

Legally organizing your business? This six-minute video consultation and accompanying data sheet will provide what you need to know about the important basics.

The first decision to make is whether you will be working alone or with one or more partners or co-owners. The second is which type of organization to register with your State.

Based on your ability to operate the business entirely on your own, you may organize and register either a single-member limited liability company or a corporation.

Based on a mutual, **written** agreement, you may organize and register a formal partnership, which may be the least expensive registration option. Although the partnership itself may not be required to **pay** state or federal income tax, the IRS, and perhaps your State, will require you to **file** an annual partnership income tax return.

Based on a mutual, **written** agreement, you may organize and register a limited liability company, which will save you the burden of purchasing and maintaining a corporate book and stock certificates. Although the LLC itself may not be required to **pay** state or federal income tax, the IRS, and perhaps your State, will require you to **file** an annual income tax return for the LLC.

Based on a mutual, **written** agreement, you may organize and register a corporation. Although the corporation itself may not be required to **pay** state or federal income tax, the IRS, and perhaps your State, will require you to **file** an annual corporate income tax return.

For small business tax purposes, there are two types of corporations: “C” and “S.” A “C” corporation is a corporation that pays income tax on its own profits. An owner of a “C” corporation pays taxes only on corporate wages. An “S” corporation is a corporation that does **not** pay income tax on its profits. An owner of an “S” corporation pays taxes on the applicable share of corporate profits as well as on any corporate wages.

A partnership typically does not pay income tax on its profits. A partner of a partnership pays taxes on the applicable share of partnership profits as well as on any partnership wages.

A limited liability company typically does not pay income tax on its profits. A member of an LLC pays taxes on the applicable share of LLC profits as well as on any LLC wages.

Part of advance planning for **any** business is deciding whether employees will be hired and, if so, whether employees will be outsourced, that is, leased or otherwise paid and managed by another organization. Intrinsic to paying employees is calculating withholdings for taxes, court judgments, and contributions for employee benefits; maintaining payroll records; reporting and paying taxes to tax authorities; paying

insurance premiums; maintaining safe, accommodating facilities; and handling other employee issues, so this decision is a weighty one.

Part of advance planning for an LLC is deciding how to be treated for income tax purposes since there is no income tax form specific to an LLC. A partnership return is the default IRS form, but, at the time of organization, a single-member LLC or any corporation must request and be granted specific treatment as an "S" corporation.

You may serve as the registered agent for your own organization. Otherwise, you must hire a registered agent, for, typically, between \$100 and \$200 a year. The registered agent is responsible for receiving any service of legal process and any other mail from the Secretary of State. If you serve as the registered agent for your own organization, you are also responsible for paying the annual state registration fee when it is due.

To register your business with your State and obtain a tax identification number and any other applicable approval from the IRS, each individual, partner, member, or owner must provide all of the information listed on the Organization Data Submission Sheet accompanying this video.

Please submit it via e-mail for prompt processing as soon as your payment is verified.