

HOME (/)  
ABOUT  
JOURNAL (/ABOUT)  
MASTHEAD (/NEW-PAGE)  
PROSPECTIVE MEMBERS (/PROSPECTIVE-MEMBERS)  
SUBSCRIBE (/SUBSCRIBE)  
STAFF RESOURCES (/STAFF-RESOURCES)  
PUBLICATIONS  
PUBLICATION ARCHIVE (/PUBLICATION-ARCHIVE)  
VOLUME 1 (2009) (/VOLUME-1-2008-2009)  
VOLUME 2 (2010) (/VOLUME-2-2009-2010)  
VOLUME 3 (2011) (/VOLUME-3-2010-2011)  
VOLUME 4 (2012) (/VOLUME-4-2011-2012)  
VOLUME 5 (2013) (/VOLUME-5-2012-2013)  
VOLUME 6 (2014) (/VOLUME-6-2013-2014)  
VOLUME 7 (2015) (/VOLUME-7-2014-2015)  
VOLUME 8 (2016) (/VOLUME-8-2015-2016)  
VOLUME 9 (2017) (/VOLUME-9-2016-2017)  
VOLUME 10 (2018) (/VOLUME-10-2018)  
SYMPOSIUM  
INFORMATION (/SYMPOSIUM)  
BLOG  
FULL BLOG (/FULL-BLOG)  
BLOG ARCHIVE (/BLOG-ARCHIVE-1)  
  
SUBMISSIONS (/SUBMISSIONS)

October 23, 2013 (/full-blog/2013/10/business-planning-in-agriculture.html)

## Business Planning in Agriculture: Farmers Should Consider Forming a Limited Liability Company (/full-blog/2013/10/business-planning-in-agriculture.html)



(<https://static.squarespace.com/static/53fe85a0e4b0516a0c4fed1a/54002444e4b0123f9872f024/54002449e4b0123f9872f0a2/1409295433454/1000w/>)

*Image Source (<http://www.blogger.com/Picture%20Source:%20http://extension.umd.edu/learn/farm-business-planning>)*

By: Matthew Doane, Staff Member

Like any other business, effective business planning is essential when it comes to the formation and operation of a farm. Farmers should consider utilizing a limited liability company, or LLC, when deciding what business entity is the right choice for them. The advantages outlined below are general principles of structure and governance associated with limited liability companies. It is important to note that each state has its own applicable statutes associated with LLC's, and farmers should consult those before forming a limited liability company.

First and foremost, limited liability companies are seen as separate fictitious entities distinct from their owners.[1] ([http://www.blogger.com/blogger.g?blogID=8202935745006855383#\\_edn1](http://www.blogger.com/blogger.g?blogID=8202935745006855383#_edn1)) Thus, the most appealing advantage of an LLC is that all LLC owners are protected from personal liability against debts and claims of the business.[2] ([http://www.blogger.com/blogger.g?blogID=8202935745006855383#\\_edn2](http://www.blogger.com/blogger.g?blogID=8202935745006855383#_edn2)) While there are some exceptions, generally this means that if the business cannot pay its creditor, the creditor cannot pursue any of the LLC owners' personal assets.[3] ([http://www.blogger.com/blogger.g?blogID=8202935745006855383#\\_edn3](http://www.blogger.com/blogger.g?blogID=8202935745006855383#_edn3)) Put in an agriculture perspective, if a farm businessperson, acting as a manager of the LLC, takes out a million dollar loan from the local bank for new farming equipment, and for some reason the LLC must default on the loan, the local bank cannot come after the personal assets of LLC members. With all

sorts of avenues for farmer liability in today's world, limited liability associated with an LLC is a huge advantage for the modern day farmer. Forming an LLC allows farmers to not only protect their personal assets, but also peace of mind.

The federal government does not classify LLC's as a separate tax entity, thus an LLC does not pay any income tax at the entity level, but instead the business's profits and losses are reported on the individual income tax returns of its members.[4] ([http://www.blogger.com/blogger.g?blogID=8202935745006855383#\\_edn4](http://www.blogger.com/blogger.g?blogID=8202935745006855383#_edn4)) The advantage of this taxing structure to farmers is obvious: single taxation on any profits that their farm brings in.

Finally, Limited Liability Companies provide flexible ways for management of its day-to-day business. LLC's can either be "member managed", with all of the owners of the LLC participating in day-to-day business decisions, or "manager managed", where owners appoint one or more managers to manage the LLC.[5] ([http://www.blogger.com/blogger.g?blogID=8202935745006855383#\\_edn5](http://www.blogger.com/blogger.g?blogID=8202935745006855383#_edn5)) Management of an LLC is set out in the LLC's operating agreement.[6] ([http://www.blogger.com/blogger.g?blogID=8202935745006855383#\\_edn6](http://www.blogger.com/blogger.g?blogID=8202935745006855383#_edn6)) This flexibility offers farmers a way to manage and control the business operations of the farm while enjoying limited liability to their personal assets.

Utilizing a limited liability company business model provides farmers with limited liability associated with their personal assets, single taxation on profits, and the ability to control and manage the day-to-day business of the farm. Farmers should seriously consider the advantages that an LLC offers to their business.

[1] ([http://www.blogger.com/blogger.g?blogID=8202935745006855383#\\_ednref1](http://www.blogger.com/blogger.g?blogID=8202935745006855383#_ednref1)) Revised Unif. Ltd. Liab. Co. Act § 104(a) (2006).

[2] ([http://www.blogger.com/blogger.g?blogID=8202935745006855383#\\_ednref2](http://www.blogger.com/blogger.g?blogID=8202935745006855383#_ednref2)) Id. § 304.

[3] ([http://www.blogger.com/blogger.g?blogID=8202935745006855383#\\_ednref3](http://www.blogger.com/blogger.g?blogID=8202935745006855383#_ednref3)) Id.

[4] ([http://www.blogger.com/blogger.g?blogID=8202935745006855383#\\_ednref4](http://www.blogger.com/blogger.g?blogID=8202935745006855383#_ednref4)) U.S. Small Business Administration, Limited Liability Company.

<http://www.sba.gov/content/limited-liability-company-llc> (last visited October 21, 2013).

[5] ([http://www.blogger.com/blogger.g?blogID=8202935745006855383#\\_ednref5](http://www.blogger.com/blogger.g?blogID=8202935745006855383#_ednref5)) Revised Unif. Ltd. Liab. Co. Act, supra note 1, § 407.

[6] ([http://www.blogger.com/blogger.g?blogID=8202935745006855383#\\_ednref6](http://www.blogger.com/blogger.g?blogID=8202935745006855383#_ednref6)) Id.

♥ 0 Likes   < Share

COMMENTS (0)

Newest First   Subscribe via e-mail

Preview   POST COMMENT...

Newer Post

Con Robinson: Mastering The Art of Begging For Forgiveness (</full-blog/2013/10/con-robinson-mastering-art-of-begging.html>)

Older Post

No Subsidies for "Losers" (</full-blog/2013/10/no-subsidies-for-losers.html>)

SEARCHABLE ARCHIVE (/PUBLICATION-ARCHIVE-1)

631 SOUTH LIMESTONE, LEXINGTON, KY

40508 (859) 257-4747 [BLOG.KJEANRL@GMAIL.COM](mailto:blog.kjeanrl@gmail.com) ([MAILTO:BLOG.KJEANRL@GMAIL.COM](mailto:blog.kjeanrl@gmail.com))