

Choose your business structure

[Business](#), [Strategy](#)



Starting my own business sounded easy enough until I did some research. Once I started the process things got a bit more complicated. From following state laws to choosing which type of business entity was best for my business. With multiple entities to choose from it was hard to decide. And with so many options, I didn't know where to begin? After a lot of research, I found loads of material to help me start up my business without having to stress as much. I learned about different types of partnerships and laws that are required to open a business, along with all of the proper rules and guidelines to follow.

First, you should check the laws in the state where you plan to open your business. You will have to choose your business entity and figure out rather you would like to be in a partnership with someone else, or own a sole proprietorship. When going into a partnership with another person you still have options as to what type of entity you want to open, compared to going into a sole proprietorship. There are several types of partnerships to choose from, limited liability partnerships, limited partnerships, and general partnerships.

Priyanka Prakash of Fundera says, " When launching a business, there are a million and one things to do—raise money, hire staff, develop a marketing strategy, and the list goes on. Choosing among the types of business entities is probably not at the top of your list, but it should be. This decision has very real legal and financial implications. The amount of taxes you have to pay depends on what you choose from the types of business entities, as does the ease with which you can get a small business loan or raise money from investors. And if someone successfully sues your business—not something

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any business owner wants to think about, but it could happen—your business entity structure determines what assets they can collect on.” There are a lot of similarities between partnerships and sole proprietorships, but the difference is partnerships require and involve more than one partner.

A general partnership (GP) is when two or more individuals or other entities enter into a partnership agreement. The pros of owning a general partnership are that they are easy to start up, there are no laws requiring you to register your business with the state. If the business fails you will not be solely responsible for handling the losses by yourself, because the business partners divide profits and losses between each other, and if they want the owners can individually file any losses from the business on their own personal tax returns. There are still several cons to owning a general partnership as well. Each individual owner is liable for any debts the business may accrue, and possible disagreements between partners can cause the business to fail, this is why having a partnership agreement can come in handy. It’s also a lot more difficult to obtain a business loan, gain cliental, or even build credit for your business if it isn’t a registered business entity.

Then there are limited partnerships (LP). A limited partnership is a business entity that is registered through the state,, unlike owning a general partnership. A limited partnership is one of the better options for making more money. In this type of partnership investors can be limited partners without the worries of taking on personal liability. General partners obtain the money required to uphold and handle the business operations, while limited partners can leave the partnership when they want and at any time.

The cons to owning a limited partnership include general partners being responsible for the business's possible debts, and unlike a general partnership it is more costly to run, and requires you to file your business with the state you chose to open your business in. And a limited partner could be responsible for liability issues if their role becomes too involved in business decisions.

The last partnership I looked into was the limited liability partnership (LLP). A limited liability partnership is similar to a general partnership in a few ways. A limited liability partnership is owned by two or more partners. They are also both involved in the partnership agreement. In a limited liability partnership, the owners don't have sole personal liability for the business's debts, and you can choose how you want your LLP to be taxed. You can choose rather it is best for you to tax your business as a partnership or as a corporation. The only downfall of a limited liability partnership is that it is more expensive to open and start running. Owning an LLP requires you to register your business in the state you choose to operate your business in.

If I choose to go a different route I could always open my business on my own without a partner. This type of business would be called a sole proprietorship. Sole proprietorships are Easy to start up since there are no requirements to register your business with the state. Most of the business losses can be deducted on your personal tax returns, and it's extremely easy to file your taxes this way. There a lot of cons to owning a sole proprietorship though. When you own a company on your own without any partners you are solely reliable for all the business's debts and liabilities. If your business is

sued for any type of issue, the plaintiff in the case could take all of your personal assets, house, vehicle, etc. if they win the case against you. And since your business is not registered with the state it is harder to separate you from your business, this can make it difficult for your business to build credit or get approved for a business loan.

After researching the different business entities that I can choose from, I have found more than enough information to help me when I start the process of opening my business. I now understand the many laws and requirements, along with the understanding of how each entity may benefit me and my possible future partners. Opening a business is not an easy task, and it can become a lot more complicated when the owners aren't familiar with the laws in the state they choose to open their business in. I still am not in a place where I am capable of opening or running a business yet, but I am more than equipped with enough information to get me started on a successful path.