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Professional Practices

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Business Formation Assignment

1. Name of Formation: Limited Liability Company

2. Business Name: Luxe Lawrance Interiors

3. Pros of LLC:

- i. Limited Liability Companies provide better legal coverage for business owners because there is no personal liability. The company is legally liable.
- ii. Owning an LLC holds certain tax advantages. With an LLC, the owner is taxed, not the business. Thus, you have the ease and simplicity of a sole proprietorship with the benefit of limited liability.
- iii. If an LLC business is sued, your personal assets will be protected under limited liability.
- iv. Profits and losses can get passed through to your personal income without facing corporate taxes.

4. Cons of LLC:

- i. Members of an LLC are considered to be self-employed, meaning they must pay self-employment tax contributions towards Medicare and Social Security.
- ii. LLCs have a limited life in many states.
- iii. If a member were to join or leave an LLC, some states may require the LLC to be dissolved and re-formed with new membership.
- iv. Creating an LLC does cost money—registration, etc.

5. Reflection: Since beginning my studies at HCC, I have toyed with the idea of starting my own business one day, weighing the pros and cons. My passion for design motivates me every day and while I find the freedom of owning my own business to be very attractive, I would likely spend several years employed at other firms before branching out on my own.

When eventually starting my own business, I would like to form an LLC. I find this formation attractive because of the legal protection it provides. It also has other benefits such as

tax methods, personal asset protection, and more. Due to the commercial nature of the business I have proposed, I feel that an LLC would not only be the safer option (to protect myself and my assets from legal action), but the easier one as well. While it can be costly in the beginning, an LLC has many of the same benefits of a sole proprietorship without the legal risks.

Sources:

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