



# SHIMONOV LAW

## Real Estate Ownership

### Should you use a single-member LLC as a real estate ownership vehicle?

That might be a very good idea.

Under the so-called check-the-box regulations put out years ago by the IRS, you can generally ignore the existence of a single-member LLC for federal tax purposes.

The exceptions are

1. when you elect to treat a single-member LLC as a corporation for federal income tax purposes (relatively unusual), and
2. for purposes of most federal employment taxes and certain excise taxes (see Sidebar 1 below).

When you choose *not* to treat a single-member LLC as a corporation for federal income tax purposes, the single-member LLC has *disregarded entity* status for those purposes, and we will call it a “disregarded single-member LLC.”

The federal income tax treatment of a disregarded single-member LLC is super-simple because its activities are considered to be conducted directly by the single-member LLC’s sole member (owner).

For instance: When an individual (like you) uses a disregarded single-member LLC to own rental real estate, you simply report the federal income tax results on Schedule E of Form 1040. You need not file a separate federal income tax return for the single-member LLC.

You get the idea. This is easy!

Although you ignore a disregarded single-member LLC for federal income tax purposes, it is *not* ignored for general state-law purposes.

Therefore, a disregarded single-member LLC will deliver to its sole member (owner) the liability protection benefits specified by the applicable state LLC statute. The liability protection benefits are usually similar to those offered by a corporation.

**The bottom line.** With a disregarded single-member LLC, you get super-simple tax treatment combined with corporation-like liability protection. This happy set of circumstances opens up planning opportunities in the real estate arena.

If you would like to learn more about how the single-member LLC for your real estate investments can work to your advantage, please call me on my direct line at 212-659-2515.

Sincerely,

Slavik Shimonov, Esq, CPA