

# Topics Covered in Presentation from Christopher J. Ryan, Esquire

## Ryan Law Office

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