



## Proposed Financial Model for LLCs in the United States: A Tool for Latino Entrepreneurs in Contexts of Formalization and Tax Compliance

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### Article Info

**ISSN (online):** 2582-7138

**Volume:** 06

**Issue:** 04

**July - August 2025**

**Received:** 03-05-2025

**Accepted:** 04-06-2025

**Published:** 03-07-2025

**Page No:** 818-822

### Abstract

This article proposes a financial model designed to strengthen accounting management and tax compliance of Limited Liability Companies (LLCs) run by Latino entrepreneurs in the United States. An empirical assessment using a mixed-method approach identified significant weaknesses in financial planning, tax management, and knowledge of IRS regulations among this business segment. In response, a model was designed that integrates accounting tools, tax strategies, financial education principles, and accessible technologies, adapted to the sociocultural reality of immigrant entrepreneurs. The results indicate that the model facilitates accounting formalization, improves tax understanding, and strengthens the financial sustainability of LLCs. It is concluded that this tool represents an effective alternative for reducing informality, promoting financial inclusion, and facilitating business development in Latin communities. Its implementation is recommended through institutional partnerships, bilingual digital platforms, and training programs for entrepreneurs and tax advisors.

**DOI:** <https://doi.org/10.54660/IJMRGE.2025.6.4.818-822>

**Keywords:** LLC, financial model, Latino entrepreneurs, tax compliance, IRS, accounting formalization

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### Introduction

In today's globalized economy, small and medium-sized enterprises (SMEs) are a fundamental support for economic development and job creation, as cited by (OECD, 2023). Fundamentally in the United States, the legal entity of the Limited Liability Company (LLC) has established itself as a necessary alternative for Latino entrepreneurs, due to its structural flexibility and tax benefits, as noted (US Small Business Administration, 2024).

However, formalizing through an LLC involves facing significant challenges in financial and tax aspects, mainly for entrepreneurs with limited knowledge in accounting and tax compliance with the Internal Revenue Service (IRS) mentioned by the authors (SBA Office of Advocacy 2022). The diversity of US tax legislation, coupled with the need to effectively manage financial resources, creates pillars that can compromise the viability and sustainability of these businesses mentioned by (Fairlie, 2020) <sup>[4]</sup>. Given this situation, this research proposes the development of a financial model tailored to the specific characteristics and needs of LLCs operated by Latino entrepreneurs. This model seeks to facilitate financial planning, income and expense control, and tax compliance, thus contributing to the successful formalization and economic sustainability of these businesses, primarily managed by Latinos. The article is organized as follows: first, the theoretical framework supporting the research is presented; then, the methodology used to develop the financial model is described; the proposed model is presented, and finally, the results, conclusions, and recommendations for future research and practical applications are discussed.

### Theoretical Framework

#### Definition and characteristics of LLCs

The Limited Liability Limited liability companies (LLCs) are hybrid legal entities that combine the advantages of corporations and partnerships, offering limited liability to their owners (members) and flexibility in their administrative structure (Mancuso, 2023) <sup>[11]</sup>. This entity has gained relevance in the United States due to its operational simplicity and tax benefits,

as it allows profits and losses to be passed directly to members, avoiding the double taxation characteristic of traditional corporations as described by the IRS (2024).

### Accounting and financial aspects of LLCs

From an accounting perspective, LLCs must maintain adequate records that faithfully reflect their financial operations, facilitating the preparation of financial statements that provide useful information for decision-making and compliance with tax obligations as described by (Weygandt, Kimmel, & Kieso, 2024)<sup>[20]</sup>. Efficient financial management in these entities involves the design and control of cash flows, income and expense budgets, financial profitability analysis, and tax planning, aspects that often present challenges for entrepreneurs with little financial training referred to by the authors (Fairlie, 2020)<sup>[4]</sup>.

### US tax framework and IRS tax obligations for LLCs

LLCs in the U.S. have a flexible tax structure and can be taxed as disregarded, partnerships, or corporations, depending on the election made with the IRS (IRS, 2024). This flexibility requires a thorough understanding of tax regulations, proper filing, and compliance with federal and state tax payments. Ignorance or noncompliance can lead to significant penalties, affecting the viability of the business, as noted (SBA Office of Advocacy, 2022).

### Context and challenges for Latino entrepreneurs in the U.S.

Latino entrepreneurs face several barriers to formalizing and maintaining their businesses, including limited access to financing, language barriers, lack of knowledge of tax and accounting regulations, and a lack of specialized advice, as expressed by (Kolluri & Wahab, 2023)<sup>[8]</sup>. These difficulties are compounded by the risk of informality and business failure, hindering their participation and contribution to economic and social development (OECD, 2023)<sup>[14]</sup>.

### Importance of a financial model for formalization and sustainability

The design and implementation of a financial model tailored to the needs of Latino entrepreneurs with LLCs facilitates better resource management, enables compliance with tax regulations, and improves strategic decision-making, as expressed by (Fairlie, 2020)<sup>[4]</sup>. Business formalization not only entails economic benefits but also fosters the social inclusion and economic integration of this community in the United States, as stated by (US Small Business Administration, 2024).

### Methodology Research approach

This study adopts a mixed-methods approach, combining quantitative and qualitative elements to gain a comprehensive understanding of the phenomenon under investigation. This approach allows for the capture of both numerical data relevant to financial design and the perceptions and experiences of Latino entrepreneurs in managing their LLCs, as mentioned by (Creswell & Creswell, 2018)<sup>[3]</sup>.

### Research design

An exploratory-descriptive design is used, which allows for the identification and analysis of financial, fiscal, and operational variables in LLCs, as well as the characterization of the profile and needs of Latino entrepreneurs, as cited by

the authors (Hernández, Fernández & Baptista, 2014)<sup>[6]</sup>. This design is appropriate for studies with the objective of constructing and validating applied models.

### Population and sample

The target population consists of Latino entrepreneurs who own or manage an LLC in the United States, with a focus on micro and small businesses. The sample will be selected through non-probability convenience sampling, given the limited and dispersed access to this group, with an estimated size of 50 participants for the qualitative phase and 100 for the quantitative phase, ensuring sufficient representativeness for statistical and qualitative analysis, according to (Malhotra, 2020)<sup>[12]</sup>.

### Data collection techniques and instruments

- **Structured surveys:** To gather quantitative information on accounting practices, financial situation, tax compliance, and challenges faced. A questionnaire validated by experts, tailored to the reality of Latin American LLCs in the U.S., was administered.
- **Semi-structured interviews:** These were conducted with a subgroup of entrepreneurs and accounting and tax experts to delve into qualitative aspects, perceptions, and recommendations for the financial model.
- **Document analysis:** Review of financial statements, tax returns and applicable IRS regulations for the construction of the model.

### Data analysis

1. **Quantitative analysis:** Descriptive statistics (means, standard deviations, frequencies) and inferential analysis (correlations, regressions) were used to identify relationships between financial and fiscal variables, using statistical software such as SPSS or R.
2. **Qualitative analysis:** Thematic analysis was used to code and organize the information from the interviews, identifying patterns and categories that guide the design of the financial model.

### Validation of the financial model

The financial model proposal was subjected to validation using the Delphi technique, involving experts in accounting, taxation and Latin entrepreneurship, to evaluate its relevance, applicability and effectiveness, making adjustments according to feedback received by (Linstone & Turoff, 2002)<sup>[10]</sup>.

### Ethical aspects

The study guarantees respect for the confidentiality and anonymity of the participants, requesting informed consent and complying with current ethical regulations for social and business research, as described by (American Psychological Association, 2020).

### Results

#### Sample characterization

The sample consisted of 100 Latino entrepreneurs who owned or operated LLCs in the United States. Sixty percent were microenterprises (fewer than 10 employees), 30% were small businesses (10-50 employees), and the remaining 10% were medium-sized businesses (51- 100 employees). The sector distribution was: retail 40%, services 35%, technology

15%, and other 10%.

### Accounting practices and tax compliance

From the quantitative analysis, it was observed that 75% of the entrepreneurs use accounting software (with QuickBooks predominating at 55%), but only 50% keep accounting records on a monthly basis. Regarding tax compliance, 65% reported complying with the quarterly returns required by the IRS, while 20% acknowledged frequent delays, mainly due to lack of knowledge or advice.

### Financial challenges identified

#### Among the main difficulties reported are

- Lack of knowledge in tax planning (68%).
- Limited access to formal financing (55%).
- Deficiencies in cash flow management (60%).

These factors directly impact the sustainability of LLCs and their ability to comply with tax obligations.

### Results of the qualitative analysis

Through the thematic analysis of the interviews, three main categories emerged:

- Need for financial training: Entrepreneurs demand specific training in accounting and taxation applied to LLCs.
- Importance of professional advice: The importance of consulting experts to avoid penalties and optimize taxes is emphasized.
- Model flexibility and adaptability: Users prefer simple financial tools tailored to their resources and context.

Construction and validation of the financial model The proposed model incorporates:

- A simplified accounting system adapted to QuickBooks, with automation of tax reports.
- Cash flow planning modules, estimated tax calculations, and tax optimization recommendations.
- Practical guides and checklists for complying with IRS obligations.

The Delphi validation, with the participation of 12 experts, yielded a 90% consensus on the model's relevance and applicability, suggesting minimal interface adjustments and greater integration of virtual consulting.

**Table 1:** Sociodemographic and sectoral distribution of the sample (n=100)

Feature	Category	Frequency	Percentage (%)
Company size	Microenterprise (<10)	60	60.0
	Small (10-50)	30	30.0
	Median (51-100)	10	10.0
Sector	Retail trade	40	40.0
	Services	35	35.0
	Technology	15	15.0
	Others	10	10.0

This table presents the basic characteristics of the Latino entrepreneurs who participated in the study. A predominance of microenterprises (60%) is observed, which is consistent with the Latino entrepreneurial profile in the U.S, which tends to start with small organizational structures and limited resources. Regarding the economic sector, retail trade (40%)

and services (35%) were the most represented, reflecting the traditional orientation of Latino businesses toward high-turnover activities, low start-up capital, and direct customer service.

This profile has direct implications for the adoption of accounting tools, administrative informality, and barriers to strategic financial planning.

**Table 2:** Use of accounting software and recording frequency (n=100)

Variable	Category	Frequency	Percentage (%)
Use of accounting software	Yes	75	75.0
	No	25	25.0
Software used	QuickBooks	55	55.0
	Other software	20	20.0
Periodicity of records	Monthly	50	50.0
	Quarterly	30	30.0
	Annual	20	20.0

The second table reveals key patterns in entrepreneurs' use of accounting technology. Although 75% reported using some accounting software, with QuickBooks predominating (55%), only half (50%) maintain monthly records. This finding suggests a gap between technological availability and consistency of use.

Lack of adequate periodicity could hamper tax compliance, cash flow planning, and access to financing. Therefore, the proposed model incorporates automation and reminders to encourage more disciplined and sustained accounting practices.

**Table 3:** Frequency of tax compliance with the IRS (n=100)

Frequency of compliance	Frequency	Percentage (%)
Meets deadlines	65	65.0
Frequent delays	20	20.0
Does not comply	15	15.0

This table provides an overview of tax compliance behavior. 65% of respondents report meeting their tax obligations on time, while 20% experience frequent delays and 15% fail to comply. Reasons cited in interviews include lack of familiarity with the tax system, changes in immigration status, and lack of professional advice.

These results underscore the need to include educational and early warning components within the financial model to improve the relationship between Latino entrepreneurs and the U.S. tax system.

**Table 4:** Main financial challenges reported (n=100)

Challenge	Frequency	Percentage (%)
Lack of knowledge in tax planning	68	68.0
Limited access to formal financing	55	55.0
Cash flow management deficiencies	60	60.0

The challenges most frequently cited by entrepreneurs are: lack of tax planning knowledge (68%), difficulty accessing formal financing (55%), and cash flow management issues (60%). These weaknesses affect not only tax compliance but also the viability and scalability of LLCs.

The information gathered was instrumental in designing a model that prioritizes basic tax education, simple financial planning, and periodic cash flow assessment, integrating visual and interactive tools tailored to users without accounting training.

**Table 5:** Qualitative results: Categories, subcategories and representative quotes.

Main category	Subcategory	Code	Representative textual quote
Perception on the Use of accounting software	Ease of use	C1	"QuickBooks made it so much easier for me to organize my accounts."
	Technical barriers	C2	"At first it was difficult to understand all the functions."
Impact on financial management	Improvement in fiscal control	C3	"Thanks to the software, I'm now better at tax compliance."
	Limitations	C4	"The system doesn't cover all my specific needs."
Training and support	Need for training	C5	"It would be ideal to host more workshops to take advantage of the program."
	Insufficient technical support	C6	"When I had problems, help was neither quick nor effective."

Each main category and subcategory represents a recurring theme identified in the interviews or focus groups. The codes (C1, C2, etc.) correspond to specific fragments of participants' speech, selected to illustrate each theme.

The fifth table summarizes the qualitative findings from the thematic analysis of interviews. Three main categories were identified: perceptions of accounting software use, impact on financial management, and need for training. Excerpts illustrate how participants value tools like QuickBooks, but also express limitations related to its complexity or lack of technical support.

Furthermore, it highlights the felt need for training and support, which reinforces the proposal for a model that not only provides tools but also practical guides, virtual advice, and accessible educational materials.

## Discussion

The results of this study reveal a set of structural and operational realities that affect the financial performance of LLCs managed by Latino entrepreneurs in the United States. This empirical evidence reinforces the need for a financial model adapted to the sociocultural, economic, and fiscal conditions faced by this group.

One of the most relevant findings is the high proportion of businesses that operate with micro- enterprise structures and without formal accounting planning, which coincides with what was documented by Vargas & Montoya (2023) <sup>[19]</sup>, who warn that 64% of Latino entrepreneurs in the US do not have permanent accounting advice. This informality translates into difficulties in projecting cash flows, complying with tax obligations and accessing formal financing, cited by (González & Pineda, 2022) <sup>[5]</sup>.

Likewise, the partial adoption of accounting tools such as QuickBooks, as reflected in Table 2, highlights that technological availability does not guarantee strategic or regular use. This phenomenon has been expressed in studies by Mendoza and Torres (2021) <sup>[13]</sup>, who point out that many entrepreneurs adopt accounting software upon recommendation, but do not develop sufficient digital skills for its effective implementation.

Regarding tax compliance, it was found that although a significant percentage of entrepreneurs claim to comply with the IRS, a considerable number incur delays or involuntary evasion. This is related to a lack of awareness of the regulatory framework, a lack of tax advice, and, in some cases, a fear of disclosing financial information due to unstable immigration status, as noted by Lemus and Carrillo (2024) <sup>[9]</sup> in their study on "tax informality among mixed-status Latinos."

The qualitative interpretation (Table 5) reinforces this problem. The quotes reveal that, despite positively valuing the use of accounting software, entrepreneurs face language, technological, and training barriers. The limited access to accounting training in Spanish constitutes a structural limitation that must be addressed through inclusive and

accessible approaches (Ramírez *et al.*, 2022) <sup>[15]</sup>.

Faced with this scenario, the proposal of the financial model adapted to LLC is justified as a comprehensive and contextualized solution, which not only considers accounting and tax instruments, but also training support, bilingual digital support, and interactive financial planning modules. This comprehensive approach responds to what was proposed by Chen & Fajardo (2023) <sup>[2]</sup>, who suggest that financial management models should incorporate inclusion tools for vulnerable populations, such as immigrant entrepreneurs.

In short, the empirical results not only validate the relevance of the proposed model but also reaffirm the need to transform traditional accounting management approaches in small businesses. The designed model is not intended to replace the professional work of accountants, but rather to empower Latin entrepreneurs to make informed decisions based on up-to-date data, clear tax obligations, and financially viable growth goals.

## Conclusions

This study identified structural and operational weaknesses in the financial management of LLCs created by Latino entrepreneurs in the United States, highlighting a marked tendency toward accounting informality, a low level of financial planning, and a limited understanding of IRS tax compliance. These findings highlight the urgent need for strategic intervention that goes beyond isolated technical solutions. A contextualized financial model was designed and proposed, adapted to the cultural, social, and fiscal characteristics of Latin entrepreneurs. The model integrates financial control tools, tax compliance procedures, bilingual digital support, and accessible training modules, with a pedagogical, practical, and progressive approach.

Empirical validation, both quantitative and qualitative, demonstrates the relevance and applicability of the model. Its implementation can significantly contribute to:

- The accounting formalization of businesses,
- Strengthening tax compliance,
- Decision-making based on reliable and timely information.

Furthermore, it is reaffirmed that the sustainability of Latin American LLCs in the U.S. depends not only on the entrepreneur's will, but also on access to technical, educational, and regulatory support structures that recognize their migratory, linguistic, and socioeconomic realities.

## Recommendations

1. Adoption of the proposed model by organizations supporting Latin American entrepreneurship, such as chambers of commerce, NGOs, and local economic development agencies, to facilitate its dissemination and practical use in business training programs.
2. Development of bilingual (English-Spanish) digital platforms based on the presented financial model,



- integrating interactive resources, tax calculators, planning manuals, and IRS compliance reminders.
3. Strategic alliances between public accountants, financial coaches, and software developers to translate the model into low-cost solutions accessible to micro entrepreneurs.
  4. Inclusion of the model in financial education programs aimed at Latino immigrants, both in-person and online, strengthening their accounting, tax, and organizational skills from the early stages of entrepreneurship.
  5. Future research aimed to measure the model's impact on objective financial indicators (such as profitability, liquidity, and tax penalty reduction), as well as its acceptance across different states and economic sectors.
  6. Promoting inclusive public policies that support the financial regularization of immigrant-led LLCs, with tax incentives, soft loans, and free training as part of state and federal business development programs.

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