

## CHECKLIST OF MATTERS THAT SHOULD BE ADDRESSED WHEN STARTING A LIMITED LIABILITY COMPANY

The following is a checklist that you should consider to make sure the LLC is properly organized and compatible with your personal life (we have probably discussed some of the items, and you have probably addressed many of them already). Because this is a fairly generic list that I provide to all new LLCs, some of the items may not be applicable to you. Unless otherwise noted, clients often take care of these matters without my assistance, but I am willing to help upon request:

A. Transfer banking and checking accounts into (or open such accounts in) the Company's name. If you'll be treated as a sole proprietorship for tax purposes, the account should use your social security number (in other words, you don't need a separate taxpayer identification number).

B. Place business insurance coverage (including liability, workers compensation, and property damage) in the Company's name. Make sure any business operations out of the home are covered.

C. Consider obtaining personal "umbrella" insurance for any big claims that attach to the members personally and which primary insurance does not cover. Umbrella insurance is usually inexpensive.

D. If desired, transfer any "titled" property (such as cars) to the Company (in order to do this, a person must transfer the title with the appropriate agency; cars, for instance, must be transferred at the Secretary of State). Please note that legal and tax issues often surround the decision to transfer a vehicle into the Company. Contact our office if there are any questions in this regard.

E. Place any other business agreements between members and third parties (like health insurance plans) in the Company's name.

F. Implement procedures with respect to monthly/quarterly/annual payroll and tax filings. It is imperative that the company follow the state and federal requirements with respect to withholding and remitting withholding taxes. Federal law imposes harsh penalties for failure to pay withholding taxes, and both state and Federal law, generally speaking, impose personal liability on officers for failing to pay such taxes.

G. If the Company plans to hire employees, make sure proper employment practices are followed in areas like immigration law compliance, employment applications, and overtime requirements. Our office can assist in this regard upon request.

H. Obtain and post labor posters if the Company hires employees. The company might also be able to locate free copies on the Internet (check the state and federal department of labor sites).

I. If the business uses music, it may be contacted by ASCAP or BMI. These companies protect musicians' copyrights. They protect the copyrights by requiring businesses to purchase a "music license" in order to play the copyrighted music. ASCAP and BMI generally pursue bars and other entertainment businesses, but they can legally pursue any business who

uses music (e.g., "pipes in" music to waiting room), unless the business' only music comes from a home-style stereo with four or fewer speakers. Licensing fees range from \$100 to \$2,000 per year. It seems they rarely sue a business without first warning the business to get a license.

J. Use the Company's name. The precise company name or assumed name should appear on all material, such as letterheads, envelopes, statements, professional cards, financial ledger cards, routing slips, appointment cards, and receipts. The name should also be used in the telephone directory and similar listings.

K. Sign in the Company's name. All agreements (e.g., leases, contracts, etc.) should be made in the company name, and all checks should be signed in the company name. In each instance, not only should the company name appear, but the respective title of the person signing on behalf of the Company should also be listed.

L. Make sure the Company is compatible with members' wills or trusts because it could affect the members' estate planning. My office can assist with this matter, upon request.

M. Make sure income earned after the Company's first day of business is reported by the Company, unless the company is treated as a sole proprietorship in which case all income will be reported on Schedule C of IRS Form 1040.

N. Consider obtaining trademark protection for the company's name. Although the company has the legal right to use the company's name and assumed name under Michigan's Business Corporation Act, that does not provide the common law or federal law right to use the name. The company may want to do a trademark search to make sure the name is not infringing anyone's trademark.

O. Determine whether you need any special license or permits in the states in which you're conducting business. Hundreds of different types of businesses must have special licenses or permits to operate. It's impossible to keep track of all of them. Much of the licensing information might be found on the Internet. If you want my office's assistance, we'll find the answer.

P. Make sure the Company is taxed in a manner that maximizes your post-tax profitability. The Company can be a partnership, C corporation, or S corporation.

Q. Register with the State of Michigan Department of Treasury for sales taxes, employee withholding, and any other applicable state taxes. Unless I hear otherwise, I'll assume that you are taking care of this item with your accountant.

R. Make sure the real estate where the business conducts operations is handled properly. This is something we may need to discuss, since there are tax and liability issues associated with the issue, plus there are different possibilities: home office, leasing real estate, owning real estate in the company's name, owning it in your name and leasing to the company, potentially others. If you want to discuss this matter further, just let me know.

S. Document any personal loans to the company and consider taking a lien on company assets to protect your loans.