**Adilas MMLLC - Meeting w/Bob Hamby May 3, 2022 @ 3:30**

Bob invited Steve to start the meeting out.

* Our main goal is to move into the MMLLC vs the older 1099 model
* Lots of interest in the possible write-offs
* Bob – he will try to answer what he can. He recommends that we get some legal advice and expertise. Sometimes an attorney has a preference as to which way to go.
* LLC or S-Corp – both allow for pass through to owners
1. How are things decided in a MMLLC? Do you vote on things and majority wins? Does everyone get one vote regardless of percentage of ownership?
	1. This is attorney’s realm
* Management & Voting would be written up by Steve & Brandon in the Operating Agreement? **IE:** member or by one or managers that are appointed by the members, and the operating agreement specifies what authority the members or more have over company affairs.
1. As an owner, would we be responsible/liable for tax responsibilities of Adilas? Both past, present and future?
	1. Adilas has no skeletons in the closet – no pass liability exists.
2. Owning .1% vs 1% = when does liability start?
	1. Liability doesn’t start – it all exists on or with the entity
3. Do I have to file anything saying my 1099 (sole-proprietorship) ended?
	1. Nothing to do – you just file it differently for the new tax year
4. I have a business checking account, CC, SBA EIDL loan - do I need to close/pay those off before switching?
	1. Should be good to go. No real action is required.
	2. No need to close/pay off before switching
	3. From Steve – if they wanted, ownership could be an individual or a separate business entity
	4. At the end of the year – each owner would get a K-1 – this would be for an individual or a business entity
	5. Small explanations about LLC and how year end taxes are done.
5. What is the process to expect come tax time as far as our individual filings?
	1. At tax time, each member (owner) would get a K-1. It has a few numbers with some instructions. It is similar to the schedule C that you may be filing right now.
	2. Bob was mentioning a number of non reimbursed expenses that could be written off. Lots of options there. As a side note, corporations can not do this. He was also talking about a deductible expense and a non deductible expense.
	3. It sounds like you take the K-1 info and then show the other expenses that you are allowed to take. We will try to get more information there.
	4. We will provide a document that will help us take care of this. Bob, recommends that we put this document in our operating agreement. These deductions come after the fact. Basically, adilas does their numbers (taxes) and then you get to deduct those values once you get your K-1 – on a per person basis.
	5. This document may be amended at any time.
6. How will this affect those of us that have a personal business? (I'm assuming we will need to remove our adilas earnings from our profit loss statements regarding our personal business going back to the beginning of the year as we are backdating the ownership).
	1. In a way, you may end up stopping your personal business or limiting how much you work there.
	2. There was a question about back dating the ownership. Originally the goal was to back date it as of January 1, 2022. Bob recommend that the attorney makes that call.
7. How do my taxes change as compared to what I have been filing (1040 + schedule C)?
	1. Short – they really don’t change that much
	2. The schedule C just stops and the K-1 takes over – the K-1 is a net value after the adilas expenses but before any personal expenses

 \*\*\*\*Can you please briefly explain\*\*\*\*

* [**Income 1040**](https://www.irs.gov/forms-pubs/about-form-1040): Individual Income Tax Form. All taxpayers must file this form.

	+ [**Schedule E**](https://www.irs.gov/forms-pubs/about-schedule-e-form-1040): Partners report their individual share of profit or loss on their personal tax return.
	+ [**Schedule SE**](https://www.irs.gov/forms-pubs/about-schedule-se-form-1040): This form is for filing and paying your self-employment taxes. The owner of a disregarded entity must pay Medicare and Social Security taxes.
* [**Form 1065**](https://www.irs.gov/forms-pubs/about-form-1065): An information form for partnerships to report profits and losses, filed for the partners by the LLC.

	+ [**Schedule K-1**](https://www.irs.gov/forms-pubs/about-schedule-k-1-form-1065): A document that details the profits and losses of an individual partner.



1. How do State Taxes work in a MMLC? What is Adilas’ tax structure for State Tax purposes “pass through” by default, S Corp or C Corp
	1. Still a partnership for the state. No extra state taxes, no special tax breaks, this should stay the same as before.
2. Do we still pay the same for self-employed tax?
	1. Each person will still be required to pay the self-employment tax.
	2. Bob was saying there are two taxes. Income taxes and self-employment taxes.
3. How does state unemployment tax come into play as a member?
	1. This would be non-existent for self-employed persons
4. Not sure if this is a question for this meeting or not but how will deductions work as far as equipment, office space, internet and the like?
	1. Non reimbursed expenses – you get the K-1 (adilas stuff) and then you get to do your personal expenses as deductions.
5. How does this affect car/laptop depreciation I have been writing off the last few years?
	1. This continues – a number in the un reimbursed expense. Same amount of expense as they were previously getting. No change there.
6. How does this affect my 1040ES expected taxes I paid last month?
	1. It becomes combined – estimates are one number – from whatever entity
	2. File taxes annually, but you still may need to make your estimates quarterly.
	3. If you don’t pay your estimates, you get charged some extra interest – that is up to the individual.
	4. Bob encourages doing the estimates – less painful
	5. Paying last year’s taxes with this year’s income – keep ahead of it
7. How does this affect qualifying for Mortgage, Auto Loans, etc?
	1. This is part of being self employed – just part of the game
	2. The lender may require some adilas docs – numbers, financials, etc. – may vary from vendor to vendor
8. Will we need to keep any records aside from tax statements for procuring future loans?  If so will we have a way to request those records if needed?
9. Will there be documentation to show a constant income for loans?
10. Is this version of Self Employed treated the same as 1099 was?
	1. See above – yes, basically the same
11. Would the home office deduction work the same as what I included on schedule C with direct/indirect expenses?
	1. See above – part of the unreimbursed expenses after you get your K-1
	2. Bob – recommends that the attorney create the language to cover what we want on that list.
12. Can different owners write off different expenses or do we have to have it the same for everyone?
	1. See above – each person is able to do their write-off’s once they get their K-1. Once again, adilas does their taxes and issues the K-1’s. Once you get yours, you then put in the non or unreimbursed expenses into the doc or form.

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Open Q and A

* Cory and Bob – asking about guaranteed payments vs salary. This is open and becomes part of the expenses to the company. The net income (final or bottom line) will also show through. Net income is based on ownership percentages. Guaranteed payments are determined by the company (not tied to percentages).
* In the taxes, the numbers become combined.
* All members share the general net income and the net losses – based on percentages
* Alan – what else is different from 1099 work to K-1 ownership? Not much.
* Steve – asking about the buy back on David’s share – we are going to be checking on the backdated piece – Bob was saying that it wouldn’t matter if we had 1099’s for part of the year and then K-1’s for the last half of the year. Bob just recommended that we started it sooner than later. Maybe even look at beginnings of months, quarters, or years. – Regardless, the sooner the better.
* Dustin – if you have small expenses is there a standard deduction? Bob, said no. All expenses are actual. He also recommended that you don’t just buy something to get the write off.
* Chuck – Question about location of his business and taxes – He wanted to know if his LLC from Idaho would get a better tax break based on the location of the LLC. Bob, said no.
* Brandon – on Guaranteed payments, those can flip flop every month based on budgets. The real goal is tied to the end of the year numbers.
* Kelly – Asked about hourly stuff. Bob, said yes, keep doing what you are doing. This is the best way.
* Steve – asking a question about retirement options – Is there a rule about the amount that is drawn even if they are not working the same number of hours. Bob said that we need to work out the language and formulas on how things get paid out. If we want a retirement plan, we just line it out and get it all approved.
* We may want to setup a compensation committee to help manage those possible payouts.
* More questions about 401-K’s, pensions, and other retirement plans
* Bob – saying the restricting of selling a member’s interest (an owner selling their interest to a neighbor who knows nothing about adilas).
* Steve – We will get the documents all written up
* Buying, selling, death, retirement, other scenarios.
* The formula doesn’t have to be complicated.

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After the main meeting

* Marisa – If we buy a share does it have to be a check? Steve said something that provides a paper trail – check, wire, etc.
* LLC’s can own a portion of another LLC
* We are trying to get the percentages taken care of by the end of the month
* On buying percentages – Steve was saying that we (current owners) will set the amounts for this first round. Fair and equitable. This is our first step. Trying to keep it fair.
* We will offer what was on the main spreadsheet. If someone is having questions, they can always go down to the minimum.
* The operating agreement needs to show the flow of the percentages. Alan was talking about some seniority and then some other possible rules to help make it fair.
* By laws may be amended – no problem. They just need to be filed with the state, approved, and accepted.
* Cory – baby steps – let’s start with 10 percent and then go from there.
* Value – this may need to be looked at deeper – it may also change with time
* Steve was saying – a document can have a date that is in effect based on the two parties – He would like the dates to be 1/1/2022 unless someone has a reservation to that.
* We are trying to clean things up and then keep them clean
* The operating agreement will really need to spell things out – We are open to ideas and suggestions – Kind of like the rules of the club house. This will keep getting better and better.
* We are doing this step-by-step. The first steps are already being made.
* Both Steve and Brandon will send out individual offers and get things going. Trying to get this all done and wrapped up by the end of the month.
* There will be future possibilities to get more of a percentage of ownership.
* Also, for the record, your percentage of ownership doesn’t have anything to do with what you are paid. That is looked at by the business.
* Being able to pass the torch along – succession – trying to make something that will keep continuing on
* You dream it up, we can wire it up – even for us… :)
* We are building this thing off of reoccurring revenue. This could be really fun!