

Starting a new business? A few things to consider before you dive in.

As a child, I stood in awe at the skyscrapers of metal and glass that were home to some of the world's biggest corporations. Today, I am equally amazed at the small businesses that are the driving force of our nation's economy. No matter what kind of business it is, I always ask myself how it got to where it is today. The success of a business is rooted in its foundation, and like a tree a business is only as strong as its roots. So in order to firmly supplant your business in its particular niche, it is important to take the time to understand the different options you have when forming a business.

In Arizona there are several choices to consider when starting a new business, some of which are:

- 1) Limited Liability Companies (LLC)
- 2) General Partnerships
- 3) Limited Liability Partnerships (LLP)
- 4) C-Corporations (C-Corp)
- 5) S-Corporation (S-Corp)

It is important to remember that each of these entities provide advantages and disadvantages, depending upon your goals.

Limited Liability Companies (LLC)

A Limited Liability Company, or an LLC for short, is a type of business entity that is separate and apart from its owners (also known as members). An LLC affords its owners corporate-like protection from personal liability, but retains simplicity and flexibility in how it operates. Limiting personal liability is one of the most enticing factors of choosing an LLC, as it can shield the personal assets of an owner in the event creditors attempt to collect on the debts of the business. The flexibility of forming an LLC is also enticing, as there are no requirements for annual reports, annual fees, or meeting minutes. It is also easier to distribute profits and management duties. Finally, there are no federal taxes imposed on the LLC as a separate entity, thus eliminating the double taxation problem.

General Partnerships

A general partnership is made up of two or more partners who are both responsible for the business. Each partner shares the assets, liabilities, and management responsibilities for running the business. Unlike a corporation, it does not require any formal filing or registration to exist. It merely takes two or more persons joining together to own and operate a business. The caveat, however, is that it can end just as easy as well. The death of any of the partners, or the desire to force dissolution by any partner, can end the business.

Limited Liability Partnership

Limited Liability Partnerships, or LLPs, combine elements of corporations and partnerships. An LLP provides some protection to its partners from personal liability. Unlike a general partnership, there are formal requirements and annual reports that must be filed. Profits from the LLP are distributed among the partners for tax p

Limited Partners are generally not liable for the debts of the partnership so long as they are restricted in how they are managing the business. In effect, a Limited Partner provides capital and receives a share of the profits, but does not participate in direct management of the business.

and before beginning you should consult with an experienced attorney.