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**WHAT EVERY LLC MEMBER NEEDS TO KNOW!!**

## INCREASE IN LIMITED LIABILITY COMPANY ANNUAL FEES

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There is good news and bad news for California Limited Liability Companies. In previous years, the cost for operating an LLC in California has been unpredictable at best, with annual fees being set each year, based upon a study conducted by the California Franchise Tax Board.

The good news is that thanks to the amendment of Section 17942 and the addition of Section 17943 to the California Revenue & Taxation Code, the rate schedule for LLC annual fees is no longer subject to variance. The bad news, however, is that effective for the taxable years beginning January 1, 2001, and thereafter, the annual California LLC fees have increased as follows:

<u>ANNUAL FEE</u>	<u>TOTAL GROSS INCOME REPORTABLE TO CALIFORNIA</u>
\$ 900.00	\$ 250,000.00 or more, but less than \$ 500,000.00
\$ 2,500.00	\$ 500,000.00 or more, but less than \$1 million
\$ 6,000.00	\$ 1 million or more, but less than \$ 5 million
\$ 11,790.00	\$ 5 million or more.

The "TOTAL INCOME" of an LLC, as stated above, reflects amounts from all sources of income reportable in California, but will not include any allocation of income from another LLC of which that LLC is a member, so long as the income on which the allocation is based is already subject to the annual fee. In other words, a dollar of income is only subject to the annual fee once, regardless of the number of LLCs reporting allocations of income based upon that dollar.

For more information about taxation and California Limited Liability Companies, please contact our office at (949) 851-9001.



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