

## **Syllabus for the Forms of Business Module**

Welcome to the Forms of Business Module! The legal form of business which you choose is one of the most confusing and troublesome issue in all of entrepreneurship. When you ask an accountant or a lawyer about this issue, you are not likely to get a satisfactory result. That's because when you are first starting out in business, you are not a very attractive client for a lawyer or an accountant, so such professionals aren't usually interested in spending a lot of time with you.

That means that an attorney might say, "Well, why not start out as a proprietorship. After you make some money, then we'll incorporate." An accountant might say, "Well, you're likely to lose money to start, so why don't we do an LLC, or an S corp. We can switch when you start to make money."

The problem with such advice is that, in our experience, you are likely to make *more* mistakes when you first start, then later on when you are more experienced. That means that you need *maximum* legal protection when you first start! Besides, each of these forms of business have strengths and weaknesses, and you need to understand what those are in order to make an informed choice.

The sad truth is, you can never simply take someone's advice, not even ours! You absolutely must take care of yourself; now, and forever! That means that you need to learn what the strengths and weaknesses are, of each of the legal forms of business, and choose what fits you best!

We can't give you legal advice, and we will not be doing that in this module. What we can do, is tell you what forms of business we have used for the various businesses that we have started, and why we made the choices that we did. We have personal experience with C corporations, S corporations, LLCs, PCs, non-profit corporations, and even 501(c)3 corporations, and we have worked with virtually every form of business that exists in U.S. law. We have done a bit of all of it, and we truly believe that most start ups really need to consider starting two corporate entities. If you do the work yourself, without an attorney, it is not expensive, and it is not complex. Here is what we have found.

Nothing is superior to a C corporation in terms of the corporate veil, or shield to litigation. Nothing works better than an LLC to handle investments in capital assets. So, why not start two companies? One to interface with the public; one to hold all your assets, including your intellectual property?

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In this module, we will teach you the strengths and weaknesses of each form of business so you can make an informed decision about what is best for you. We will even teach you the difference between a Member Managed LLC and a Manager Managed LLC. They are dramatically different, and depending upon whether you have investment in your venture by some well to do individuals, the choice of one over the other can be dramatic in terms of IRS tax implications.

**First**, view the *Forms of Business* video, and read the pdf workbook that accompanies it. This video will teach you the basics about the primary forms of business: proprietorship, partnership, corporation, limited liability corporation, and non-profit corporation.

**Secondly**, view the *Limited Liability Companies* video, and read the pdf workbook that accompanies it. LLCs have become increasingly popular in recent years, and they are not always the best choice. This video will teach you about LLCs, Member and Manager Managed, and explore the all too often ignored potential for corporate members of the LLC.

**Third**, view the *Uses of an LLC* video, and read the pdf workbook that accompanies it. This video will teach you about the income tax ramifications of LLCs, including the impact of both active and passive income, and the important concept of *proving Material Participation*.

**Fourth**, view the *S Corporations* video, and read the pdf workbook that accompanies it. This video will teach you about payroll taxes, reasonable compensation, legal liability limits, fringe benefits and expense preference behavior limits. We will also explore the differences in company powers.

**Fifth**, view the *Choosing the Best Form* video, and read the pdf workbook that accompanies it. This video will teach you about non-profit corporations, regulated professions, and other types of operations, and will explore how you should approach the issue of choosing the right form, or forms, of business for your own operation.

Our objective in this Module is to teach you how to make the best decision about the form, or forms, of business you should choose for this venture you have in mind, and for future ventures which you might start. When you are done, you will know more than any accountant or attorney about the ins and outs of business forms, and you will be positioned to understand how best to protect yourself as you move forward in you entrepreneurial career.