



Chris Griswold, P.C.

## News From the Firm

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### Message From Chris....

I get quite a few phone calls from people starting new businesses, especially now, amid a lot of changes and new opportunities that we're seeing. From the questions I normally receive, I wanted to share a few of these good ideas with everyone (and for the benefit of everyone). This is good stuff for everybody to know... (don't forget to click on my link above to also see my short video on this material).

### Things To Remember When Starting A New Business

- 1) Get a line of credit established **before** you quit your day job and start your own business (not afterwards when you probably won't qualify),
- 2) If you **don't have a written agreement** with your business partner, then the law deems you both to have formed a general partnership (and hence each of you are liable for the other's acts/omissions and debts incurred),
- 3) If you enter into a business contract (e.g., an advertising contract with the yellow pages for a full-spread ad, to the tune of \$30,000) and haven't yet formed a corporation or an LLC, you'll be deemed a "promoter" in the eyes of the law, and, as such, you will be personally liable for the debt,
- 4) If you form an LLC, another LLC, corporation, business trust, etc... can be members of such LLC. However, if you form a corporation, then only natural persons (i.e., individually named persons) can be shareholders (not other entities like an LLC can use),
- 5) Carry professional and/or general liability insurance on your business. Your personal, homeowner's insurance (and any umbrella upon same) will only cover your personal activities and liabilities, not your professional and business liabilities. So, obtain such policies (and their corresponding umbrellas) in the name of your business, lest you not be covered for business and/or professional claims,
- 6) Get an accountant involved early on. **Why?** People think that being in business is just about earning money and paying taxes; however, it can be more complicated than that... Filing taxes is an ongoing process when you factor in both federal and State wage withholding reports for employees, unemployment tax withholdings, franchise/business activity tax, and quarterly estimated taxes. These requirements can occur before you file your annual return. Even if you do not plan to hire any employees, you should still be aware of the IRS "reasonable compensation rule" which says that you've got to pay yourself personal income in an amount at least equal to 30% of the gross amount your business produces. Salary pays federal tax, state tax, and FICA tax.... Most of today's LLC and Sub-S Corp's will flow net profit/loss to your personal tax return (schedule K)

and will require an additional annual Corporate Tax Return to be filed for your business. The net profit will then be subject to Federal and State tax at your income bracket, and

- 7) Once you've found a qualified attorney to help you properly form your business entity, you need to open up an operating account (i.e., a bank account) in the name of your business. When you make money from operations, you deposit it into your operating account. When you pay yourself your personal payroll, you draw against such operating account and deposit it into your personal bank account (**Note:** you don't commingle the funds from one account with another).

### What My Clients Are Saying

"I would certainly like to commend Chris for his efforts in a recent transaction and for keeping communications with distant legal departments of large companies informed and involved as regarding the negotiations. Chris Griswold has been a real asset in bringing together people and has the ability to center the focus on the transaction and that is really needed in today's commercial real estate market. Even though we may be experienced and seasoned veterans of commercial real estate, it's good to have qualified, energetic, and capable legal support ready to move the process along at the faster rate we need today. My thanks to Chris in this most recent transaction."

**Irmon Gray / Broker / NAI Sullivan Group / Oklahoma City, Oklahoma**

***The information presented within this article is of a general nature and is not intended to be relied upon as legal advice in any particular matter without first consulting qualified counsel.***

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