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The Advantages of Launching Your LLC in the New Year

You may be wondering why so many business owners choose January 1 as the start date for their company. Surely it's not because everyone has the same New Year's resolution, right?

The fact is that there are a number of distinct advantages to launching your Limited Liability Company (LLC) at the beginning of the new year rather than during the middle or end of the year. The good news is that in most states you don't have to wait until the new year to actually file the paperwork to create your entity.

In fact, one of the best times of the year to start the process of creating your new company is at the end of the previous year, which happens to be right now. This is made possible by what's known as delayed effective filing. Here we'll explain how such a filing works, and outline some of the key benefits of setting your entity's launch date for the start of the new year.

How Does Delayed Effective Filing Work?

When you file to set up an LLC, the approval process normally begins right after you submit the paperwork. However, the effective date of incorporation, or the official start date of your business, can be difficult to predict. Often, this depends on state processing times, which can take anywhere from a few days to several weeks to process.

However, with a delayed effective filing, you gain control over the date when your LLC formally comes into existence. And you can file the paperwork weeks or even months in advance of that official start date and not have to wait until the new year.

Here's how it works: to register your new company with the state, you must file articles of organization to set up an LLC within the state in which you plan to do business. When you file this document, you'll typically be given the choice of whether the state should approve your entity when they receive the document or at a future date specified by you.

To have your LLC start in the new year, you simply designate your company's effective start date as of January 1, 2022 (or any other date) within your articles of organization. When the state receives the filing, it will be processed in the order it was received. This secures the exact date you want your company to officially start and minimizes the chance of encountering the bureaucratic delay that you would face if you waited until the new year to file.

While filing these documents is relatively simple, mistakes or omissions can result in a delay of the documents getting processed and even additional fees. Moreover, a small handful of states do not allow businesses to use future effective start dates, so if you live in one of those states,

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this process won't be available to you.

For these reasons, you should consult with us, your family business lawyer, to find out the laws in our state and enlist our support in creating and filing these documents for you to ensure everything is done correctly.

In addition to having control over your company's official start date, choosing a delayed effective start date for the new year provides a number of additional benefits, including the following:

Streamline Tax Filing and Bookkeeping

Forming an LLC with a January start date offers you a clean state when it comes to bookkeeping and taxes. Your company can start earning revenue and tracking expenses in the new year without the hassle of keeping your books for just a few weeks or months at the end of the year.

Plus, your first tax returns generally aren't due until the year following your entity's formation. By choosing a start date in January, you have more than a year to prepare and file your company's taxes. On the other hand, if you form your entity in December, your company's tax return is due within just a few months.

Simplify Administrative Compliance

Once formed, LLC's have to adhere to a number of administrative formalities in order to remain in compliance with state law and maintain the personal liability protection offered by the entity structure. If you fail to adhere to such formalities, a court could remove the protective barrier shielding your personal assets, known as "piercing the veil," leaving you personally liable to creditors in the event of a judgment.

Although the formalities required vary depending on the state, some of the most common requirements typically include filing an annual report and paying filing fees. In most states, annual reports typically are not due until the year following the business' formation.

As with filing your tax returns, by choosing a January start date, you can avoid having to file your annual report within a few months of opening your doors. Along those same lines, if you file your LLC formation paperwork in late 2021, but request an effective date in January 2022, you will only have to pay a filing fee for 2021, rather than for both years.

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Beat The Rush

Filing early can also help you get your company's paperwork processed more quickly. January is usually the busiest time of the year for processing business applications at many Secretary of State offices, so if you want your LLC's official launch to be in January, it makes sense to file at the end of the prior year with a delayed effective date.

Typically, the earlier you file, the faster you'll get your LLC's paperwork processed. If you wait until January to file, it might take longer for the Secretary of State to process the paperwork—sometimes between 30 to 60 days—and you may not get the effective start date you want.

Don't Do It Alone

Filing your initial paperwork and getting your LLC launched at the most advantageous time is an important first step, but it's just the start. There are a number of additional steps involved with getting your LLC set up and maintained properly, and these tasks are far too important for you to try to handle on your own. From creating an effective operating agreement and holding regular member meetings to keeping detailed meeting minutes, there are numerous other responsibilities that come with running a successful LLC.

The good news is that as your family business lawyer, we specialize in assisting business owners with all of these tasks. In fact, we offer specially designed maintenance packages to ensure your LLC meets all of its initial and ongoing legal requirements. These packages ensure you have the maximum liability protection for your personal assets and your business is able to reach its true potential.

Furthermore, in addition to setting up and maintaining your LLC, as your family business lawyer we will help you build an unshakable legal, insurance, financial, and tax (LIFT) foundation for your business, to ensure your company is positioned properly for rapid, sustainable growth. We will support you in handling these tedious yet highly important parts of running your operation, so you can devote all of your energy and passion to growing your business into something truly meaningful for yourself, your clients, and your family.

Contact us, your family business lawyer, to learn more.

This article is a service of Saeed & Little, LLP. We offer a complete spectrum of legal services for businesses and can help you make the wisest choices on how to deal with your business throughout life and in the event of your death.

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