



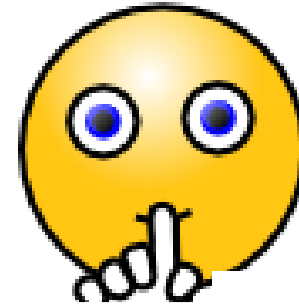
Pinellas County

Legal Structures



Webinar Participant Features

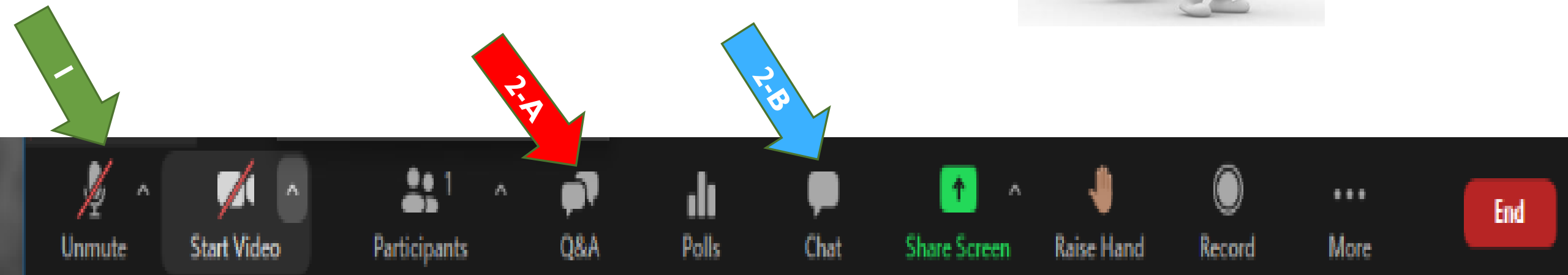
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2. Direct your questions as follows:

A. Use **Q&A** for questions for the presenter

B. Use **Chat** for webinar technical issues





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Visit our Website: pinellascounty.score.org

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Or contact The Greenhouse

Tonight's Presenter



Jeff Baughman, JD
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Originally from Pennsylvania

*Moved to Tampa Bay in 2005 after service
in the Army*

Attorney licensed in FL

*Work for clients handling business
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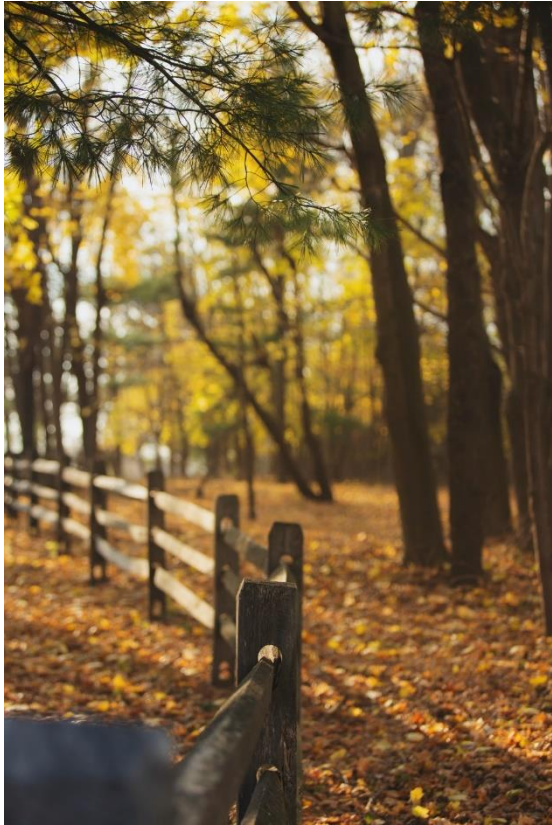
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What We'll Learn Tonight

Why Legal Structures?
What are my Options?
Advantages and Disadvantages
Formation Requirements
Common Legal Issues

Why Do I Need A Legal Structure?



- Liability
- Taxes
- Growth
- Credibility
- Longevity

What Options Do I Have?



Sole proprietor

S-Corporation

C-Corporation

Limited Liability Company

Limited Liability Partnership

Others

What Do You Think?

What entity do you think works best for you?

- A** LLC
- B** S-Corporation
- C** C-Corporation
- D** Sole Proprietor
- E** I don't know

Some Examples



Sole Proprietorship

- Jane Doe Carpentry

S-Corporation

- Menards, Inc.

C-Corporation

- Publix, Inc.

Limited Liability Company

- Chrysler Group, LLC

Limited Liability Partnership

- Pricewaterhouse Coopers, LLP

Others

- Baughman Law Group, P.A. d/b/a Spartan Law Group

Advantages and Disadvantages

- Number of Owners
- Management v. Ownership
- Asset Protection
- Ownership Interests
- Governance



Sole Proprietorship

- Number of Owners
 - 1 (cannot be more)
- Management v. Ownership
 - No separation
- Asset Protection
 - None – All assets are personal and available to creditors
- Ownership Interests
 - Cannot transfer ownership, only assets
 - Dies with owner
- Governance
 - simple



S-Corporation

- Number of Owners
 - 1-100 shareholders (restricted by citizenship and other requirements)
- Management v. Ownership
 - Separated (Officer/Director/Shareholder)
- Asset Protection
 - No liability (except guaranties, fraud, etc.)
- Ownership Interests
 - Shares can be sold or transferred. Can bring in outside investors.
 - IRS restrictions on who can be an owner and classes
- Governance
 - Medium complexity

C-Corporation

- Number of Owners
 - Unlimited
- Management v. Ownership
 - Separated (Officer/Director/Shareholder)
- Asset Protection
 - No liability (except guaranties, fraud, etc.)
- Ownership Interests
 - Shares can be sold or transferred
- Governance
 - Medium complexity

Limited Liability Company

- Number of Owners
 - 1 to Unlimited
- Management v. Ownership
- Member Managed v. Manager Managed
- Asset Protection
 - No liability (except guaranties, fraud, etc.)
- Ownership Interests
 - Depends on structure, but typically permits outside investment and transferability
- Governance
 - Depends on operating agreement, less complex than corporation, but can be more complex.

General Formation Requirements



- State Law
- Business tax certificates/occupational license
- Name Reservation/Use
- Licensing
- Registered Agent
- Tangible property taxes
- Establishing ownership interests – The IRS tells all!

Sole Proprietorship

SUGGESTED
FORMATION
DOCUMENTS

- Fictitious Name Registration
- Other items of interest

S-Corporation

SUGGESTED
FORMATION
DOCUMENTS

- Articles of Incorporation
- Bylaws
- Organizational Minutes
- Election of Directors
- Shareholder Agreement

C-Corporation

SUGGESTED
FORMATION
DOCUMENTS

- Articles of Incorporation
- Bylaws
- Organizational Minutes
- Election of Directors
- Shareholder Agreement

Limited Liability Company

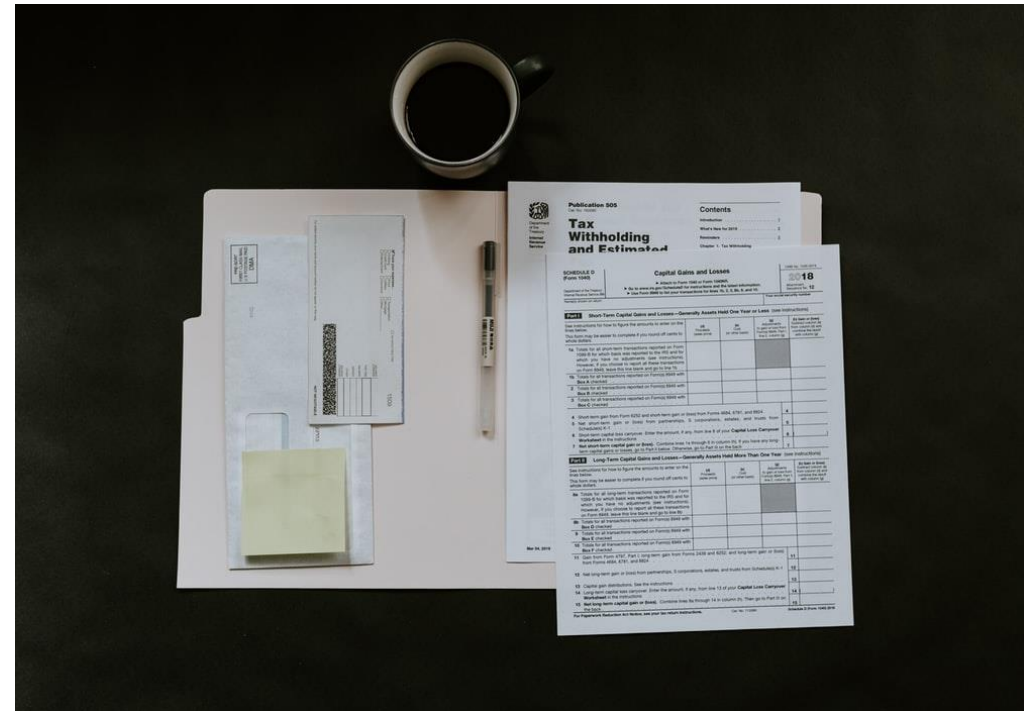
SUGGESTED
FORMATION
DOCUMENTS

- Articles of Organization
- Operating Agreement
- Minutes
- Tax Election (if desired)
- Buy/Sell Agreement

What about Taxes

BY ENTITY

- Sole Proprietorship
 - Taxed once
- S-Corporation
 - Taxed once
- C-Corporation
 - Taxed twice
- Limited Liability Company
 - Typically once, but depends
- Limited Liability Partnership
 - Taxed once



Taxed Once, but How?

Sole Proprietorship

- Taxed once on all profits at ordinary income tax rate
- You still pay FICA on your wages as the employee
- You pay FICA as the employer

S-Corporation

- Can split between reasonable salary and dividends
- You pay FICA (employer/employee) and ordinary income tax on your salary
- You only pay ordinary income tax on the dividends (saves approx. 13-15% of FICA)
- E.g. \$20k dividend = \$3k in tax savings per year

Limited Liability Company

- Will be taxed as Sole proprietorship, S-corp, or C-corp depending on your election and you must follow the IRS guidelines for your choice.

Limited Liability Partnership

- Most complicated pass through and depends on your partnership account.

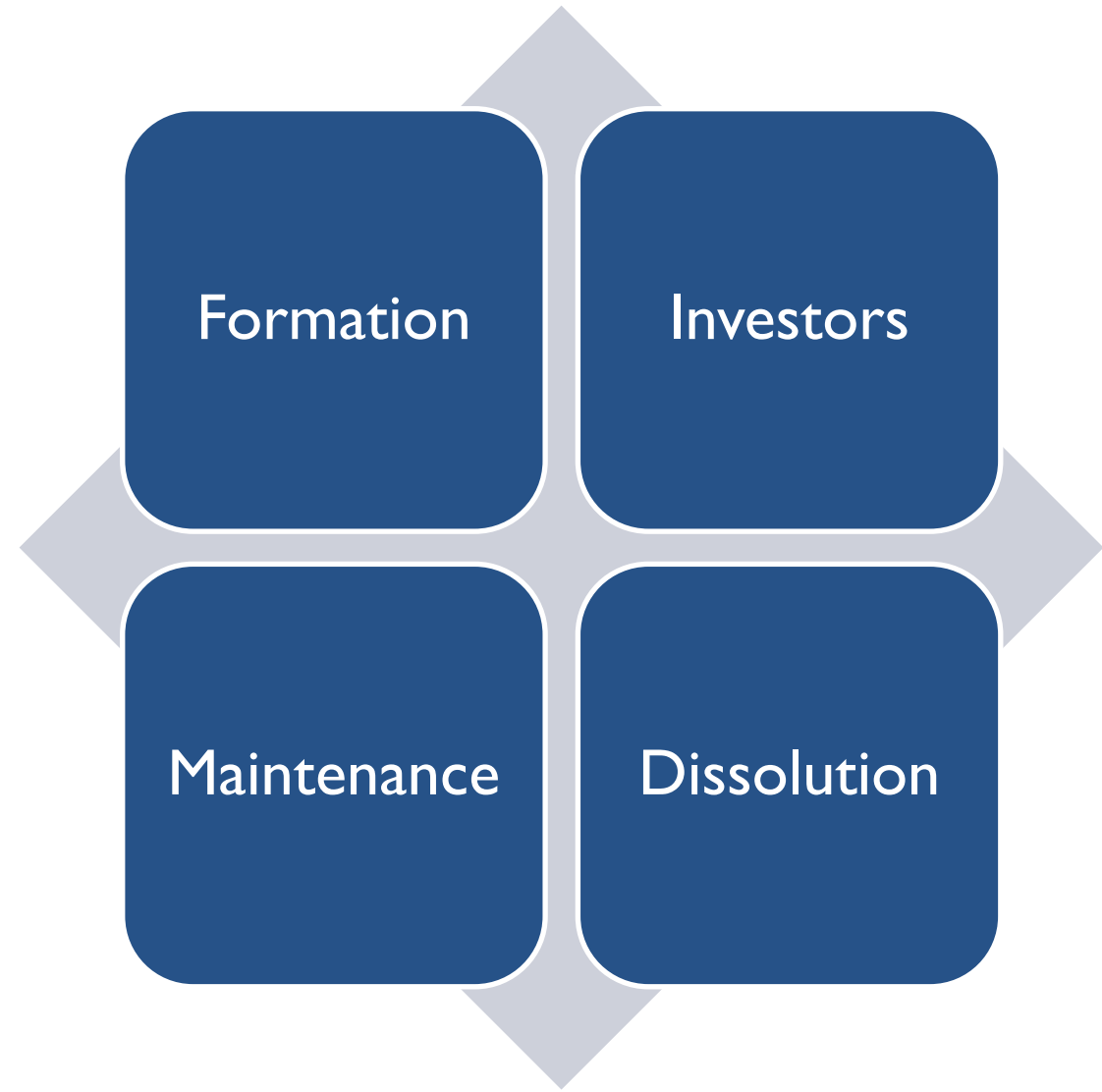
What Do You Think?

Have you built a team of advisors yet?

(banker, accountant, insurance, legal)

- A** No. I want to do it by myself
- B** No. But intend to.
- C** Yes. In part.
- D** Yes. I have a full team am ready to move forward.

Common Legal Issues



Formation Issues

- Pre-formation Actions
- Lack of Formal Documents
- Capitalization
- Annual Filings



Funding Issues



- Seeking Capital
- Personal Guaranties
- Verbal Agreements
- Interested Transactions

Maintenance Issues



- Special Meetings
- Annual Meetings
- Secretary of State Filings
- Proper Name Use
- Employees
- Business in Other States
- Sales Tax reporting

Dissolution Issues



- Buyouts and Mergers
- Winding Up Affairs
- Liability for Corporate Debt
- Liquidation or Reorganization
- New Partner Scenario

What Do You Think?

What entity do you think works best for you?

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Questions and Answers



Ready for the Next Step?



More workshops and webinars:

SCORE: pinellascounty.score.org/take-workshop-6

GREENHOUSE: gh.stpetegreenhouse.org/events.aspx

Meet with a SCORE Certified Mentor via video, email, or phone (Free and Confidential):

pinellascounty.score.org/content/find-mentor-295

(727) 437-0990

gh.stpetegreenhouse.org/reg.aspx?mode=counsel¢er=78010&subloc=0

(727) 893-7767

Resources



Additional Resources

- Mentoring, Webinars, Education and more:
 - SCORE: pinellascounty.score.org/
 - Greenhouse: stpetegreenhouse.com/
- Web Sites for General Business Questions/Help:
 - sba.gov/business-guide/
 - openmyfloridabusiness.gov/
 - floridatrend.com/small-business
 - sba.gov/sites/default/files/files/resourceguide_3109.pdf
- Research:
 - St. Petersburg Library System: splibraries.org/
 - Florida Electronic Library: flelibrary.com/index.php
 - Pinellas Public Library Cooperative: www.pplc.us/
 - “Simple Steps to Business Research” Greenhouse webinar
- Market Research Databases
(available through the Libraries):
 - Business Insights: Essentials eBooks for small business owners
 - DemographicsNow A to Z Databases
- Financing
 - What Really Impacts Your FICO Score? score.org/blog/what-really-impacts-your-fico-score
 - Business Fundability Quiz score.org/resource/business-fundability-quiz
 - Database of Federally Sponsored Grants grants.gov/
- Going Into Business:
 - Simple Steps for Starting Your Business SCORE Workbook and Online Workshop Series - score.org/getstarted
 - Questions to Ask When Buying an Existing Business pinellascounty.score.org/resource/questions-ask-when-buying-existing-business
 - Franchising Resources score.org/franchising-resources
 - Hispanic Business Owners Hub score.org/hispanic-owned-business
 - 15 Essential Sites for Women Business Owners score.org/blog/15-essential-sites-women-business-owners



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Thank You

**How to convert your workshop to webinar
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