

Are You a Prospective Entrepreneur?

Bhupendra S. Darji is a practicing CPA in Norcross, Georgia. He has given a checklist to be followed by a prospective entrepreneur before starting a new business.

1. Before starting any business better consult an accountant. Compare the tax aspects of various business entities.
2. After identifying and choosing a business entity consult an attorney regarding federal and state laws governing creation, ownership, and operation of the entity.
3. Draft and execute agreement among principals. Target the business start date. Draft “Pre incorporation/LLC/partnership agreements.”
4. File for incorporation or file necessary LLC or partnership documents with the state. For a corporation that wants to elect a subchapter status, file IRS form 2553.
5. Obtain a Federal Employer Identification Number (EIN).
6. File an application with the county for certificate of assumed name (DBA).
7. Obtain state tax ID numbers. Also file required documents with state unemployment tax department. Obtain state sales tax certificates.
8. Obtain any required city, county, or local business licenses and permits.
9. Open a business checking account.
10. Fund the entity.
11. Hold all necessary corporate or other organizational meetings. Elect board of directors.
12. Set up books for the new entity. Close books on previous entity or sole proprietor if changing the form of business. Accounting methods to be considered. Cash or accrual, GAAP or income tax basis.
13. Send appropriate notification of business name and business start date to customers, vendors, bankers, etc.
14. Consult with an insurance professional to obtain business liability and worker’s compensation coverage.
15. Hire employees.
16. Start business operations.
17. Review wills and estate plans of the owners.

CAUTION: Unforeseen consequences can occur when a new business is purchased, the name is changed, or with the change of business entity.

Consider the following:

- ✚ Certain corporate stock acquisitions and reorganizations can trigger taxable income if not properly structured.
- ✚ Changes in stock ownership can terminate corporation status.
- ✚ Successor liability laws can surprise a new business owner with unseen obligations.
- ✚ Business insurance might not automatically transfer in the case of a new owner, an new business entity, or if a name change occurs.

For purposes of state unemployment taxes, a favorable experience rating may be lost if ownership changes.