

**GENERAL-PURPOSE MODEL LLC AGREEMENTS REQUIRED FOR EACH
OF THE MAIN TYPES OF LLCs—DESCRIPTIONS OF ALL AGREEMENTS
(AS OF JULY 10, 2010)**

Preliminary Note about Internal Revenue Service Proposed Regulation § 1.1402(a)-2. When an individual is both a manager and a member of a non-professional manager-managed multi-member LLC taxable as a partnership, an Internal Revenue Service proposed regulation designated Prop. Reg. § 1.1402(a)-2 (the “Prop. Reg.”) can be useful in reducing the individual’s Social Security Tax liability (technically, the individual’s “Self-Employment Tax” liability) on his or her share of LLC income. Chapter 18 of this book contains an extensive discussion of the Prop. Reg., and it contains model provisions under the Prop. Reg. that can be included in LLC agreements to provide the above savings.

However, as discussed in Chapter 24, an election by the LLC to be taxable as an S corporation can often achieve the same Social Security tax-saving goal more simply. Lawyers who are not tax specialists but who wish to assist the above individuals in reducing their Self-Employment Tax liability on their shares of income of the above types of LLCs should consult with a tax professional whose expertise includes both Subchapter S and the Prop. Reg.

**Table 1: TABLE OF MODEL LLC AGREEMENTS FOR
TYPE 1 LLCs (SINGLE-MEMBER LLCs OWNED BY ONE INDIVIDUAL)**

MODEL LLC AGREEMENT NUMBER	MANAGEMENT STRUCTURE	FEDERAL INCOME TAX REGIMEN	FREQUENCY OF USE BY PRACTITIONERS
Form 1.1	<u>Member-managed.</u> The LLC’s member is also its manager and there is no assistant manager.	Disregarded entity	Somewhat frequent
Form 1.2	<u>Manager-managed.</u> The LLC’s member is its manager, but the LLC also has one or more assistant managers.	Disregarded entity	Frequent
Form 1.3	<u>Manager-managed.</u> The LLC’s member is a non-manager, and it is managed by a non-member manager.	Disregarded entity	Somewhat frequent
Form 1.4	<u>Member-managed.</u> The LLC’s member is also its manager and there is no assistant manager	Subchapter S	Somewhat frequent
Form 1.5	<u>Manager-managed.</u> The LLC’s member is its manager, but the LLC also has one or more assistant managers.	Subchapter S	Frequent
Form 1.6	<u>Manager-managed.</u> The LLC’s member is a non-manager, and it is managed by a non-member manager.	Subchapter S	Somewhat frequent
Total number of Type 1 model LLC agreements			6

**Table 2: TABLE OF MODEL LLC AGREEMENTS FOR
TYPE 2 LLCs (SINGLE-MEMBER LLCs OWNED BY ONE ENTITY)**

MODEL LLC AGREEMENT NUMBER	MANAGEMENT STRUCTURE	FEDERAL INCOME TAX CLASSIFICATION	FREQUENCY OF USE BY PRACTITIONERS
Form 2.1	Managed by a single non-member manager	Disregarded entity	Frequent
Form 2.2	Managed by two or more non-member managers	Disregarded entity	Somewhat frequent
Form 2.3	Managed by an internal board of directors and by officers who are non-member managers	Disregarded entity	Infrequent
Total number of Type 2 model LLC agreements			3

**TABLE 3: TABLE OF MODEL LLC AGREEMENTS FOR
TYPE 3 LLCs (MULTI-MEMBER LLCs—SIMPLE GENERAL PARTNERSHIP
MANAGEMENT STRUCTURE—TAXABLE UNDER SUBCHAPTER K**

MODEL LLC AGREEMENT NUMBER	NUMBER AND RELATIONSHIP OF MEMBERS	FREQUENCY OF USE BY PRACTITIONERS
Form 3.1	Two members with equal management rights	Frequent
Form 3.2	Two members with unequal management rights	Somewhat frequent
Form 3.3	Three or more members	Frequent
Total number of Type 3 model LLC agreements		3

**Table 4: TABLE OF MODEL LLC AGREEMENTS FOR
TYPE 4 LLCs (MULTI-MEMBER LLCs—SIMPLE GENERAL PARTNERSHIP
MANAGEMENT STRUCTURE—TAXABLE UNDER SUBCHAPTER S)**

MODEL LLC AGREEMENT NUMBER	NUMBER AND RELATIONSHIP OF MEMBERS	FREQUENCY OF USE BY PRACTITIONERS
Form 4.1	Two members with equal management rights	Frequent
Form 4.2	Two members with unequal management rights	Somewhat frequent
Form 4.3	Three or more members	Frequent
Total number of Type 4 model LLC agreements		3

**Table 5: TABLE OF MODEL LLC AGREEMENTS FOR
TYPE 5 LLCs (MULTI-MEMBER LLCs—COMPLEX GENERAL PARTNERSHIP
MANAGEMENT STRUCTURE—TAXABLE UNDER SUBCHAPTER K OR S)**

MODEL LLC AGREEMENT NUMBER	NUMBER AND RELATIONSHIP OF MEMBERS	FEDERAL INCOME TAX REGIMEN	FREQUENCY OF USE BY PRACTITIONERS
Form 5.1	Three or more members	Subchapter K (without Prop. Reg. provisions)	Frequent
Form 5.2	Three or more members	Subchapter S	Occasional
Total number of Type 5 model LLC agreements			2

**Table 6: TABLE OF MODEL LLC AGREEMENTS FOR
TYPE 6 LLCs (MULTI-MEMBER LLCs—SIMPLE LIMITED PARTNERSHIP
MANAGEMENT STRUCTURE—MEMBER-MANAGER—MEMBER-CONTROLLED—
TAXABLE UNDER SUBCHAPTER K)**

MODEL LLC AGREEMENT NUMBER	NUMBER AND RELATIONSHIP OF MEMBERS	FREQUENCY OF USE BY PRACTITIONERS
Form 6.1	Two members	Somewhat frequent
Form 6.2	Three or more members	Frequent
Total number of Type 6 model LLC agreements		2

**Table 7: TABLE OF MODEL LLC AGREEMENTS FOR
TYPE 7 LLCs (MULTI-MEMBER LLCs—SIMPLE LIMITED PARTNERSHIP
MANAGEMENT STRUCTURE—MEMBER-MANAGER—MEMBER-CONTROLLED—
TAXABLE UNDER SUBCHAPTER S)**

MODEL LLC AGREEMENT NUMBER	NUMBER AND RELATIONSHIP OF MEMBERS	FREQUENCY OF USE BY PRACTITIONERS
Form 7.1	Two members	Somewhat frequent
Form 7.2	Three or more members	Frequent
Total number of Type 7 model LLC agreements		2

**Table 8: TABLE OF MODEL LLC AGREEMENTS FOR
TYPE 8 LLCs (MULTI-MEMBER LLCs--SIMPLE LIMITED PARTNERSHIP
MANAGEMENT STRUCTURE—MEMBER-MANAGER—MANAGER-
CONTROLLED—TAXABLE UNDER SUBCHAPTER K)**

MODEL LLC AGREEMENT NUMBER	NUMBER AND RELATIONSHIP OF MEMBERS	FREQUENCY OF USE BY PRACTITIONERS
Form 8.1	Two members	Frequent
Form 8.2	Three or more members	Frequent
Total number of Type 8 model LLC agreements		2

**Table 9: TABLE OF MODEL LLC AGREEMENTS FOR
TYPE 9 LLCs (MULTI-MEMBER LLCs--SIMPLE LIMITED PARTNERSHIP
MANAGEMENT STRUCTURE—MEMBER-MANAGER—MANAGER-
CONTROLLED—TAXABLE UNDER SUBCHAPTER S)**

MODEL LLC AGREEMENT NUMBER	NUMBER AND RELATIONSHIP OF MEMBERS	FREQUENCY OF USE BY PRACTITIONERS
Form 9.1	Two members	Frequent
Form 9.2	Three or more members	Frequent
Total number of Type 9 model LLC agreements		2

**TABLE 10: TABLE OF MODEL LLC AGREEMENTS FOR
TYPE 10 LLCs (MULTI-MEMBER LLCs—CORPORATE MANAGEMENT
STRUCTURE—MANAGERS MAY BE EITHER MEMBER-MANAGERS OR NON-
MEMBER MANAGERS—TAXABLE UNDER SUBCHAPTER C, K OR S)**

MODEL LLC AGREEMENT NUMBER	NUMBER AND RELATIONSHIP OF MEMBERS	FEDERAL INCOME TAX REGIMEN	FREQUENCY OF USE BY PRACTITIONERS
Form 10.1	Three or more members	Subchapter C	Infrequent
Form 10.2	Three or more members	Subchapter K provisions	Infrequent
Form 10.3	Three or more members	Subchapter S	Infrequent
Total number of Type 10 model LLC agreements			3