

## LIMITED LIABILITY CO/PARTNERSHIP QUIZ

1. T F An LLC is formed under Federal law
2. T F An LLC owner is identified as a “partner”
3. An LLC shields the owners from personal liability for debts of:
  - a. The individual owner
  - b. The other individual owners only
  - c. The LLC entity
4. T F Generally, an LLC is governed by the law of the State where the LLC was organized.
5. T F There is no maximum number of members allowed in an LLC
6. T F An LLC may have a corporate subsidiary
7. T F An LLC may not own any of the stock of a corporation
8. T F A non resident alien or foreign country business organization may not own an interest in an LLC
9. T F An LLC formed in the U.S. and treated as a partnership will be treated as a partnership in all foreign countries as well.
10. T F State tax or franchise taxes may be imposed on the LLC in some states.
11. T F Conversion of an existing partnership into an LLC will terminate the existing partnership and establish a new entity.
12. T F An LLC can continue to use the ID number of a converted partnership
13. T F Converting a partnership to an LLC is a liquidation of a partnership interest.
14. T F If, in the conversion of a partnership to LLC, there are recourse liabilities that become non recourse liabilities, there may be a taxable event to the partners.
15. T F An LLC member cannot be a member unless approved by other members.
16. T F For an LLC - Articles of organization must be filed with Secretary of State or similar official containing basic information.

## **LIMITED LIABILITY CO/PARTNERSHIP QUIZ**

17. T F After Articles of organization are filed, an LLC must issue shares of stock.
18. T F Unless otherwise agreed, members of an LLC manage in accord with their proportionate interests in the LLC and function much the same as general partners in a partnership.
19. T F If pass through taxation is desired, LLC should not be considered unless there are two or more members.
20. T F An LLC may not be formed if there are more than 75 owners
21. T F The LLCs debt may be included in basis of the members interest.
22. T F C or S corporation shareholders can not include entity's debt in basis of their stock even if they guarantee the debt.
23. T F If the business needs to retain a lot of the earnings for future capital needs, an LLC is the best choice (generally)
24. T F LLC pass through income is not subject to SE tax since it follows S corporation pass through rules.
25. T F LLC members may have more basis against which losses may be used than an S corporation
26. T F LLC (treated as a partnership) can allocate income, gains and losses, deductions and credits among the members in almost any method desired and may be inconsistent from one member to the next so long as the allocations have "substantial economic effect."
27. T F An LLC can elect to be taxed as an S corporation
28. T F Members of LLC can not participate in a cafeteria plan sponsored by the LLC.
29. T F LLCs taxed as a partnership generally restricts transfer of interest and provide that members must approve any transfer of interest or admission of new members.
30. T F Oregon does not require a partnership agreement to be filed with Dept of Revenue
31. T F An LLP is a form of doing business.

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32. T F No LLC member is liable personally for debts or obligations of the LLC other than those specifically guaranteed or assumed by the member unless the veil of liability protection can be pierced.
33. T F LLCs can not designate managers since general members have statutory authority to represent and act on behalf of the entity.
34. T F Some states impose an entity - level income tax on LLCs
35. T F Unless otherwise agreed, members in an LLP share equally in the profit, losses, and distributions of the LLP
36. T F All of the members of an LLC normally are protected from personal liability.
37. T F Participation of LLC members in management and control of the LLC can result in loss of limited liability protection for that member.
38. T F LLP statutes shield each partner from the malpractice of another partner in the LLP and all employees of the LLP.
39. T F Although, generally, LLP general debts (trade payables, loans lease obligations and other contracted liabilities) are the liability of each LLP partner, there are some LLP statutes that also protect against contract obligations that are not personally guaranteed by the partner.
40. T F Registrations of an LLP must be filed with Internal Revenue Service
41. T F In Oregon, only professionals can form LLPs
42. T F The name of an LLP must include either “registered limited liability partnership” or “LLP”.
43. T F A filing fee is generally required to be paid to the STATE for registration of an LLP.
44. T F Some states require an LLP to carry liability insurance.
45. T F To transfer appreciated property to an LLC, the member must own 80% of the memberships immediately after the transfer.
46. T F An LLC member can avoid gain attributable to debt assumed by the LLC in excess of member’s tax basis in property contributed.

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47. T F An LLC can lose status as a partnership for tax purposes by amending the LLC articles or Operating agreement so that LLC no longer has at least two partnership characteristics.
48. T F An LLC can have only one class of stock
49. T F An LLC can specially allocate income, loss, deduction items in any manner specified in the operating agreement and change the allocations so long as they have “substantial economic effect”
50. T F When contributions of appreciated or depreciated property are made to an LLC, the LLC must specially allocate unrealized gain or loss and associated depreciation to adjust for difference between member’s basis and FMV of the property.
51. T F An LLC is terminated if 50% or more of LLC interests are transferred in any 12 month period
52. T F An LLC may “step up” basis of property when a member is redeemed.
53. LLC member #1 contributed land (appreciated property) to the LLC in September 2006. At the time of the contribution, the land had appreciated \$15,000 in the hands of Member #1. In October 2007, the LLC distributed the land to Member #2.
- a. Member #1 must report taxable income on the contribution of the property.
  - b. Member #1 must report taxable income on the distribution of the property.
  - c. Member #2 must report taxable income on the distribution (receipt) of the property.
54. T F If LLC is involved in a trade or business, each member may be subject to SE tax
55. T F LLC should not be chosen if there are owners who are also employees who want to be covered with fringe benefits.
56. T F Oregon prohibits the practice of any profession through an LLC.
57. T F If an LLC has only one owner, it must generally file 1040-Sch C or C-EZ

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58. T F You must check the box on page 2 - Schedule B - of form 1065 to identify whether this is a LLC or LLP.
59. T F A trust or custodianship may be a member of a family limited partnership.
60. T F Taxable gain may be triggered on formation of a family limited partnership.

**TRANSFER YOUR ANSWERS TO THE ANSWER SHEET**

**DO NOT SUBMIT THIS QUIZ!**

**SUBMIT THE ANSWER PAGE(S) TO:**

**EMAIL: [tax-ed@tax-educators.com](mailto:tax-ed@tax-educators.com)**

**FAX : 1-866-755-2853**

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