

Topics Covered in Presentation from Christopher J. Ryan, Esquire

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Disclaimer: This is not intended to give any legal advice.

What Types of Business Organization are there?

- **Sole proprietorship**
 - usually a single owner
 - special qualified joint venture status available for spouses running a business together
 - no liability protection o no special tax treatment o easiest form of business ownership for tax paperwork purposes
- **Partnership**
 - 2 or more owners o usually not husband-and-wife but can be
 - net income flows to owners via K-1
 - no liability protection
 - must do partnership tax return
 - should have written partnership agreement signed by all partners
 - partnerships typically have a life cycle
- **Corporation**
 - Two types
 - C-Corp and S-Corp
 - both give some liability protection
 - lots of yearly paperwork
 - created by filing documents with Secretary of State
 - must create articles of organization o must create corporation bylaws
 - must issue stock to whoever the owners are
 - must make yearly annual report to Secretary of State
 - failure to do yearly paperwork can be fatal
 - pierce the corporate veil
 - S Corp. is typically what small businesses want
 - C Corp. pays taxes on profits at C Corp tax rate
 - C Corp. pays dividends to shareholders
 - S Corp. profits are divided between owners and they pay taxes according to their personal tax rate
 - o many tax advantages to both o hire a lawyer
 - hire a CPA o Make sure that lawyer and CPA work together
- **Limited Liability Company**
 - same liability protection as Corporation
 - less paperwork
 - less complicated
 - created by filing a certificate of organization with Secretary of State
 - must make yearly annual report to Secretary of State
 - difficult to pierce corporate veil

- anyone can form LLC
- one person, husband-and-wife, or lots of partners can form LLC
- can elect to be taxed as a S Corp.
- can be taxed as partnership o can be taxed as sole proprietor if single owner
- Insurance
 - business owners policy (includes liability insurance)
 - business interruption insurance
 - workers compensation insurance
 - commercial insurance for all vehicles
 - vehicle insurance that includes employees
 - disability insurance for owners
 - paid family medical leave
- Lease
 - hire a lawyer
 - try not to personally guarantee rent
 - if new business, try for short term lease with options to renew
 - most commercial leases require tenants to pay CAM
 - always find out what CAM is before signing lease
 - figure your budget and make sure you can afford the leasing space
 - items to watch out for with CAM
 - real estate taxes
 - snowplowing
 - landscaping
 - parking lot repair/sealcoating
 - owners insurance costs
 - electricity that lights parking lot
 - Is water separately metered?
 - Municipal sewer or septic system?
 - If septic system, are you paying CAM when they pump it?
 - Trash removal
 - Pest control
 - other miscellaneous CAM expenses (security people, yearly inspection/maintenance fees)