

# SESSION 5: GOVERNMENT REGULATIONS

## BE A LEGAL EAGLE!

### Setting Up Your Business Legally

#### Business Ownership—Learning the Definitions

Test your knowledge of business ownership terms using the exercise below.

Match the following terms with the correct definition from the list below.

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|------------------------|------------------------------|
| A. Sole Proprietorship | E. S Corporation             |
| B. Corporation         | F. General Partnership       |
| C. Limited Partnership | G. Limited Liability Company |
| D. Joint Venture       | H. Cooperative               |

- \_\_\_\_\_ The members invest in, own, and control the business. Usually each member invests in one or more member shares, and obtains voting control and return on investment.
- \_\_\_\_\_ The owner is the business, and the business is the owner.
- \_\_\_\_\_ A special type of corporation in which profits or losses are not reported at the corporate level, but are passed onto the individual shareholders.
- \_\_\_\_\_ Two or more owners. Owners are involved in the daily operations of the business. The business is taxed like a sole proprietorship.
- \_\_\_\_\_ One or more owners manage the business. One or more additional owners are silent investors, and don't participate in the day-to-day management of the business.
- \_\_\_\_\_ Most large businesses in the United States are organized as this type of structure, which is taxed as a separate entity and shields the owner(s) from certain liabilities.
- \_\_\_\_\_ The profit or loss of this type of company flows to each member, because it's taxed like a partnership. Liability is limited like a corporation, and is limited to the investment each member makes.
- \_\_\_\_\_ A partnership whose life is limited to a specific project.

## Business Ownership Worksheet

Which form of ownership is best for you depends on your type of business, the kinds of products you will offer, and tax issues. Check with your state about the rules governing each. Talk with your mentor or advisor to make sure you choose the best form of ownership.

1. Will your business be a sole proprietorship, partnership, corporation, limited liability company, or cooperative? Describe the advantages and disadvantages of this legal structure using the table below.

*Legal structure of your business:* \_\_\_\_\_

Advantages	Disadvantages

2. Why did you choose this form of ownership?

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3. Who are the owners of your business? What is their financial share of ownership?

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## Business Registry, License Fees/Permits, and Taxes Worksheet

Use the chart below to review which business registration, licensing, and tax information you need for your business. Be sure to research the fees you'll have to pay for licenses or permits.

Business Registry/Licensing	Information Needed or Action Required	Agency to Contact	License/Permit Fee
Register business name			
Get employer identification number (EIN)			
Register trademark			
File annual reports			
State, county, local business licenses			
Zoning regulations			
Other licenses or permits required for your business:			
Type of Tax	How does this tax affect your business?	Agency to Contact	Registration Requirements
Federal Income Tax			
State Income Tax			
Local Income Tax			
Sales/Use Tax			
Property Tax			
Self-Employment Tax			
Other taxes that affect your business:			

## Employee Taxes and Regulations Worksheet

If you have employees, you'll have to follow labor laws. Federal laws are the same wherever you live, but state laws may also apply. Check with your state agencies when answering the questions below.

1. What are the payroll taxes and withholding requirements for your business (FICA, FUI, SUI, WC, etc.)?

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2. Will you be hiring independent contractors? If so, how will you make sure you're following the IRS guidelines for recognizing independent contractors?

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3. Will you be employing anyone age 14 through 17? What are your state requirements for work permits, time restrictions, or other child labor laws?

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4. What other wage and hour regulations apply to your business? For example, when do you have to pay an employee overtime? Are there any special permits or registration documents required for your employees?

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5. Explain how other employee regulations affect your business (ADA, labor laws, harassment, organized labor laws, worker safety laws like OSHA, and so on).

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6. What environmental laws apply to your business?

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## Contracts and Leases Worksheet

Contracts and leases are at the heart of the business world. It's very important that you know about the types of contracts used in business, and how to use them.

Remember: Contracts and leases should be written documents, not just verbal agreements!

Use the worksheet below to decide which contracts and leases you may need for your business. You might have to do some research to understand certain documents.

Type of Contract or Lease	Intended Use
Employment Agreement	
Nondisclosure Agreement	
Independent Contractor Agreement	
Power of Attorney	
Partnership Agreement	
Buy/Sell Agreement	
Promissory Note	
Lease Agreement	
Land Usage Contract	
Warranties	
Other:	

## Intellectual Property Worksheet

Use the following table to help you decide if you need to protect your intellectual property by filing for a patent, copyright, or trademark.

Intellectual Property Right	Cost Associated	What must be done to secure IP rights?
Patent		
Trademark		
Copyright		
Product name		
Trade secret		
Other:		

## Your Worksheets Assignment Due for Session 6



Please work on the following worksheets at home:

- *Business Ownership Worksheet*
- *Business Registry, License Fees/Permits, and Taxes Worksheet*
- *Employee Taxes and Regulations Worksheet* (research and finish—if you have employees)
- *Contracts and Leases Worksheet* (research and finish)
- *Intellectual Property Worksheet* (research, if this applies to your business)

Review the other worksheets that we worked on during Session 5 class time. Write down any questions you have, so we can discuss them at the start of Session 6.

## Writing Your Business Plan



Use the information you gathered, and the worksheets in this session, to write the following sections of the business plan. Use the headings and subheadings just as they're shown. Then, follow the instructions under the subheadings in order to decide what information you should include in each part.

### Section IV. Business Organization

#### A. Ownership, Regulations, and Contracts

##### Ownership

*Review your answers to the **Business Ownership Worksheet**. Describe the legal structure you chose for your business, and why. Then, describe who owns the business and their financial share of ownership.*

##### Government Regulations and Taxes

*Review the **Business Registry, License Fee/Permits, and Taxes Worksheet**. Describe the registration requirements for your business. Explain what other licenses or permits you'll need. Then, list the taxes your business will have to pay.*

*If you have employees, review the questions on the **Employee Taxes and Regulations Worksheet**. Write a paragraph about the employee tax requirements and labor regulations your business will have to follow.*

##### Contracts and Leases

*Review the **Contracts and Leases Worksheet**. Explain what types of contracts and leases you think you'll need in your business, and how they will get written. Also, describe any intellectual property protection you'll need, and how much it will cost.*

