

# Forming a Legal Entity

This playbook outlines the sequential steps for choosing the appropriate business structure, such as an LLC, corporation, or sole proprietorship, and describes the legal requirements involved in forming a business entity.

## Step 1: **Research**

Investigate different business structures (LLC, corporation, sole proprietorship, partnership). Consider factors such as liability, taxes, fundraising, and record-keeping.

## Step 2: **Decision**

Decide on the most suitable business structure based on your research, weighing the pros and cons for your specific business needs.

## Step 3: **Name Selection**

Choose a unique name for your business entity that complies with state guidelines and verify its availability, often through an online state database.

## Step 4: **Legal Documentation**

Prepare and file the necessary legal documentation with the state. For LLCs, this is usually the Articles of Organization, for corporations, the Articles of Incorporation.

## Step 5: **Compliance**

Understand and comply with additional requirements such as obtaining an Employer Identification Number (EIN), business licenses, bylaws or operating agreements, and initial reports.

## Step 6: **State Regulations**

Check state-specific requirements which may include appointing a registered agent, publication requirements, or additional state-level tax forms.

## Step 7: **Maintenance**

Maintain compliance with ongoing legal obligations like annual reports, franchise taxes, and renewing business licenses or permits.

# **General Notes**

## **Seek Advice**

Consult with legal and tax professionals to ensure your choices align with your business goals and legal responsibilities.

## **Understand Costs**

Be aware of initial and ongoing costs associated with forming and maintaining your legal entity, as these will vary by state and entity type.