

BAKER & STALZER

Attorneys at Law

Incorporating Your Business

I Run My Own Business as a Sole Proprietor. Am I Taking Any Special Risks?

Yes. You have unlimited personal liability for debts, claims, and judgments against your business. This means that all of your personal assets (your home, car, bank accounts, and investments) are at risk. To protect the assets you have worked so hard to attain, it is generally advisable to incorporate or to set up an LLC.

What Are the Advantages of Incorporation?

Incorporation gives you the advantage of "limited liability." This means that you should not be personally liable for the debts or obligations of your business, including judgments won in a lawsuit. Only your business assets, which are now owned by the corporation, are at risk for business debts and lawsuits. There may also be tax advantages associated with incorporating your business.

Are There Any Disadvantages of Incorporation?

In order to maintain limited liability protection, and comply with legal requirements, you must hold an annual meeting, and record corporate minutes regularly. You also must maintain a separate corporate bank account, not commingle corporate and personal funds, and maintain appropriate books and records for the corporation. Also, the corporation must file a separate tax return.

What is an S Corporation?

When you set up a corporation, you have the option under tax rules to become an "S corporation." This means that you will not be subject to the double taxation that regular, or C corporations, have to pay. Most small businesses end up choosing between an S corporation and an LLC when deciding how to organize their businesses.

What is an LLC?

LLC stands for Limited Liability Company. With an LLC, you get limited liability protection for your personal assets, and the same "pass through" tax treatment as an S Corporation, but without the requirement to hold an annual meeting, record corporate minutes, etc. Also, if you are a "one man" or "one woman" company, and you are the sole owner of your LLC, no separate tax return is required.

Should I Setup My Business as an LLC or a Corporation?

Most of the small businesses we set up for our clients are organized as LLCs. However, there are some situations where a corporate structure is preferable. We would need to meet with you and find out more about your business in order to advise you which would be better in your particular situation.

Can You Handle Other Legal Needs, After My Business Is Organized?

Absolutely. We are available to provide full service legal support to you and your business. This includes drafting contracts, reviewing office and retail leases, collecting business-to-business debts, drafting employment agreements, non-compete agreements, and handling business disputes and lawsuits. If you are interested in buying an ongoing business, or if you later decide to sell your business, we are experienced with those transactions, as well.

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