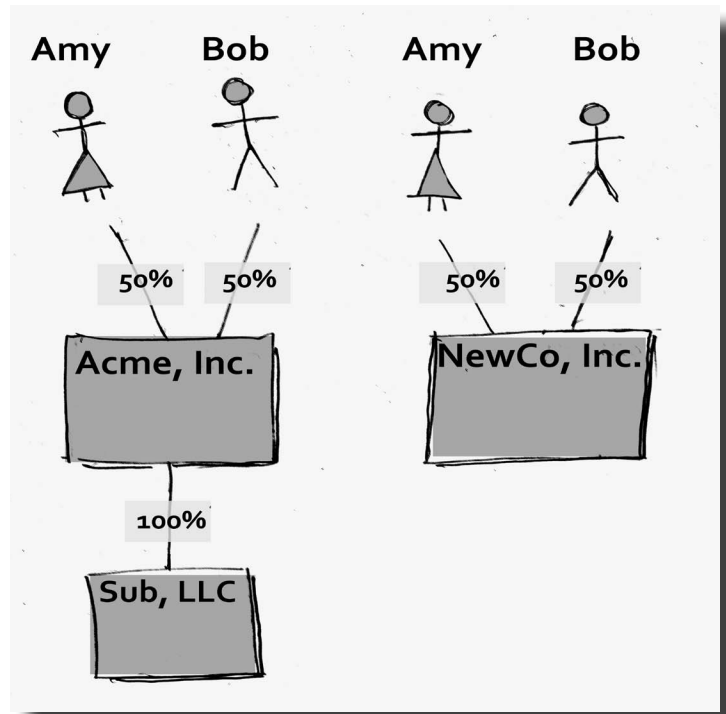


Why Lawyers Don't Like Math

How Many?

This diagram (at right) has fewer pieces than a game of chess. If asked to count, a mathematician might safely conclude "five." A good lawyer, however, should say "it depends." Not that lawyers can't count— but because there are five different correct answers:



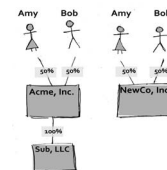
Five Persons

Each of these pieces is a "person" under state law. Each could be a plaintiff and/or defendant in a law suit. Each should have its own books and records, including its own balance sheet.



Three Entities

The two corporations and the LLC each count as a separate entity under state law. Each entity has power to do business, but has to pay fees for the privilege of existing.



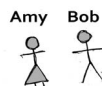
One Employer

This whole setup is one employer under Federal law for retirement plans. It should have a single 401(k) plan no matter who writes the paychecks. Similarly, this is one employer under Obamacare-- meaning employers cannot evade the employer mandate by forming subsidiaries or sister companies.



Four Tax Return Filers

Only these four "persons" should file an income tax return. Since the LLC is owned 100% by Acme, it is a "disregarded entity." The IRS treats it as if it were a mere department or project within Acme.



Two Individuals

One area of consistency in the law is that individuals are easy to count. A simple head count usually works.

