

Robert J. Spitz

Intelligent, Honest & Aggressive Representation



Business Formation Information Sheet

Business formation refers to vital steps taken early in the process of establishing a new business. It can involve minimal or heavy paperwork, registrations, and filings. Depending on the type of business you wish to operate, there may be special legal or personnel issues to iron out beforehand.

Most businesses of any size need some form of registration and other business formation matters to be completed. The exception is some small, one-person businesses, although there are circumstances where even these will require registration.

Whether an enterprise is simple and straightforward such as a sole proprietorship or it is more complex as in the case of a corporation, proper business formation is important. This process will affect personal liability for the founders/owners, tax issues, and more.



The Business Formation Process

After you have researched ideas for your business, an experienced business attorney can help you make sensible choices and properly set up your new business. First steps will include naming your business and choosing the type of business entity that is most appropriate. In addition to registration with the state of California, a federal tax ID number (EIN number) and federal tax registration is required. Other licenses and permits may be necessary as well. Your attorney will guide you through all business-formation and related documents and let you know if your business requires additional steps such as those related to private offerings, employment contracts, or articles of incorporation.

It is important to consider the pros and cons of the different types of business entities that could be used, as it can have far-reaching implications for the future of the business as well as the owners, employees, and other associated parties.

Choosing the Right Business Entity

The type of business structure you choose will affect taxes, asset protection, future growth, legal obligations or even litigation, and more. A knowledgeable business formation attorney should be consulted to ensure that you understand the implications of the possible business entities you might choose and that you are in full compliance with local and federal requirements. In determining whether a sole proprietorship, partnership, corporation, or limited liability company would be the right choice, your personal needs and objectives, as well as those of the business, should be considered.

Choosing the Right Business Entity *(cont.)*

- **Sole Proprietorships** can include an unlimited number of employees and give the owner full control.
- **Partnerships** offer more financial flexibility and opportunities. A partnership can easily be dissolved when desired.
- **Corporations** offer business owners greater protection of personal liability, more options for raising capital, and some tax advantages.
- **Limited Liability Companies** are easier to form and maintain than a corporation, provide personal liability protection, some tax benefits, and flexibility in management and ownership matters.

Avoiding Risks in the Business Formation Process

Any new business will have certain risks associated with it. When establishing a new enterprise, it is wise to consider what issues may arise, create a plan for them, and make decisions earlier rather than later to help reduce the potential for losses and other problems. Keeping accurate records is important, including those regarding payments, balances owed, and other financial information. An attorney can help you proactively identify threats which could arise so that preventative measures can be implemented. It is helpful to consider how well the founders or partners mesh with each other and the goals of the business, how your business differs from any competitors, and how you will recruit any needed talent and employees.



Solid Business Formation Fosters a New Entity's Success

Business formation is one of the first steps towards establishing a healthy enterprise that functions well and is able to endure difficult situations, grow, and reach objectives. Having a knowledgeable and experienced business formation attorney advising you can help you make practical decisions that protect your personal assets as well as those of your business.

Contact an Experienced Business Formation Attorney

Attorney Robert J. Spitz has been advising business clients for over 40 years, and he can help you understand the issues specific to your new venture. Call (909) 395-0909 to arrange a consultation. Mr. Spitz will review your situation and help you take the right steps to reach your business objectives.

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