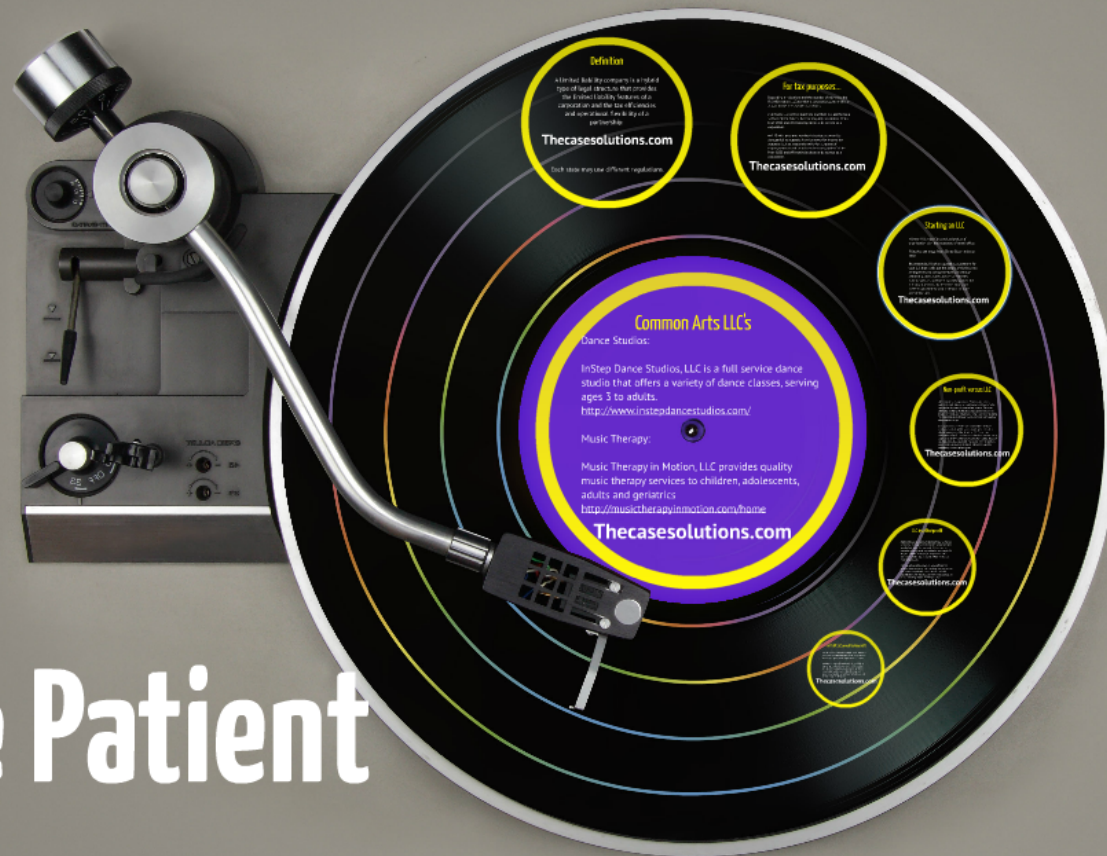
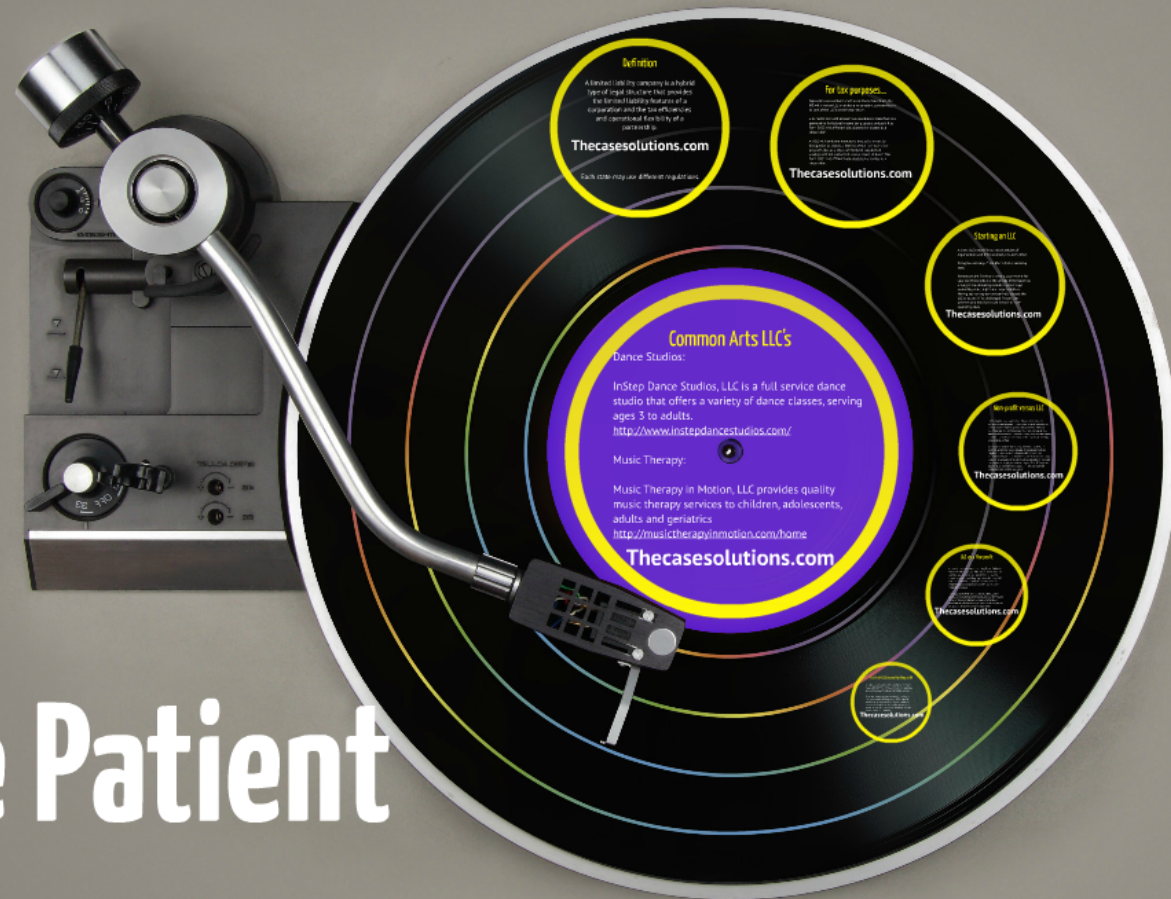


Phreesia: The Patient Check-In Company



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Definition

A limited liability company is a hybrid type of legal structure that provides the limited liability features of a corporation and the tax efficiencies and operational flexibility of a partnership.

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Each state may use different regulations.

For tax purposes...

Depending on elections and the number of members, the IRS will treat an LLC as either a corporation, partnership, or as part of the LLC's owner's tax return.

A domestic LLC with at least two members is classified as a partnership for federal income tax purposes unless it files Form 8832 and affirmatively elects to be treated as a corporation.

An LLC with only one member is treated as an entity disregarded as separate from its owner for income tax purposes (but as a separate entity for purposes of employment tax and certain excise taxes), unless it files Form 8832 and affirmatively elects to be treated as a corporation.

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Starting an LLC

All new LLCs must file so-called articles of organization with their secretary of state's office.

Filing fee can range from \$30 to \$200; varies by state

Recommended: Draft an operating agreement for your LLC that spells out the details of the business arrangement, including members' percentage ownership, roles, rights and responsibilities. Having such an agreement can help protect the LLC structure if it's challenged in court and prevents you from having to default to state operating rules.

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Non-profit versus LLC

LLC is simple. Less paperwork. Fewer restrictions on ownership and purpose. Allows income and losses to be reported on its owners' personal tax returns. They can distribute profits to themselves disproportionate to the amount of funds each invested, giving more to a managing member. It can also choose how to be taxed (partnership/sole proprietorship).

A nonprofit involves extensive paperwork to verify its charitable, artistic, public service, trade group or other eligible purpose as defined by the IRS. There is no distribution of profits or income to shareholders nor is any legal sense of ownership extended to individuals. But, can pay wages to employees and managers. The IRS says an organization can lose that status if it fails to "operate exclusively for exempt purposes."

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LLC as a Nonprofit

Allowed in several states, including Texas, California, Tennessee, Michigan and Minnesota: either enacted specific legislation for nonprofit LLCs or use the clause in general enabling legislation that says LLCs may be formed “for any legal purpose,” which is interpreted by the states and the IRS to include a nonprofit purpose.

IRS regulations will not give a nonprofit LLC tax-exempt status unless all its members are themselves tax-exempt organizations. A group of charitable organizations, for instance, can form a trade group as an LLC and be granted tax-exempt status.

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For Profit LLC owned by Nonprofit

The IRS allows a nonprofit organization to form a for-profit LLC if the LLC's operations are providing necessary support to the organization's purpose.

Example: a nonprofit community art institute to form a for-profit gift shop as an LLC. Its profits may be minor compared with the art institute's total budget, and it can further the goals of the parent organization by selling affordable art and related goods to the public.

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Common Arts LLC's

Dance Studios:

InStep Dance Studios, LLC is a full service dance studio that offers a variety of dance classes, serving ages 3 to adults.

<http://www.instepdancestudios.com/>

Music Therapy:

Music Therapy in Motion, LLC provides quality music therapy services to children, adolescents, adults and geriatrics

<http://musictherapyinmotion.com/home>

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