

## **Series LLC in Texas**

### **By Angela K. Spooner**

A Series LLC (Limited Liability Company) is a unique form of LLC that allows a single LLC to have multiple, segregated sub-units or "series," each of which can have its own assets, liabilities, and members. This structure can provide significant advantages, particularly for businesses that require compartmentalization of different ventures or assets. Here are the key features and benefits of a Series LLC:

1. **Segregated Liability:** Each series within a Series LLC is treated as a separate entity regarding liability. This means that the liabilities of one series do not affect the assets of another series, thereby protecting different parts of the business.
2. **Separate Ownership and Management:** Each series can have different members (owners) and managers, allowing for tailored ownership and operational structures within the same overall LLC.
3. **Streamlined Administration:** Because all series operate under a single umbrella LLC, there can be cost and administrative efficiencies. For example, only one initial filing is needed for the LLC, though some states may require additional filings for each series.
4. **Flexible Structure:** This structure is particularly advantageous for real estate investments, franchise operations, or any business with distinct projects that benefit from liability separation.
5. **Tax Advantages:** Depending on the jurisdiction and the specific circumstances, a Series LLC can offer tax benefits, such as pass-through taxation, while also allowing each series to be treated independently for tax purposes.
6. **Operational Efficiency:** Series LLCs can simplify organizational structure and reduce redundancy by consolidating common administrative functions under the master LLC while maintaining separate operations for each series.

### **Example Use Cases**

- **Real Estate:** Different properties can be placed in separate series, isolating liabilities associated with each property.
- **Investment Funds:** Different investment strategies or funds can be managed under separate series, each with its own risk profile.
- **Franchise Operations:** Each franchise location can be operated as a separate series, protecting the assets of one location from the liabilities of another.

### **Legal Considerations**

- **State Regulations:** The legality and specific regulations governing Series LLCs vary by state. Some states fully recognize Series LLCs, while others do not. Texas fully recognizes Series LLCs and makes reporting straightforward.
- **Record-Keeping:** Proper and separate record-keeping for each series is essential to maintain liability protections.
- **Formation and Maintenance:** The process for forming and maintaining a Series LLC can be more complex than a traditional LLC due to the need to manage multiple series.

## **Conclusion**

A Series LLC can provide significant flexibility and liability protection for businesses with diverse operations or assets. However, due diligence and professional legal advice are crucial to navigate the complexities and ensure that the Series LLC is set up and managed correctly according to state laws and business needs.

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