

Things to Know When Starting your Business

LEGAL IDENTITY



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Businesses can be an extension of a person, which is called a **sole proprietorship**, or—particularly if there are more people involved-- it can be a separate legal entity such as a **general or limited partnership**, a **corporation** or a **limited liability company** or **limited liability partnership**.

The business structure affects how much you pay in taxes, your ability to raise money, the paperwork you need to file, and your personal liability.

You'll need to choose a business structure before you register your business with the state.

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Determining the legal entity for your business is an important step in starting a new venture. Here are some key considerations to keep in mind:

1. **Liability:** Consider the level of personal liability you are comfortable with. A sole proprietorship exposes you to the most personal liability, while a corporation or LLC provides more protection.
2. **Taxes:** Consider the tax implications of each legal entity. Some entities, such as LLCs and S-corporations, offer pass-through taxation, meaning that business income is only taxed at the individual level. C-corporations, on the other hand, are subject to double taxation, meaning that both the corporation and the shareholders are taxed on business income.
3. **Ownership:** Consider how you want to structure ownership of your business. If you want to maintain complete control, a sole proprietorship or partnership may be the best option. If you plan to raise capital from outside investors, a corporation or LLC may be a better choice.
4. **Growth potential:** Consider the growth potential of your business. If you plan to expand rapidly, a corporation or LLC may be better suited to accommodate growth.
5. **Formalities:** Consider the level of formality and record-keeping required for each legal entity. Corporations require annual meetings and regular documentation, while LLCs have less stringent requirements.

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- Sole Proprietor
- General Partnership
- Limited Liability Company
- S-Corp
- C-Corp

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This is just an overview of the basic types of legal entities to consider when starting your business.

It is important to consult with a lawyer or accountant before making a decision on the legal entity for your business. They can help you navigate the legal and financial implications of each option and determine the best choice for your specific situation.

For help with this, or any other aspect of starting your business, contact us today at rhondaloweconsulting@gmail.com

This information is meant to be educational only and does not constitute legal advice. Consult with a professional attorney or accountant for what is right for you and your business.