

TOP TEN LEGAL CONCERNS FOR THE SMALL BUSINESS

The Michigan State University College of Law

Small Business and Nonprofit Law Clinic

1. Type of Business

- Main questions to ask:
 - How do you want to structure your business?
 - What geography areas will your business serve?
 - Write a Business Plan to formalize the vision for your business.
 - Have you considered the liabilities this type of business could incur?
- What are the legal requirements to operate your type of business?
- Are there other similar businesses in the area? Is there competition? If so, how will your business compete?

2. Financing

- **Recognize that most businesses operate at a loss during the first few years**
- How will you obtain start-up money?
 - Investors?
 - Bank loans?
 - Repayment plans?
- **Keep accurate accounting books**
- Consider reinvesting money back into the company when possible
- Consult with an accountant
- How much revenue do you anticipate that your business will make in the first three to five months?
- In the event finances fall through, do you have a backup funding plan?

3. Formation of Your Small Business

- Bylaws
 - How will your business be managed?
- Articles of Incorporation
 - Where will you incorporate your business?
- Filing
 - Have all relevant documents been filed with the appropriate agencies?
- Trademark/Copyright issues
 - Will your company have a unique trademark or copyright? Have you researched this area to ensure that you are not violating copyrights laws?
 - Consider filing with the United States Patent and Trademark Office to protect your trademarks.
- What type of entity (e.g. LLC, partnership) will your small business be?
 - You have fewer options in terms of entities if you are running a small business.
 - Consider and research the advantages and disadvantages of various business entities before making your decision.
 - Consult an attorney if possible

4. Does Your Small Business Comply With Zoning Codes?

- Ask the following questions:
 - Do you have a certificate of occupancy?
 - If you are renting out space, are you, as the lessor, in compliance with zoning laws?
 - Is your business subject to any local or state licensing or permit requirements?
 - Have you obtained all of the necessary forms to document your compliance with the law(s)?
 - Have you filed appropriate documents?
- Keep updated on regulations and compliance requirements that affect your business

5. Have You Completed All Miscellaneous Legal Formalities?

- Have you formed your business legally?
- Have you considered all relevant legal risks?
- Have you obtained insurance?
- Do you have the name of the business and names of directors along with all pertinent contact information?
- Have you consulted with an attorney or other small business professionals?
- Are all legal documents in writing and signed by the appropriate authorities?

6. What Will Be The Structure Of Your Small Business Venture?

- Who will be the decision-makers?
- What is the level of liability that members of the business wish to maintain for the business? For themselves?

7. Has Your Business Registered With Appropriate Agencies?

- If you are in the State of Michigan, most businesses have to register with the Michigan Department of Treasury for payment of state taxes.
 - What are your gross receipts?
 - Will your business hire employees?
 - Consult an accountant
- IRS registration for federal taxes
 - Depending on the type of business, you must pay some form of federal taxes
 - Consult an accountant

8. Does Your Business Have A Backup Plan In The Event Something Goes Wrong?

- Legal Dissolution
 - Is there an agreement allowing for legal dissolution? How will it be handled and by whom?
- Arbitration
 - Has your business considered an arbitration clause in the management agreement in case there is a material disagreement between the appropriate decision-making bodies?
- No profits
 - What will happen in the event that your business is not profitable?

9. How Will Your Small Business Reach Its Target Population?

- Most states have laws and restrictions on advertising. Be informed about the methods your small business will use.

10. Legal Resources

- Books
- Websites
 - www.nonprofitexpert.com
- Pamphlets/brochures