conditional reasons the LLC could dissolve, such as illegal actions or the death, retirement, resignation, or bankruptcy of a member or members
 - How many members must remain to have the right to continue the business
- Other Terms Included in Operating Agreement Could Include:
 - How members will settle disputes or disagreements
 - How the business will run day-to-day
 - Who will manage the business. Are outside hires allowed or needed?

- Where the business will take place, such as where the office is located
- The name and mission of the business
- When annual meetings will occur, or how much advance notice employees will have prior to meetings of this sort
- Right of first refusal, giving members the first opportunity to purchase the shares of a member who is selling their stake
- Catastrophe protocol, such as a death clause that outlines what happens when one or all members die
- A non-compete agreement to prevent members from starting other, similar businesses. Non-compete agreements typically are for a number of years after a member or employee leaves the business or the company is dissolved.

How to Form a Multi-Member LLC

While some details, such as filing fees, may vary from state to state, the steps you must take to form a multi-member LLC are relatively straightforward and consistent across the United States.

- Choose a business name
 - The name of your LLC will have to follow state and federal regulations. Typically, this includes requirements like:
 - Your business cannot have the same name or too similar of a name to other LLCs or businesses in the state
 - The name of your business must be followed by “LLC” or “limited liability company”
 - You cannot use restricted words, which include anything that could confuse your business with a government agency or would require a license and additional paperwork, such as “Treasury,” “State Department,” “Bank,” “Attorney,” or “University.”
- File your LLC's Articles of Organization with your local state
 - Articles of Organization, also known in some states as the Certificate of Organization or Certificate of Formation, are documents you must complete and file with your state's business agency to apply for, register, and form your LLC.
 - The information required for the Articles of Organization are not exactly the same in every state, but they typically require:
 - The LLC's name
 - The names of all members
 - LLC's business address (P.O. Box addresses are not allowed)
 - A brief description of the LLC's purpose
 - A registered agent, which is you or someone else, who will accept documents and service of lawsuits on the company's behalf
 - The effective start date—often the approval date—of your LLC
 - Whether your LLC's duration is perpetual or indefinite, and a designated dissolution date if there is one
 - Articles of Organization are typically filed with the Secretary of State's office in the state where your business is based.
 - You will be charged a filing fee, which is different in every state.
 - Once the Articles of Organization are approved and filed, your LLC is considered an official business entity.
- Create an LLC Operating Agreement

- Once your Articles of Organization are approved, you and the other members of your LLC can create the LLC Operating Agreement. This will outline how the business will run, what percentage of profits and assets are contributed by and distributed to each member, the rights and responsibilities of each member, how voting and buy-outs will work, and so on.
- Apply for an EIN with the federal government
 - Multi-member LLCs are required to apply for an employer identification number, which will be used on taxes and other government documents to identify their company.
 - You can apply for an EIN quickly and for free on the [IRS website](#)
- Apply for the necessary business licenses and permits
 - Be sure to obtain any licenses and permits your state requires.
- Open a separate bank account for your business
 - Once your LLC has been registered and you have created an operating agreement, you can open a business checking account and credit card.

Is Tax ID the Same as EIN?

The IRS is able to identify and track the taxes of individuals and entities through the use of unique nine-digit numbers. All taxpayers and employers in the United States must have a tax ID. These tax IDs have many names and specific applications, such as Social Security numbers—which are assigned at birth—and employer identification numbers—which must be requested through a free online application.

Employer identification numbers (EIN) are a type of tax ID, and they are the only type of tax ID the IRS specifically allocates to businesses. When referring to an EIN, the terms “EIN” and “tax ID” or “TIN” may be used interchangeably.

What Is a Tax ID?

A tax identification number, also known as a taxpayer identification number, tax ID, or TIN for short, is a unique nine-digit number that identifies you to the IRS. Tax IDs include Social Security numbers (SSN) and employer identification numbers (EIN), among others. You’ll have to include your tax ID on all tax documents and IRS interactions. You’ll also use your tax ID when claiming government benefits or services.

Tax IDs can identify individuals, corporations, organizations, and other entities. They are used on annual tax returns and documents related to government benefits. Any individual or entity authorized to work in the United States, will file taxes in the United States, or will claim benefits offered by the United States must have a TIN.

All United States taxpayers have at least one kind of tax ID. Most people obtain them when they are born in the United States in the form of a Social Security number. Many other types of tax IDs—such as employer identification numbers, which are related to businesses—require you to file a request for the appropriate tax ID from the IRS.

Sole partnerships, businesses that do not have employees or a Keogh plan and file taxes through personal income taxes are not required to request an additional TIN number, as the business owner can typically use their Social Security number in these cases.

Other examples for uses of tax IDs in day-to-day life include credit card applications, job applications, and onboarding paperwork.

What Is an EIN Number?

EIN stands for employer identification number. An EIN is a type of tax ID provided to businesses by the IRS. It is the only type of tax ID designated only for businesses.

EIN numbers provide the IRS with a unique, identifiable code for employers, and are assigned to allow businesses to file taxes, and so taxes related to a company’s employees can be tied back to the business.

EIN numbers are required if your business is going to hire employees, is an LLC that has elected to be taxed as a corporation or is filing taxes separately from your personal tax return,

will create a Keogh plan, will need to file excise tax returns, or are in an industry—like trucking—that requires one. Estates and trusts may also be required to obtain an EIN.

Sole proprietorships are not required to have an EIN, as individuals can use their Social Security numbers for their taxes. However, requesting an EIN for your business may still be recommended, as they may be required by some financial institutions and some business license applications. Requesting an EIN would also mean that you are prepared for the future growth of your business.

For further help determining if you need an EIN, check out the worksheet on IRS [Form SS-4](#).

Is Tax ID the Same as EIN?

All employer identification numbers (EIN) are tax IDs, but not all tax IDs are EIN numbers. This is because EINs are just one type of tax ID. The terms TIN and EIN can be used interchangeably when referring to a business' tax ID, because EINs are the only type of identification number the IRS gives out only to businesses.

All tax IDs, including EINs, are unique nine-digit numbers that serve the purpose of identifying individuals, businesses, or employers to the IRS in tax documents and other IRS communications.

Not all tax IDs refer to businesses or employers. Other types of tax IDs include:

- **Social Security numbers (SSN):** SSNs are obtained at birth for citizens who are born in the United States.
- **Individual tax identification numbers (ITIN):** These tax IDs are issued to taxpayers who are not eligible for an SSN, and are commonly related to immigration status.
- **Preparer tax identification numbers (PTIN):** Anyone who is compensated for preparing or assisting in the preparation of federal tax returns must request a PTIN. These must be renewed annually for a \$30.75 fee.
- **Adoption taxpayer identification numbers (ATIN):** Taxpayers who are in the final stages of adopting a child within the United States can request a temporary tax ID for the child if the child's SSN is unknown or cannot be obtained in time for Tax Day.

Get a Tax ID Number

If you were born in the United States or are a taxpayer and citizen, you already have a tax ID number, most likely in the form of your Social Security number.

If you are starting a business, you can easily request a tax ID at no cost, also known in this case as an EIN.

- **First, you must register your business in your state.** You can do this online through your state's business agency. Typically, application requirements include the name, formation date, and address of your business. There may be filing fees associated with this application. While sole proprietors who need to request a tax ID can register a doing

business as (DBA), registering as an LLC offers liability protections, which separate your personal assets from your business, so they are not affected or threatened by business-related legal action or debt.

- **Once your business is registered in your state, you can complete [Form SS-4 on the IRS website](#).** The form includes a worksheet to help determine if you need an EIN and which lines of the application you should fill out. The information you'll need to fill out this form includes:
 - Your name, or the name of the entity or individual applying for the EIN
 - Your business' name. If it is the same as the name of the individual or entity applying, you don't need to fill out this line.
 - The name of your business' executor, administrator, or trustee
 - An address for correspondence purposes. This address will likely be the same as the address used on your business' tax returns.
 - The country and state where your business is located.
 - The name and Social Security number of the person who owns and/or controls the entity, also known as the responsible party
 - Whether or not your business is an LLC. If it is, you'll also need to enter the number of members and disclose whether it was organized in the United States.
 - The type of entity your business is (eg. Sole proprietorship, partnership, corporation, etc.)
 - Your reason for applying (eg. Started new business, Hired employees, Banking purpose, etc.)
 - The date your business was started
 - The closing month of your business' fiscal year
 - The number of employees you expect to hire
 - The date you first began to pay wages
 - The category of the principal activity of your business (based on check boxes)
 - A brief description of the principal line of merchandise, products, or services your business creates
 - Whether or not you have applied for an EIN previously
- Submit Form SS-4 on the [IRS website to apply](#). There is no application fee.
- Your information will be validated in the application portal, then you will immediately be given your EIN. Be sure to download, save, and print out your EIN confirmation notice for your records.

What is the Corporate Transparency Act

The Corporate Transparency Act is a piece of legislation that was enacted on January 1, 2021 to help prevent money laundering, terrorist financing, corruption, tax fraud, and illicit activity.

It was created after Congress determined that people often use corporate structures as shell or front companies to hide their identities and launder money. In the past, there were no uniform requirements for beneficial owners to report their information, which made it more difficult for law enforcement to investigate companies they suspected of fraud or other illegal activity.

The Corporate Transparency Act will go into effect on January 1, 2024. At that time, most corporate entities will need to file beneficial owner information reports, which list the names and basic information of their beneficial owners. These reports will be filed electronically through the Financial Crimes Enforcement Network (FinCEN).

Who Are Beneficial Owners?

A beneficial owner is any individual who either exercises substantial control over the company or owns at least 25% of the company's ownership interests.

Some examples of what counts as substantial control include senior officers, someone who has authority over the appointment or removal of senior officers, someone who directs, determines, influences important company decisions, or even individuals with more indirect activity in the company, such as a board member, joint owner, trustee, beneficiary, or custodian.

Anyone considered to have substantial control is a beneficial owner, even if they don't own any equity in the company.

People who are not eligible to be considered beneficial owners include children, a nominee or intermediary of another individual, an employee whose substantial control and economic benefits are derived solely from employment status, an individual whose only interest is future inheritance, and creditors of the company.

Corporate Transparency Act Final Regulations

The Corporate Transparency Act requires most companies to file a beneficial ownership information (BOI) report. The first of these reports will be due electronically after January 1, 2024. Any time a beneficial owner's information changes, a beneficial owner dies or transfers their ownership, or there is a new beneficial owner, companies will need to update their BOI report within 30 days.

Who Must File a BOI Report?

In general, most companies will need to file BOI reports, including any domestic or foreign companies that were created or registered to do business in the US by filing a document with a secretary of state or similar office.

However, there are also companies that are exempt from filing. This includes:

- Governmental authorities
- Public utilities
- SEC-reported companies and financial service companies that are already regulated, such as:
 - Banks
 - Credit unions
 - Money services businesses
 - Registered broker dealers
 - Exchanges and clearing agencies
 - Insurance companies
 - PCAOB-registered accounting firms
- Tax-exempt entities
- Inactive entities that existed prior to January 1, 2020 and have no active business, are not owned by a foreign person, have not had a change in ownership in last 12 months, have not sent or received funds above \$1,000 in last 12 months, and does not hold assets
- Subsidiaries of certain exempt entities
- Entities that employ more than 20 full-time employees, operate at a physical US office, demonstrate over \$5 million in gross US receipts or US sales on federal income tax return. If the company falls below these guidelines, they must file a BOI report within 30 days

What Information Must be Reported

BOI reports request basic information about the reporting company, its beneficial owners, and its company applicants. A company applicant is the person who filed the paperwork required to form the company or the person who is primarily responsible for filing the BOI report. This includes:

- Information about reporting company
 - Full legal name
 - Any doing business as (DBA) name(s)
 - Current address
 - Jurisdiction of formation
 - Tax ID number
- Information about beneficial owners and company applicants
 - Full legal name
 - Date of birth
 - Current address
 - Identifying number—such as passport or driver's license—as well as its issuing jurisdiction and an image of that document

When are BOI Reports Due

The Corporate Transparency Act's Reporting Rule goes into effect on January 1, 2024.

This means that if you create a company on or after January 1, 2024, you will be required to follow the regulated timeline of the rule, and file your BOI report within 30 days of establishing the company.

However, companies that were formed before the Corporate Transparency Act goes into effect—January 1, 2024—will have additional time to submit their first BOI report. Companies formed prior to January 1, 2024 must submit their initial BOI report by January 1, 2025.

For all companies, regardless of their formation date, updates to BOI reports must be filed within 30 days of a change being made.

Changes that would require companies to update or refile their BOI report include any changes to names, addresses, or identifying numbers, changes in who is a beneficial owner, including transfers of ownership, a beneficial owner's death, a minor child becomes an adult, there are sales of additional ownership, or if the reporting company becomes exempt from reporting requirements.

If you become aware of an inaccuracy in a prior report, you have 30 days from when you become aware to file the correction.

How does It Impact LLC and Business Owners

The Corporate Transparency Act will prevent LLCs, corporations, and other business entities from being formed and used as shell companies that conduct illegal activities. Since these shell companies are typically able to conduct illegal activity due to the anonymity that has been possible in the past—as there was no required reporting for beneficial owners—the Corporate Transparency Act will remove anonymity from these companies.

Business owners will need to file and consistently update these reports to ensure FinCEN and the Department of the Treasury have the correct names and addresses of all beneficial owners, company applicants, and the company itself.

Who Will Look at BOI Reports

BOI reports are not public information and cannot be requested through the Freedom of Information Act.

BOI reports are filed with FinCEN, which is the Financial Crimes Enforcement Network, a bureau under the United States Department of the Treasury. FinCEN is responsible for investigating financial transactions with the goal of preventing financial crimes like domestic and international money laundering or terrorist financing.

FinCEN, the Department of the Treasury, and other federal, state, and local agencies responsible for national security, intelligence, and law enforcement will have access to BOI reports.

If FinCEN are conducting an investigation or anti-money laundering compliance activity and believe it would help them to share BOI reports with financial institutions, they will first need consent from the reporting company.

Conclusion

The Corporate Transparency Act will require most companies to file a document containing the names, addresses, and other identification information of any individual who either exercises

substantial control over the company or owns at least 25% of the company's ownership interests with the Financial Crimes Enforcement Network (FinCEN), a bureau of the Department of the Treasury, beginning January 1, 2024.

The goal of this act is to remove anonymity from company ownership in order to help prevent money laundering, terrorist financing, and other financial crimes that could occur if criminals take advantage of an anonymous system to create a shell company.

Companies that were formed before the Corporate Transparency Act goes into effect on January 1, 2024 will have until January 1, 2025 to file their initial Beneficial Owner Report. After that, if there are any changes to beneficial ownership—including names, addresses, or a change in ownership—the company will have 30 days from that change to update and refile their Beneficial Owner Report. Similarly, any corrections must be made within 30 days of a mistake being noticed.

Companies that are formed on or after the Corporate Transparency Act goes into effect on January 1, 2024 will have 30 days from the time the company is formed to file. Updates and corrections must be filed within 30 days of a change taking place or a mistake being noticed.

For more information, visit the [FinCEN website](#).

Texas LLC Taxes

Texas' booming economy and vast expanse make it a popular spot for new businesses, yet as more and more business owners choose to start their ventures, many find it challenging to understand business taxes. Regardless of the size of your business, if you operate an LLC in Texas, you will need to ensure you stay up to date on your finances and pay federal, state, and local taxes. Our guide will help you understand which taxes you will need to pay for your Texas LLC.

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Recommended: [AffiliateLink Name="OneEightHundredAccountant" LinkType="FreeConsultation" LinkRef="top" Type="Link" Text="Schedule a free consultation with an accountant"] to stay on top of their taxes.

Texas Franchise Tax and Public Information Report

In order for LLCs to operate in Texas, they must file a Public Information Report (Form 05-102) and either a Franchise Tax Report or a No Tax Due report with the Texas Comptroller of Public Accounts every year.

A Public Information Report ensures the names and addresses of an LLCs members are updated annually. Failure to submit this form each year by May 15 could result in fees and loss of corporate privileges.

LLCs that generate an annualized total revenue of or higher than a certain amount—\$1,230,000 in 2023—or whose tax liability is less than \$1,000 must also file a Franchise Tax Report and pay a franchise tax. This annual tax allows them to run their business in the state of Texas, and offers privileges like liability protections. Depending on the type of company, the franchise tax rate ranges from 0.331% to 0.75%.

The vast majority of LLCs in Texas do not reach the threshold that requires franchise tax to be paid. So each year, they instead file a No Tax Due Report (Form 05-163). LLCs owned by veterans are offered a five year exemption from franchise tax. These businesses must still file a No Tax Due Report.

Franchise Tax Reports and No Tax Due Reports are both due by May 15 each year. Your first Franchise Tax Report is due the year after your LLC is established. That means that if your LLC was approved on January 15, 2023, your first report will be due on May 15, 2024. Filing these forms late will result in penalties, and not filing at all could lead to the forfeiture of your LLC.

For more information and resources such as a Franchise Tax calculator, visit the [Texas Comptroller of Public Accounts website](#).

Texas LLC Taxes Owed

LLCs benefit from pass-through taxation, meaning the business's profits pass-through to the members' individual tax returns. In other words, the LLC itself doesn't pay income tax. Instead,

LLC owners must pay taxes on their portion of the income made from the LLC. In Texas, LLC owners can expect to pay the following taxes:

Federal Taxes

Regardless of where the business is located, LLCs within the United States must pay federal income taxes and federal self-employment taxes. These taxes are reported on your Form 1040.

Federal Self-Employment Taxes

Whether your LLC is a single-member LLC or a multi-member LLC, all LLC members have to pay a 15.3% self-employment tax on their share of the LLC's profits.

Federal Income Taxes

Your federal income taxes will depend on your tax bracket. Both the cutoffs for individual tax brackets and the percent owed change each year.

Texas State Taxes

Each state has its own laws dictating how individuals and businesses are taxed. Texas does not have an income tax, which is often seen as an advantage to business owners in the state.

Texas Franchise Tax (If applicable)

LLC owners must file an Annual Franchise Tax Return, and will owe tax each year if their annualized total revenue is \$1,230,000 or more.

If your business does not meet or exceed this threshold, you will file a No Tax Due Report and will not be required to pay franchise tax.

Texas Income Taxes

Texas has no state income tax. Therefore, business owners in Texas still have to pay federal income taxes but do not owe additional taxes on their income to the state of Texas. This makes Texas one of only seven states with a 0% income tax rate. Many states have an income tax rate higher than 5%, and some states can have income tax rates upwards of 10%. Texas's 0% tax rate is seen as a business friendly policy, and this has likely contributed to Texas's position as an economic hub in the United States.

Texas Sales and Use Tax

Texas has a state sales and use tax rate of 6.25%. In addition to this, local jurisdictions like cities and counties can add their own tax rate. The maximum additional local tax is 2%, meaning sales tax in some areas of Texas is 8.25%. To find your local sales tax rate, visit the [Texas Comptroller of Public Accounts](#) website.

Taxes can be paid online, and your filing frequency is based on how much you collect in annual taxes.

Apply for a Sales and Use Tax Permit in Texas

If your business sells taxable goods or services, you must apply for a sales and use tax permit with the Texas Comptroller of Public Accounts.

Visit the [Texas Comptroller of Public Accounts website](#) for more information.

Employer Taxes

If you have employees in Texas, you'll need to pay unemployment insurance tax on the first \$9,000 in wages paid to each employee. At first, the unemployment insurance tax rate is 2.7%. However, if the NAICS national average rate is higher, you'll be required to pay that. Established employers' tax rate is determined by factors such as the amount of wages paid and the amount of unemployment claims connected to your business.

Additional State Taxes

The Texas Comptroller of Public Accounts imposes additional taxes on some industries, such as:

- Boat and boat motor
- Hotel
- Mixed beverage
- Oyster sales
- Tobacco, cigarette, and e-cigarette

To see the full list of industries and learn more, check out the [Texas Comptroller of Public Accounts website](#).

Texas Local Taxes

The local laws and ordinances in Austin may differ greatly from those in Amarillo. Additional taxes can also be imposed on certain industries on a local level. Regardless of where you live in Texas, we recommend you check with your local jurisdiction and ensure that your business obtains the proper local permits and follows any local regulations that may impact your business's operation.

Texas LLC Compliance

You must be sure to obey Texas state and local laws to keep your business compliant and in good standing. Texas businesses must file an annual report each year with the state. This report consists of the Public Information Report and Franchise Tax Report.

Texas Public Information Report

The annual Public Information Report (PIR) is how the state ensures they have accurate information about your LLC's owners and members. The PIR requires you to list all members' names and addresses.

The PIR is submitted with your Franchise Tax Report/No Tax Due Report.

Texas LLC Annual Report

All Texas LLCs must file an annual report with the Texas Comptroller of Public Accounts. This report consists of both an annual public information report and an annual franchise tax report. It ensures that the state has updated information on your business and your business's finances.

Even if nothing changes from one year to the next, you are still required to file a both reports each year for your LLC.

Annual reports are due each year by May 15th. Late filings will incur fees. Failure to file will result in your business being dissolved. These reports can be [filed online](#) or by mail with Texas Comptroller. For more information, checkout our [Texas LLC Annual Report](#) guide.

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LLC taxes are complex. While our guide can provide you with important information, we recommend you [AffiliateLink Name="OneEightHundredAccountant" LinkType="FreeConsultation" LinkRef="bottom" Type="Link" Text="schedule a free consultation with an accountant"] to ensure that you handle your business taxes correctly.

New York LLC Taxes

New York's massive, diverse population and the fact it's home to one of the largest cities in the country make it a popular spot for new businesses, yet as more and more business owners choose to start their ventures, many find it challenging to understand business taxes. Regardless of the size of your business, if you operate an LLC in New York, you will need to ensure you stay up to date on your finances and pay federal, state, and local taxes. Our guide will help you understand which taxes you will need to pay for your New York LLC.

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Recommended: [AffiliateLink Name="OneEightHundredAccountant" LinkType="FreeConsultation" LinkRef="top" Type="Link" Text="Schedule a free consultation with an accountant"] to stay on top of their taxes.

New York LLC Taxes Owed

LLCs benefit from pass-through taxation, meaning the business's profits pass-through to the members' individual tax returns.

As a result, your LLC itself does not pay taxes to the federal government or to the state of New York. Instead, LLC owners must pay taxes on their portion of the income made from the LLC. In short, the members pay taxes, not the LLC itself.

Pass-through taxation protects LLC owners from double taxation, or paying both income and employment taxes for their business and on their personal tax returns.

In New York, LLC owners can expect to pay the following taxes:

Federal Taxes

Regardless of where your business is located, if you have an LLC within the United States, you will have to pay federal income taxes and federal self-employment taxes. These taxes are reported on your Form 1040.

Federal Self-Employment Taxes

It doesn't matter if your LLC is a single-member LLC or a multi-member LLC, all LLC members must pay self-employment taxes on their share of the LLC's profits. The self-employment tax rate is 15.3%.

Federal Income Taxes

Your federal income taxes will depend on your tax bracket, and the cutoffs for individual tax brackets, as well as the percent owed, will change each year.

New York State Taxes

Each state has its own laws dictating how individuals and businesses are taxed.

New York Income Taxes

New York has a state income tax, which for individuals ranges from 4% to 10.9% depending on their income. This is in line with many other states in the US. LLC owners and members must pay personal income tax based on earnings and expenses from their LLC, especially if it is treated as a sole proprietorship.

In New York, LLCs are not required to pay federal or state income tax. However, LLCs that gain or lose income must pay an annual filing fee, which depending on their gross income can range from \$25 to \$4,500. These filing fees can be filed online through Form IT-204-LL on or before Tax Day. No extensions for filing are available. Visit the [New York Department of Taxation and Finance website](#) to learn more about annual filing fees.

If not enough taxes are being withheld, LLCs may be required to make estimated tax payments to the state on behalf of members.

New York Sales and Use Tax

[According](#) to the New York Department of Taxation and Finance, sales tax applies to retail sales of certain goods and services, while use tax applies to goods and services purchased outside the state, but used within New York. After collecting these taxes, vendors must remit, or pay them back, to the state.

New York has a state sales tax rate of 4%. This rate is then combined with local city or county tax rates.

For example, New York City has an additional 4.5% sales tax on certain goods and services and a 0.375% Metropolitan Commuter Transport District tax. This means sales tax in New York City is 8.875%.

To find your local sales tax rates, visit the [New York Department of Taxation and Finance website](#).

Taxes can be paid online, and your filing frequency is based on how much you collect in annual taxes.

Register as a Sales and Use Tax Dealer With New York

If your business sells taxable goods or services, you must register as a sales and use tax dealer with the New York Department of Taxation and Finance.

Visit the [New York Department of Taxation and Finance website](#) for more information.

New York Corporate Franchise Tax

LLCs in New York may have to pay an annual franchise tax in order to continue to operate. This fee is calculated based on your business' income, capital, and a minimum rate.

To learn more, see the [corporation tax](#) page of the New York Department of Taxation and Finance website.

Withholding and Employer Tax

If you have employees in New York, you must withhold personal income tax from employees who are New York residents working out of the state, non-residents working within the state, New York City residents, and Yonkers residents.

LLCs in New York with employees may also be required to make unemployment insurance contributions and pay the metropolitan commuter transportation mobility tax.

To learn more, visit New York State's [withholding tax guide](#).

Additional State Taxes

New York's Department of Taxation and Finance oversees the reporting and collection of various taxes that businesses may have to pay depending on their industry and location.

These are a few industries that may require business owners in New York to pay additional taxes:

- Cigarettes and tobacco
- Cannabis
- Trucking
- Real estate sales/transfer

To read the full list of other taxes, check out [New York's Department of Taxation and Finance website](#).

New York Local Taxes

The local laws and ordinances in New York City may differ greatly from those in Buffalo. Regardless of where you live in New York, we recommend you check with your local jurisdiction and ensure that your business obtains the proper local permits and follows any local regulations that may impact your business's operation.

To look up your local sales tax rates, visit the [New York Department of Taxation and Finance website](#).

New York City Taxes

New York City has a 4.5% sales tax on certain goods and services and a 0.375% Metropolitan Commuter Transport District tax, in addition to New York State's sales tax. This means sales tax in New York City is 8.875%.

New York City-based LLCs, or LLCs who are not based in New York City, but make \$1 million or more from New York City sources in a year also must pay a Business Corporation Tax to the City. Depending on the type of business and its income, this tax is either paid at a rate ranging from 4.425%–8.85% or as a fixed dollar minimum amount ranging from \$25–\$200,000.

Business Corporation Taxes are due by April 15th each year and can be submitted online. Extensions are available with valid requests. Businesses that do not pay this tax will be dissolved.

To learn more, check out the [New York City Department of Finance website](#).

New York LLC Compliance

You must be sure to obey New York state and local laws to keep your business compliant and in good standing. While New York LLCs technically do not file taxes with the state, New York businesses must still file an annual report every two years with the state.

New York LLC Biennial Report

All New York LLCs must file a report through the New York Department of State every two years, known as a biennial report or biennial statement. These reports ensure that the state has updated information on your business and your business's finances. Even if nothing has changed since you filed your last statement, you are still required to file a report for your LLC every two years.

Biennial reports are due every two years by the end of your LLC's anniversary month, meaning if you initially registered your LLC on June 15, 2022, your next biennial statement would be due by June 30, 2024. Late filings will result in your LLC losing good standing with the state. Failure to file will result in your business being dissolved. These reports can be [filed online](#) with New York's Department of State for \$9 by yourself or a registered agent. For more information, check out our [New York LLC Biennial Statement](#) guide.

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LLC taxes are complex. While our guide can provide you with important information, we recommend you [\[AffiliateLink Name="OneEightHundredAccountant" LinkType="FreeConsultation" LinkRef="bottom" Type="Link" Text="schedule a free consultation with an accountant"\]](#) to ensure that you handle your business taxes correctly.

California LLC Taxes

California is home to several major cities and industries across its vast and diverse geographies, making it a popular spot for new businesses. But LLC owners, many find it challenging to understand business taxes and quirks unique to California, like Annual Franchise Fees. Regardless of the size of your business, if you operate an LLC in California, you will need to ensure you stay up to date on your finances and pay federal, state, and local taxes. Our guide will help you understand which taxes you will need to pay for your California LLC.

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Recommended: [AffiliateLink Name="OneEightHundredAccountant" LinkType="FreeConsultation" LinkRef="top" Type="Link" Text="Schedule a free consultation with an accountant"] to stay on top of their taxes.

California Annual Franchise Tax and California LLC Fee

Explain how both components work (feel free to reorganize section/wording here)

The state of California is unique in its requirement that LLCs pay a set franchise tax fee as well as an estimated fee each year to the State of California Franchise Tax Board. These taxes allow your business to operate in the state of California.

All LLCs in California must pay the Annual Franchise Tax of \$800 each year by April 15th, or by the 15th day of the fourth month of your taxable year.

LLCs that have over \$250,000 in gross annual receipts must also pay an Estimated fee, which ranges from \$900 to \$11,790 depending on revenue.

How to Pay California Annual Franchise Tax

Form 3522

The Annual Franchise Tax, or Limited Liability Company Tax Voucher is filed and paid using Form 3522.

No matter your LLC's revenue, the annual tax is \$800.

You can file and pay [online on the State of California Franchise Tax Board's website](#). The due date each year is April 15th.

LLCs established between January 1, 2021 and January 1, 2024 are not required to pay the Annual Franchise Tax during their first tax year.

How to Pay California LLC Fee

Form 3536

The LLC fee is filed with the State of California Franchise Tax Board using form 3536.

Form 3546 and the fee are not required for LLCs with a total annual California income below \$250,000.

For LLCs that make \$250,000 or more in California within a year, you must file Form 3536 and pay a fee based on your revenue.

- LLCs that make \$250,000 – \$499,999 must pay \$900
- LLCs that make \$500,000 – \$999,999 must pay \$2,500
- LLCs that make \$1,000,000 – \$4,999,999 must pay \$6,000
- LLCs that make \$5,000,000 or more must pay \$11,790

Form 3536 can be filed and paid on the [State of California Franchise Tax Board website](#). For eligible LLCs, the due date is June 15th each year.

Reporting LLC Income

Form 568

Each year, California LLCs must also file Form 567, also known as LLC Return of Income. There are no payments associated with this form. Instead, it is essentially a tax form that accounts for all LLC income, paid estimated and Annual Franchise taxes, and other tax and financial information.

The LLC Return of Income is due April 15th each year.

To view the form or learn more, check out the [State of California Franchise Tax Board website](#).

California LLC Taxes Owed

LLCs benefit from pass-through taxation, meaning the business's profits pass-through to the members' individual tax returns. However, California does require LLCs to pay tax to the state in the form of an Annual Franchise Tax and, if applicable, an estimated LLC fee.

Federal Taxes

Any LLC within the United States has to pay federal income taxes and federal self-employment taxes. This does not change on a state-by-state basis. These taxes are reported on your Form 1040.

Federal Self-Employment Taxes

All LLC members must pay self-employment taxes on their share of the LLC's profits. This is true for all kinds of LLCs, including single-member LLCs and multi-member LLCs. The self-employment tax rate is 15.3%.

Federal Income Taxes

While cutoffs for individual tax brackets and the percent owed will vary each year, your annual federal income taxes change based on your tax bracket.

California State Taxes

Since California is one of the states that requires a franchise tax in order for an LLC to operate, there are a few additional state taxes unique to California, in addition to income and sales tax.

California Franchise Tax

LLCs in California must pay \$800 to the State of California Franchise Tax Board each year in order to continue operation. This is known as the Annual Franchise Tax.

LLCs formed after January 1, 2021 and before January 1, 2024 are exempt from paying this tax during their first year.

California LLC Fee

LLCs that earn more than \$250,000 in California must also pay an Estimated Fee, ranging from \$900 to \$11,790 depending on their projected income.

If your LLC makes less than \$250,000 in California income, you do not need to pay the Estimated LLC Fee or file Form 3536.

California Income Taxes

California's personal income tax rates are broken up into nine brackets, meaning depending on how much you make, you can be taxed at 1% to 13.3%.

Taxes are due each year by April 15.

To calculate your tax or determine your tax bracket with tax calculators and tables, visit the [State of California Franchise Tax Board website](#).

California Sales and Use Tax

The state of California's sales tax is 7.25%. Counties, cities, and local jurisdictions can create additional sales tax. Some areas of California have a sales tax as high as 10.75%.

To determine your local sales and use tax rate, check out this [searchable map on the California Department of Tax and Fee Administration website](#).

Register for a sales and use tax seller's permit

In order to sell taxable goods or services in the state of California, you must [register for a seller's permit](#) on the California Department of Tax and Fee Administration website.

Employer Taxes

If your LLC hires employees, it will be required to pay unemployment insurance tax and workers' compensation tax.

For unemployment insurance, the first \$7,000 of an employee's salary is taxed. At first, your LLC will be taxed at 3.4%. After two to three years, when you are considered an established employer, your LLC's unemployment insurance tax rate will increase at the end of each year, until it reaches a maximum of 6.2% or \$434 per employee per year.

Additional State Taxes

California imposes additional taxes on certain industries, such as:

- Cigarettes and tobacco
- Alcohol
- Cannabis
- Lumber

To view more taxable industries and learn about their fees, see the [California Department of Tax and Fee Administration website](#).

California Local Taxes

Cities and counties can create their own taxes, meaning the local laws, ordinances, and taxes in San Francisco—where there is a 0.38% city income tax—may differ greatly from those in Los Angeles or Sacramento. Regardless of where you live in California, we recommend you check with your local jurisdiction and ensure that your business obtains the proper local permits and follows any local regulations that may impact your business's operation.

California LLC Compliance

You must be sure to obey California state and local laws to keep your business compliant and in good standing.

Reporting LLC Income

Each year, your LLC must report its income, information related to the payment of the Annual Franchise Fee and Estimated LLC Fee, and other financial information in Form 568, also known as the LLC Return of Income.

California LLC Biennial Report

Every two years, LLCs in California must file a biennial report, also known as the Statement of Information. This report ensures the state is up to date with your the names, addresses, and principal business activities of your LLC and its members or managers.

The Statement of Information can be filed [online](#), via mail, or in person with the California Secretary of State. There is a \$20 filing fee.

Your due date is a six-month window based on when you registered your LLC. Find your Statement of Information filing period on the [California Secretary of State](#) website. Late filings or failure to file will result in penalties, and could lead to the dissolution of your LLC.

For more information, checkout our [California LLC Biennial Report](#) guide.

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LLC taxes are complex. While our guide can provide you with important information, we recommend you [\[AffiliateLink Name="OneEightHundredAccountant" LinkType="FreeConsultation" LinkRef="bottom" Type="Link" Text="schedule a free consultation with an accountant"\]](#) to ensure that you handle your business taxes correctly.