

## LAW



## Take Steps to Protect Your New Business

Use These Legal Tips to Avoid Being Blindsided During Your Launch.

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*Special to New Business Denver*

**A**s a new business, you've probably come across your share of surprises since you decided to launch your venture. Unfortunately, surprises will always be lurking out there. Fortunately, some of the surprises are well known, especially to business attorneys whose clients encounter them all the time. There are things you can do to protect yourself and your business.

Quality legal advice can mean the difference between success and failure. A lawyer can help navigate through the complex issues relating to your startup. With that in mind, below are six considerations to take into account when organizing your new business.

### Determine the Appropriate Legal Entity for Your Business

One of the first things on your startup agenda will be to decide what type of legal entity is appropriate for your business. This decision carries long-term implications and should only be made after careful thought and consultation with legal counsel.

If you have already selected an entity on your own, you might want to consider reviewing it with an attorney to make sure that your selection will address your business needs.

There are four primary legal entities that

may be used to establish and operate your business: i) a Sole Proprietorship; ii) a Partnership; iii) a Limited Liability Company; and iv) a Corporation.

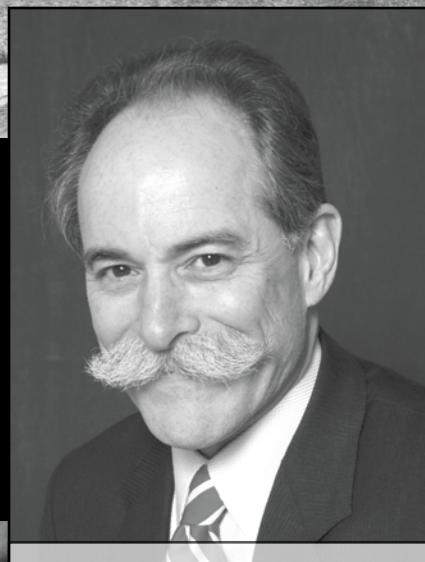
The legal entity that is right for you will depend on several different factors, including, but not limited to: i) the type, size, and scope of your business; ii) the level of control you want to have over daily operations; iii) your personal liability for the businesses' debts and lawsuits; iv) tax implications of the different legal structures; and v) whether you anticipate seeking outside financing and funding for your business, or becoming a publicly traded company.

Once you settle on the appropriate legal entity, your legal counsel can assist you with the necessary filings with the Secretary of State.

### Maintain Tax Compliance

An initial question that ties into the type of legal entity that you choose is: how do you want to be taxed on the revenue that your business generates? The Tax Code provides alternative methods as to how you and your business pay taxes on the revenue that your business generates. You will want to consider consulting with a tax specialist such as a CPA or an attorney to address this issue.

Additionally, they can help you: i) determine if you need an Employer Identification Number; ii) establish your tax year and accounting method; iii) understand the applicable federal business taxes that apply to your business; and iv) formulate a



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strategy for minimizing the tax liability of your business.

### Obtain the Necessary Licenses and Permits

It is important not to overlook the legal requirements involving registrations, permits and licenses, both on the federal and state level. Depending upon your type of business, there may be federal and/or state registration requirements relating to your operations. Even if you have gone through this process before, things can change. Be sure to consult with legal counsel to make sure that your business has obtained all of the requisite licenses and permits to ensure compliance with both federal and state law.

### Obtain and Maintain the Necessary Insurance

Insurance is one of the most commonly overlooked aspects for startups. Early on you should talk to an insurance agent about your business operations and insurance needs. You should consider obtaining, at a minimum, a general business insurance policy, which includes liability coverage and other standard coverage.

Additionally, if you have employees you will need to maintain workers' compensation insurance. If you own your place of business, you should maintain adequate property insurance. If you rent your place of business, you should maintain your own insurance coverage for your products and operations. Do not rely on the insurance coverage of your landlord.

### Secure the Rights to the Business's Intellectual Property

If you believe that you or your business owns valuable intellectual property, you should speak with an attorney about how and when to properly secure your ownership rights to the intellectual property. Such rights can be secured through proper and effective filings of the required paperwork with the appropriate state agency and/or the U.S. Patent and Trademark Office.

Additionally, consider speaking with your legal counsel about establishing protocols for dealing with new intellectual property that your business creates, and a standard non-disclosure agreement for use in your business operations.

The foregoing is not intended to be legal advice. Rather, it is intended to provide you with some general considerations to keep in mind when starting a new business. Surrounding yourself with the appropriate advisors from your startup's inception can go a long way toward establishing a successful and lasting business. You know the surprises are coming. Do whatever you can to be prepared. Good luck.

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