

Business Entity Checklist



STEP 1 - PRE-FORMATION CONSIDERATIONS

- Non-Compete:** Verify you are not restricted, by prior agreements, from pursuing the intended business.
- Estate Planning:** Consider the impact of your ownership interest in the business when making your decisions.
- Corporate Structure:** Select the corporate structure (LLC, S. Corp., C-Corp., etc.) best suited to your needs. That choice can affect your rights, liabilities, tax status and responsibilities.

STEP 2 - FORMING THE ENTITY

- Name Availability:** Verify the availability of the name you intend to use.
- Formation Documents:** Prepare and file appropriate documents to form your Company.
- Tax Identification Number:** The business needs its own tax identification number ("EIN"). Use IRS Form SS-4 which can be obtained on www.irs.gov.
- Corporate Governance Documents:** Without an operating agreement or shareholder's agreement, state law will establish your rights and obligations. Rather than relying on those default rules, which might not work for you, create and sign the proper governance documents (e.g. operating agreement, by-laws, buy-sell, etc), tailored to your specific needs and circumstances.

STEP 3 - INITIAL OPERATIONS

- Separate Accounts:** It is important for the entity to have its own accounts (savings, checking, etc.).
- Register to Do Business:** Register the business in each state in which it will operate.
- Licensing/Insurance:** Identify and obtain the licenses and insurance which will be required by law, or your clients, for your particular business.
- Employees:** If the business will have any employees, be sure to comply with applicable laws (e.g. workers' compensation, unemployment, etc.).

COMPLY WITH CORPORATE FORMALITIES

Meetings - hold meetings on a regular basis (and per your documents)
Minutes - create and retain copies of minutes of each meeting

MONITOR STATUS AND INFORMATION ON FILE

Periodically verify that your business is "in good standing" in each state it is registered. Verify that key information on file (e.g. resident agent, principal place of business, etc.) is still accurate.

DOCUMENT ISSUANCE OF NEW SHARES AND TRANSFER OF SHARES

Document the issuance and/or transfer of any interest in the business. Document any encumbrances on outstanding shares.

MAINTAIN A RECORD OF FINANCIAL TRANSACTIONS

This is particularly important if there is common ownership of multiple entities. Taking the necessary steps may help you avoid potential personal liability.

MAKE YOUR ANNUAL TAX FILINGS

Depending on the type of entity, you may have to file tax returns, W-2s, personal property tax returns and more.

PERIODICALLY REVIEW AND UPDATE YOUR DOCUMENTS

Laws, and your own circumstances, change over time. It is important to periodically review and update all documents related to your business so that they reflect your ongoing practices, and maximize your protections.

LICENSING/INSURANCE

Regularly review and reconsider the types of licenses and/or insurance appropriate for your business, and renew them as necessary.

TRADE NAME

If you use a trade name other than your official corporate name, it is important to apply for and register it.

PLAN FOR YOUR ABSENCE/SUCCESSION

It is important to have a contingency plan for operation of the business if you become disabled or otherwise unavailable. Such consideration should include an ongoing review of your estate planning, and planning for ultimate succession of the business to a new generation of owners.