

# [Fundamentals of aviation law](https://assignbuster.com/fundamentals-of-aviation-law/)

[Sociology](https://assignbuster.com/essay-subjects/sociology/)

Therefore if the company faces any loss, Stanton would not have to bear the loss from his individual pocket. Most entities formed in the aviation industry as limited liability companies because of this main reason (Speciale, 2006).
Another benefit of his form of business entity is that Stanton can choose this own tax-paying option. As a member of the LLC, Stanton can choose to either be taxed as a sole proprietorship as he was doing before he can choose to be taxed as a partnership or a corporation. Since Stanton would have to pay low taxes as a sole proprietor given the current tax rates, he should opt for taxing his LLC as a sole proprietor (Speciale, 2006).
What are the cons that would result in Stanton following your advice?
However, turning the business into an LLC is not without its cons. Stanton would have to face certain disturbances in the business. This primarily includes filing the proper paperwork for turning the company into an LLC which is a long process. Changing the company from a sole proprietorship to a Limited Liability Company also requires certain investment and the company is no longer a small company operated by one single owner. Also when new members would enter the business, the paperwork for the company would naturally increase as for every major decision, written approvals from the members would be required (Speciale, 2006).
Apart from this, Stanton, by choosing to form an LLC would require new members to join the company. This, in turn, would mean loss of full control over the company. Right now, Stanton is the only investor, manager, and controller of the business and therefore he can make any decisions regarding the business. However, when new members will bring their investment in the business, they would demand certain control over the business. As a result, control over the decision-making process would be shared (Speciale, 2006).
Also, Stanton would now have to share the profits of the company with the members. This would mean a decrease in income for Stanton. However, Stanton can expand the business with the new investment from the members which could mean more profits. But even this would not make up for the initial setback of profit that Stanton should be prepared for.