

**NELSON SLOSBERGAS P.A.**

1110 Brickell Avenue, Suite 310

Miami, Florida 33131

Web Page: [miami-intl-law.com](http://miami-intl-law.com)

Nelson Slosbergas, Esquire  
Attorney and Civil Law Notary

Tel: (305) 374-0030  
Fax: (305) 374-2855

**Limited Liability Companies**

A limited liability company ("LLC") is a relatively new form of business organization created by different states in the U.S., including Delaware, Nevada and Florida. They are somewhat similar to "Limitadas" which exist in most of Latin America.

The LLC can have either centralized management or be managed by its members.

In most states, an LLC can be formed with only one member.

The liability of the members to the company or its creditors is limited to the members equity investment in the LLC. The interests of members in an LLC are freely transferable, subject to any and all restrictions imposed by an agreement of the members.

An LLC is dissolved upon the death, bankruptcy or dissolution of a member or upon the occurrence of any other event which terminated the continued membership of the members unless the consent of all the remaining members is obtained or the right to continue is stated in the articles of organization.

Single Member LLC's, as entities, are not subject to either federal or state income taxation. It is the members who report any income or loss from LLC operations on their own tax returns. Thus, if any income earned by the LLC is non U.S. source (earned outside the U.S.) and if the member of the LLC is a non-US person (such as a company incorporated in the British Virgin Islands or other tax haven country), there will be no U.S. tax on the income. However, there may be U.S. reporting requirements and the necessity of a filing of a U.S. informational tax return if the LLC is made up of two or more members.

In terms of confidentiality, the names of the members need not be published in Nevada or Delaware. The name of the manager, whether it is the member or a third party, will eventually be in the public records. The names of the director of the members, which are offshore companies (such as British Virgin Islands, Bahamas, etc.), may be registered with the registry of such country.

OFFSHORE  
COMPANY

MEMBER

L.L.C. Company

Options:  
Florida – L.L.C. \*  
Nevada – L.L.C.  
Delaware – L.L.C.

MANAGEMENT  
Appointed Manager

OR

Option 1:  
Member named as  
Manager / L.L.C. to be  
Member Managed

Option 3: Appoint a  
Nominee Manager: NS  
Corporate Services Inc.  
(annual cost \$500.00)

Option 2: Name a  
Manager – appointed by  
client

\* intangible tax may apply (.002%)

Accountant Letter  
From  
**MALLAH, FURMAN and COMPANY, P.A.**  
(read in computer for delivery via e-mail to clients  
– original can be faxed, if requested)

March 30, 1999

Mr. Nelson Slosbergas  
Slosbergas and Fernandez, P.A.  
501 Brickell Key Drive, Suite 400  
Miami, FL 33131

Dear Nelson:

We present this letter to review the conversation you, Ken Williams and I had last week regarding a Florida or Delaware limited liability company owned by a foreign corporation. This letter summarizes our conversation only and is meant to provide a guide by which we can further develop the ideas described. Further research will be required to apply these concepts to any specific client situation.

Facts

A Florida or Delaware single member limited liability company (“LC”) is owned by a foreign corporation (“FC”). Neither the LC nor the FC have any U.S. permanent establishment or other presence and neither has any U.S. source income, effectively connected with a U.S. trade or business or otherwise.

What federal and state Income tax would be Incurred? What federal and state filing requirements would there be?

Answers and Discussion

*Federal Tax:* A single member LC is disregarded for federal and Florida income tax purposes. In other words, for federal tax purposes, the LC does not exist. Accordingly, the FC member would file any required U.S. Income tax return. Since there will be no U.S. activity and no U.S. source income, no U.S. tax return is required. However, for the following technical reasons, It would be preferable for the FC to file a protective federal income tax return:

1. If FC does not file a U.S. Income tax return It may loose the right to all otherwise allowable deductions. Upon an IRS audit, the FC may be required to Include some unexpected amount in income but would have lost all its deductions.

Mr. Nelson Slosbergas

March 30, 1999

Page 2

2. If FC does not file a U.S. income tax return, the statute of limitations never closes. Consequently, the IRS can begin an audit of FC at any time. Filing of a tax return begins the tolling of the statute which generally closes three years, after filing.

Any protective federal tax return that would be filed would have no income, assets or liabilities to report, it would only respond to a variety of informational questions on the tax return forms.

*Disclosure of ownership:* The federal tax return to be filed by the FC requires the disclosure of any entity or individual with more than 50% direct or indirect ownership of the FC. A trust or holding company can be used as the owner of the FC. The trust's or holding company's name and address would then be disclosed.

*State tax:* A Florida LC would be required to file an annual Florida intangible property tax return in its own name. A Delaware LC may be required to file an annual Delaware franchise return.

*Tax identification number:* Since the LC would be required to make state filings under its own name, it must apply for a federal Identification number. If the FC chooses to file a tax return, it will also need a number. A one page application is required to obtain a number. The form requires the disclosure of the name of the "principal officer, general partner, grantor, owner, or trustor" and that individual's social security number. If the individual is a non-resident of the U.S., a photocopy of the individual's passport must be provided.

### Conclusion

As we discussed last week and as summarized above, it appears that the ownership structure of an LC owned by an FC owned by a trust or a holding company may accomplish the objectives of your clients in establishing their business and investment operations. Ken and I look forward to discussing this matter more fully with you.

Very truly yours,

MALIAH, FURMAN AND COMPANY, P.A.

Benjamin D. Bohlmann

cc: Kenneth Williams  
Alexander Salgado