



UNTITLED

STRATEGIC FIDUCIARY ADVICE

**INCORPORATION
OF A LIMITED
LIABILITY COMPANY
IN THE STATE
OF FLORIDA, USA**

The Limited Liability Companies ("LLCs") have certain common features as corporations, such as the limited responsibility of shareholders and others of partnerships related to their pass-through or transparent structures from the taxing point of view.

What does this mean? These legal vehicles do not pay taxes directly, however, its members shall

include **profits & losses in their personal tax statements**, if any.

The LLC may choose to pay taxes as a corporation but this is something to be evaluated if the company develops its business activity within the US and not when it is used to hold investments (i.e. real estate, banking account or brokerage, etc.).

NECESSARY ROLES

The LLCs need to have at least one partner, member or shareholder and there is no maximum number of such members.

They must have at least one manager.

Members and managers must be foreign or US individuals or legal entities.

MAIN ADVANTAGES

- **Simple administration:** management may be carried out by its partners without the need of a director, administrator or manager.
- **Limited responsibility of partners:** in this aspect, they operate as corporations, that is to say, the owner's responsibility is limited to its contributions. This is the main reason for which, for example, those who buy real estate in the US use this vehicle. Doing so safeguards its estate – inter alia – from third party legal actions who may have experienced some sort of damage while being in the real estate.
- **Avoid double taxation:** unless otherwise decided by the

partners, an LLC does not pay taxes directly; therefore, the partners and the vehicle will never pay taxes for the same profits.

- **Offshore:** US non-resident members will not be required to pay taxes for the profits obtained by the LLC if the company does not have a business activity in the country.
- **Financial statements:** it is not mandatory to submit annual financial statements if business is not carried out in the country.
- **Flexibility:** no restrictions with regards to the type of assets to be contributed to the company; assets may be: money, real estate, artworks, motor vehicles, precious metals, etc.

MAIN DISADVANTAGES

There are no a priori disadvantages associated with the LLCs, however, it is important to analyze if it is the best vehicle taking into account the objectives of its members and the activities to be developed.

It is generally the ideal case for asset-holdings in the US (i.e. real estate, investments, bank accounts). However, it would not be recommended to engage in a major business activity or one that has a certain relevance.

If the succession subject is not dealt with in an efficient manner (i.e. by means of a non-US holding or trust) certain complications appear such as the probate process and the inheritance tax. However, if the structuring is organized correctly, both subjects may be solved easily.

WHICH ARE THE MAIN CORPORATE DOCUMENTS OF A LLC?

- Certificate of Incorporation
- Bylaws

Furthermore, if the LLC has more than one member, the operating agreement appears. This is a private document by means of which the company members rule the life of the LLC and the relationship among them.

WHY CHOOSE THE STATE OF FLORIDA TO INCORPORATE A LLC?

Florida offers a high grade of confidentiality. Although the web allows you to know if the company is active, who the manager is and even to obtain a copy of the bylaws; if sufficient measures are taken, a third party will only be able to know if the company exists and if it is in good standing.

There are cases in which the client's main objective is privacy. We recommend to hire an independent manager or – if a non – US company is going to be used as an owner – that same vehicle may be used as a manager.

On the other hand, creating a company in Florida will only take a few days and the LLCs incorporated therein have less tax pressure than those incorporated in the US having income tax at a federal and state level.

Finally, it is generally much easier to open a bank account or acquire property located in Florida with an LLC incorporated in Florida than in Delaware, Wyoming or Nevada that are other popular states for the incorporation of LLCs.

POST-INCORPORATION OBLIGATIONS

- **Employer Identification number (EIN):** this is a fiscal identification number that many banks require to open an account.
- **Annual Report:** in order to keep up to date, all LLCs should present an annual report and pay a fee based upon the assets located and used in the State where it is incorporated or registered. This report is generally prepared by the Registered Agent, in this case, UNTITLED SLC LLC, and is included in our fees corresponding to the company's annual administration.

- **Form 5472:** it is a form to file certain transactions in which an LLC with foreign owners has engaged in during the tax year. It is generally presented at the IRS by a US CPA (Certified Public Accountant). If you do not have one, we may contact you with a CPA so that you have your company updated and avoid civil and criminal penalties. This also applies if the company needs to draft or present other forms in the US.

SERVICES PROVIDED BY UNTITLED

- Company Incorporation.
- Resident Agent Service.
- Registered Office Service.
- Preparation of the annual reports and the corresponding payments associated with them.
- Provision of an independent manager.
- Procurement of the EIN.
- Opening of accounts in certain banks.

INCORPORATION PROCESS

Regarding the incorporation process and costs, Florida is generally mostly used since it has only a few formalities to accomplish, it may be rapidly created and amended and it is one of the less costly options.

At UNTITLED, the process is the following:

I. Client request and invoice payment

II. KYC and forms

III. Approval of KYC by the Compliance Department

IV. Preparation of corporate documents

V. Incorporation

VI. Reception by the Company Registrar and submission to the clients



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