

Benefits of an LLC in Colorado

The following is consolidated from an article @

<https://www.llcuniversity.com/benefits-forming-an-llc-in-colorado/>

Some information had been omitted for consolidation.

An LLC stands for Limited Liability Company. It's a business entity formed by state law. An LLC combines the characteristics of a Corporation and a Sole Proprietorship/Partnership. It harnesses the best of both worlds. As a legal entity separate and distinct from you as a person, your LLC can do the following:

- Earn money
- Own personal property and real property (land, buildings, houses, vehicles, etc.)
- Form and enter into contracts
- Open and hold bank accounts
- Sue and be sued
- File and pay taxes

Benefits of a Colorado LLC: There are two main benefits to forming an LLC in Colorado:

Personal liability protection is a benefit found both in Corporations and LLCs. It builds a “wall of protection” between your personal assets and the assets of the business.

If your business gets sued, your personal assets cannot be used to pay off any debts or liabilities.

The second benefit, **pass-through taxation**, applies to LLCs, Sole Proprietorships, and Partnerships.

Under this principle, your business is not taxed on its own. Instead, any profits/losses from your business are reflected on your personal tax return. This way, you avoid the disadvantage Corporations face: double taxation. Double taxation is paying taxes at the corporate level, and then again at the personal level.

Colorado LLC vs Corporation/Sole Proprietorship/Partnership

An LLC– is a separate legal entity authorized to perform acts on behalf of its owners. An LLC, can do business, earn money, hold personal and real property, etc.

A **Sole Proprietorship** is an unincorporated business run by the owner him/herself. Unlike an LLC, there is no separate legal entity formed. In the eyes of the law, the owner **IS** the business itself.

A **Partnership** is also an unincorporated business run by 2 or more. Like a Sole Proprietorship, a Partnership does not create a separate legal entity.

Colorado LLC vs a Sole Proprietorship/Partnership

While no double taxation is also a feature found in a Sole Proprietorship (and Partnership), the LLC has a huge advantage over the two.

An LLC Member Enjoys Personal Liability Protection

An LLC creates a “wall of protection” between your personal assets and the business assets. If your company gets sued, only the assets of the business can be used to pay off the LLC’s debts. In short, your personal assets (bank account, house, car, etc.) are protected and safe in case your business gets sued.

With a Sole Proprietorship, there is no such protection. Since the law views you and your business as the same thing, then your personal assets can be used in the event your business gets sued. This same thing applies to a Partnership. There is no separate entity created here. You and your partner’s personal assets are subject to being used to pay off your company’s debts if it gets sued.

LLC: The Best of Both Worlds

If you want a business that’s simple, inexpensive, and protects your personal assets in the event of a lawsuit, then setting up an LLC is probably the most practical option for you.

An LLC is the best option for you if you want a business that is:

- simple
- inexpensive
- protects your personal assets

In Colorado, creating an LLC takes 5 simple steps:

1. Choose Your LLC
2. Select your LLC’s
3. File your LLC’s
4. Draft and sign your LLC’s
5. Obtain your LLC’s (Employer Identification Number)