

Many business owners continue to operate their business as a sole proprietor despite the fact that a sole proprietorship offers no liability protection for him or her. The reason for this decision is oftentimes a desire to avoid the additional cost and administration that the owners believe to be inherent in the formation and operation of a limited liability entity. However, by forming a single-member LLC, the sole owner of a business can retain the simplicity of a sole proprietorship while still obtaining the full liability shield afforded under Pennsylvania corporate law.

Because a single-member LLC is treated as a disregarded federal tax entity (absent a contrary election), a single-member LLC is not required to file a federal income tax informational return. Further, with the elimination of the Pennsylvania capital stock tax, a Pennsylvania single-member LLC is also able to avoid filing a Pennsylvania income tax informational return. Finally, the operation of a single-member LLC, unlike a corporation, does not require annual elections of the managers and/or officers of the entity. For these reasons, a business owner can generally operate a single-member LLC in the same simple and cost-effective manner that he or she operates his or her sole proprietorship, but can shield his or her personal assets from liability arising from the business by operating under a single-member LLC.

If you are interested in learning more about the benefits of operating as a single-member LLC, please contact Paul T. Rushton, Esq., the Chair of the Business & Finance Department of Rosenn, Jenkins & Greenwald, at prushton@rjglaw.com or 570-826-5623.