Legal Ease Weekly

Choosing the Right Business Form

Save time, money, and risk by doing it right from the start.

Starting your own business, especially for the first time, can be very stressful. One of the first decisions that must be made in any business is what type of organization should be chosen. The best type for each individual depends on the goals of the business, the plans for growth, and the tax advantages sought. Below is a brief overview of the most common forms:

Sole Proprietorship – The default business form. No limited liability, but allows pass-through taxation.

General Partnership –Default business form for two or more owners. No limited liability, but no corporate tax.

C-Corporation – Requires state filing. Limited liability, but taxed as a separate entity. Requires formalities.

S-Corporation – Requires filing. Limited liability, pass-through taxation, requires formalities, and division of profits according to ownership. Potential employment tax savings.

Limited Liability Company (LLC) – Requires filing. Limited liability, pass through taxation, fewer formalities, flexible allocation of profits and losses. Potential employment tax basis.

As you can see, the number of forms means that every business is different. Give us a call if you have any questions about which option may be best for you.

Automatic Stay

At the start of a bankruptcy action, the court will institute an "automatic stay." This immediately brings a halt to any debt collection activities by creditors. It allows the debtor to get some breathing room and relief from the non-stop collection calls and threats of foreclosure.

If creditors continue to make attempts to collect debts after the stay has been instituted, a debtor can sue the creditor for damages. And, if the violation was willful, the debtor may get punitive damages. The automatic stay is a valuable advantage to anyone facing the challenge of bankruptcy.

TYLER HAWKES • 801-725-3482 • THE RUDD FIRM • 357 W 200 S • SLC, UT • 84101