

Starting Your Own Business

I know first hand the stress and excitement involved in making the decision to start your own business. Just five years ago, I went through this myself when I chose to venture out on my own and open my law firm. After starting with one attorney in the back bedroom of a ski home, my business has turned into one of the fastest growing law firms in the Capital Region, with more than 20 attorneys.

My business plan has certainly changed over the past few years, but I will never forget the excitement of plowing the initial path for the firm. If you too are thinking that the time has come to strike out on your own, you face some major decisions in the next few months. None of which are more important than beginning with a plan of operation for your new business.

Preliminary considerations include where you will operate the business from, if you should hire employees immediately or wait until after the business develops, how to finance the start-up costs, and whether you will be solo or have a co-owner.

Once all of these preliminary considerations have been addressed, a decision must be made as to the form of business entity that your new business entity will adopt. There are several options and choices that must be considered:

Sole Proprietorship:

Perhaps the most basic form is a sole proprietorship, which is a business that is owned by a single person. The main advantages of a sole proprietorship are that the start-up filing fees are minimal and no separate income tax return is required for the business itself. The main disadvantage is that you will be personally liable for all of the debts of the business.

Partnership:

Yet another entity choice is a general partnership. Some of the main benefits of a general partnership are lower start-up costs and no double taxation of income at both the partnership level and at the individual partners' level. A main disadvantage is that each partner is personally liable for all partnership debts, not just those that he or she may have contracted for on behalf of the partnership.

Limited Liability Company:

Another available option, which has become extremely popular in recent years, is the limited liability company, or LLC. It seems that there are dozens of new LLCs being constantly formed. Main advantages of this type of entity include no personal liability of the members for the debts of the business and no double taxation of income at both the entity level and on the members' level. Disadvantages of an LLC include higher start-up costs and annual New York State fees.

Corporation:

The last choice of entity option ordinarily considered is a corporation. If this option is selected,

it must also be decided early on as to whether or not to be treated as an S corporation, which also has the advantage of no double taxation of income at both the entity level and on the shareholders' level. Another advantage of a corporation is that the shareholders are not personally liable for the debts of the corporation unless they have personally guaranteed them.

Anyone who is entertaining the thought of starting his or her own business must carefully plan and consider their decisions before striking out on their own. It is of critical importance to consult with financial advisors, accountants and, of course, an attorney who is familiar with this area of law. These steps will give your new business the greatest chance of not only surviving, but thriving.