

OPEN FOR BUSINESS? THE DEVIL IS IN THE DETAILS!

by Kim S Colton

While opening a business in Utah can be a fairly simple process, forming and maintaining a valid business charter is a bit more complex. The details of obtaining a corporate charter and complying with corporate formalities can be daunting. Taking time to understand available resources, ongoing requirements, and necessary details will ensure a greater level of success for your new business endeavor.

HAVE A PLAN. Putting your ideas into a viable business plan is essential for long-term success. A well-thought-out, comprehensive plan will not only enable you to pursue financing, but it will also help you with the long-term operation and growth of your business. A good source for information on developing a business plan, and more, is the Utah Small Business Development Center — (www.slcc.edu/sbdc/).

GET AN ACCOUNTANT AND A LAWYER. Retaining an accountant and an attorney may seem expensive to many business owners, particularly small start ups. However, legal and tax professionals, who are familiar with business formation and who have relationships with administrative agencies, will save you time and money. Don't wait until the IRS or the tax commission calls, or until your business entity loses its good standing with the state to seek professional advice. Tax audits or reinstatements or re-creations of corporate charters can prove very expensive.

CHOOSE A LEGAL ENTITY. There are four primary business entities, including sole proprietorship, partnerships, corporations, and limited liability companies. Additionally, if you choose to form a corpo-

ration, you may choose between a C corporation or a sub-S corporation and between a standard corporation or a professional corporation. The choices you make will affect your liability, tax implications, and future ownership, so seek competent tax and legal counsel on the best entity for your situation. For more information on the different types of business formations, download the *Doing Business in Utah* guide found on our website (www.vancott.com).

REGISTER YOUR BUSINESS. Many details for forming a new business require communication with government offices. The Department of Commerce's Web site at www.commerce.utah.gov is a great resource. Other agencies that all new business owners should visit include the State Tax Commission (www.tax.utah.gov/) and the State Labor Commission (www.ind-com.state.ut.us/). Some businesses may require additional licenses or permits from state or local authorities, and every business needs a business license. (*Please visit a lawyer or an accountant before you fill out online forms or answer online questionnaires at the Department of Commerce's Web site.*)

MAINTAIN RECORDS. Forming a new business means a lot of paper work – and maintaining a business means easy access to that paper work. Business owners need to create an effective filing system that will help them in renewing (usually annually) corporate charters and assumed names with the Division of Corporations. Expiration of a charter for failure to renew is extremely common and can be costly to correct. Furthermore, corporate protection expires with the corporate charter,

so keep careful records or you run the chance of losing liability protection.

EVERY BUSINESS IS UNIQUE. The details associated with forming a business are unique for every enterprise. Business owners should beware of standard forms and checklists. The details of opening and maintaining a business — small or large — require careful attention. Government agencies, attorneys, and accountants can be a tremendous resource, but it is imperative that business owners understand and follow up on those details. There are no easy formulas. However, competent legal and tax advice can ensure that the specifics of your business enterprise are addressed and that you really are open for business. ■



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