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**TAX ISSUES FOR FLORIDA LIMITED
LIABILITY COMPANIES**

Unless the Florida Limited Liability Company's Operating Agreement contains a special election for it to be taxed differently, its members are taxed on a pass-through basis for purposes of federal income taxes. As a result, the entity will not be subject to a direct federal income tax and the income will be passed through to the members for inclusion on their individual tax returns. Each member then pays taxes on his or her "distributive share" of this income.

With many Florida Limited Liability Companies, the members will, in lieu of receiving income in the form of salary, receive a payout of the income in the form of a capital distribution. These distributions are payments that the entity makes to its members with respect to their ownership interests.

When an entity does not make a profit for several years it generally will not make a distribution to its members. This can be difficult when one or all of the members is actively involved in the operations of the business and needs a pay check to survive. Often, the Limited Liability Company will provide the member with a guaranteed payment. Guaranteed payments are payments that an entity makes to a member whether or not the business makes a profit. A guaranteed payment is the equivalent of a salary as it is treated as an expense to the business and may pass-through as a deduction to the business owners. A member receiving a guaranteed payment will be subject to self-employment tax. The business is not required to withhold taxes on the payments, and the recipient will need to file estimated income tax returns.