Table of Contents

Chapter 1: Introduction	
Background1	Part II — S Corporations (LLC[S]) 44
Series LLCs8	History44
Benefits of an LLC9	Benefits of the LLC[P] and LLC[S]44
Asset Protection Considerations9	Benefits of the S Corporation45
Elections11	Elections45
Effect of Election14	Signatures48
Part I — Partnerships (LLC[P])21	Taxation Issues48
Partnership Definitions and Theories21	Self-Employment (SE) Taxes51
Partnership Property28	References53
Taxation Issues29	
Self-Employment Taxes32	
Family Partnership38	
References40	
Chapter 2: LLC Formation	
Part I — Partnerships (LLC[P])55	Part II — S Corporations (LLC[S])
Formation Decisions55	Contribution of Assets into an LLC[S]77
Organization and Start-Up Expenses57	Contribution versus Sale82
Tax Considerations at Formation59	Capital Contributions with Liabilities 82
Tax Year59	Multiple Asset Transfers84
Contribution of Assets60	Additional Examples85
Nonrecognition Treatment67	Converting a Corporation to an LLC[S] 88
Effect of Liabilities and Basis on Members 68 Effect of Liabilities and Basis on the LLC 72	Comparing Basic Partnership and Corporate Rules89
Related Parties73	Situation 1[S]. C & J Accounting, LLC, Formation, January 1, 20x190
Situation 1[P]. C & J Accounting, LLC, Formation, January 1, 20x174	

Table of Contents (continued)

Chapter 3: LLC Operations	D III CC II (IICIO)
Part I — Partnerships (LLC[P])95 Taxation of Income95	Part II — S Corporations (LLC[S])
Partner Limitations100	Taxation of Income
Basis Calculation	Separately and Nonseparately Stated Items 134
Partnership (LLC[P]) Tax Return	Tax Forms and Reporting135
Situation 2[P]. Tax Preparation of C & J Accounting, LLC129	Taxation to the Member: Limitations on Losses140
Situation 3[P]. C & J Accounting, LLC, with Special Allocations on Contributed Property	Taxation of Member Distributions 150
	LLC[S] Tax Liability150
	Situation 2[S]. Tax Preparation of C & J Accounting, LLC
	Situation 3[S]. C & J Accounting, LLC, with Special Allocations
Chapter 4: Distributions for an LLC	
Part I — Partnerships (LLC[P])155	Part II — S Corporations (LLC[S])179
Current Distribution of Assets156	Overview179
Proportionate Distribution of All Assets 159	Types of Distributions
Disproportionate Distributions163	Taxation of LLC[S] Distributions 179
Situation 4[P]. Sale of LLC Assets and Distribution of Cash169	Distributions and the Tax Code: §301 180
Situation 5[P]. Proportionate Distribution	Accumulated Earnings and Profits (AEP) 182
of Assets, Followed by a Sale171	Accumulated Adjustments Account (AAA) 183
Situation 6[P]. Proportionate Distribution	Other Adjustments Account (OAA) 186
of Assets, Each Member Taking Specific Assets175	Taxation of Distributions186
	Distribution of Property191
	Disproportionate Distributions 193
	LLC[S] Liquidating Distributions 194
	Application of §1060196
	Situation 4[S]: Sale of LLC[S] Assets and Distribution of Cash197
	Situation 5[S]. Distribution of Assets in Liquidation199
	Situation 6[S]. Proportionate Distribution of Assets with Each Member Taking Specific Assets199

Table of Contents (continued)

Chapter 5: Sale of Member Interest	
Part I — Partnerships (LLC[P])201	Part II — S Corporations (LLC[S])227
Gain or Loss on Sale or Exchange201	General Tax Rules227
Tax Consequences of Technical Terminations	S Election and Buyer Eligibility
Chapter 6: Withdrawal of a Member	(§754 Election Not Applicable)23
Part I — Partnerships (LLC[P])239	Part II — S Corporations (LLC[S])258
Liquidation Payments240	Sale or Exchange Treatment259
Choice of Sale or Liquidation244	Sale versus Distribution Treatment 269
Situation 10[P]. Complete Withdrawal (Liquidation) of a Member with a Single Payment245	Situation 10[S]. Complete Redemption of a Member's Units with a Single Payment from the LLC[S]271
Situation 11[P]. Complete Withdrawal (Liquidation) of a Member with a	Situation 11[S]. Complete Redemption of a Member's Units with a Series of
Series of Fixed Payments250	Payments from the LLC[S]274

Table of Contents (continued)

Chapter 7: Death of a Member	
Part I — Partnerships (LLC[P])275	Part II — S Corporations (LLC[S])29
Income to Date of Death276	Preliminary Considerations29
Income in Respect of a Decedent277	LLC[S] Member Death29
Deceased Member's Interest280	Redemption To Pay Estate Expenses29
Situation 13[P]. Termination of the LLC[P] 281	Situation 13[S]. Termination of the LLC[S] 29
Situation 14[P]. Successor-in-Interest Continues in LLC[P]284	Situation 14[S]. Successor-in-Interest Continues in the LLC[S]29
Situation 15[P]. Sale of a Deceased Member's Interest284	Situation 15[S]. Sale of a Deceased Member's Interest29
Situation 16[P]. LLC[P] Purchases Deceased Member's Interest286	Situation 16[S]. LLC[S] Purchases Deceased Member's Interest29
Appendix Internal Revenue Code Sections	
Appendix	LLC[P] Simulated Complete Tax Return 30
Appendix Internal Revenue Code Sections for Subchapters K and S	
Appendix Internal Revenue Code Sections for Subchapters K and S	LLC[P] Simulated Complete Tax Return 30
Appendix Internal Revenue Code Sections for Subchapters K and S	LLC[P] Simulated Complete Tax Return 30
Appendix Internal Revenue Code Sections for Subchapters K and S	LLC[P] Simulated Complete Tax Return
Appendix Internal Revenue Code Sections for Subchapters K and S	LLC[P] Simulated Complete Tax Return
Appendix Internal Revenue Code Sections for Subchapters K and S	LLC[P] Simulated Complete Tax Return
Appendix Internal Revenue Code Sections for Subchapters K and S	LLC[P] Simulated Complete Tax Return