



University of Idaho
Extension



Tips for Entrepreneurs

What to think about when starting a business

Jonathan Meier, Christy Dearien, John Rumel, and Paul Lewin

If you're thinking of starting a new business, there are many things you need to consider. Here, we provide information on choosing the business type that best suits your needs and getting an Individual Tax Identification Number. Regardless of any other information you provide, if you own or operate any form of business, you need to file taxes.

Why would I want to create and maintain a business structure?

- 1) A wide variety of tax incentives are available to businesses for creating jobs.
- 2) Officially creating a business allows you to obtain limited liability.
 - Limited liability is a way to protect business owners from being sued. While it is impossible to completely remove the threat of being sued, a limited liability business entity or structure (hereafter referred to as business structure) decreases the business owner's risk to the amount the owner has in the business, unless they have given a personal guarantee or have committed a tort (a lawsuit for something that is their fault).
 - Limited liability is created by formalizing your business structure with the state. This requires filing specific information with the government, which typically includes name, address, and contact information for a real person who can be served if the business is sued; the name under which the business will operate; and information relating to the rules by which the business will be governed.
- 3) For more information, or to register your business, visit the Idaho Secretary of State's website: <https://sos.idaho.gov/corp/index.html>.

What if I don't have a Social Security number?

- If you are not eligible for a Social Security number, you will need to get an Individual Tax Identification Number (ITIN) from the Internal Revenue Service (IRS).
- Instructions for ITIN application can be found at <https://www.irs.gov/pub/irs-pdf/iw7.pdf>.
- The information you provide is not shared with other government agencies.
- For further assistance with this process, contact a tax professional, a tax attorney, or the IRS.



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PLEASE NOTE: This handout does not offer or substitute for legal advice.

FOR MORE INFORMATION: ruraldevelopment@uidaho.edu

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What business type best suits my needs?

The major types of businesses include sole proprietor, general partnership, limited liability partnership, corporation, and limited liability company. The table below outlines some of the differences between these types.

	What is it?	Consider this type if....	Disadvantages	Do I need to file taxes with the state?	Difficulty of forming the business structure	Who does or does not have liability?	Level of legal requirements	How are taxes paid?
Sole Proprietor	This is the most common business structure because it requires no agreements with other people and requires no interactions with the state other than paying taxes.	<ul style="list-style-type: none"> * I own a small business and I am just starting out * I do not have a lot of money or assets that I can put into the business * I want to interact with the government as little as possible 	<ul style="list-style-type: none"> * I have full liability if I am sued * I am responsible for reporting and paying all taxes on behalf of the business 	No, but check with the state, your city and county to see what permits, licenses, and regulations may apply	Low	Sole proprietor has liability	Low	* Sole proprietor is taxed for earnings of the business
General Partnership	This is a common business structure between two or more people. A partnership is formed through agreements between the owners. While there are rules which can govern if no agreements are established, it is better to work with an experienced attorney to craft these agreements. A partnership requires filing particular information with the state in order to operate.	<ul style="list-style-type: none"> * We own a small business and we are just starting out * We do not have a lot of money or assets to put into the business * We want to interact with the government as little as possible 	<ul style="list-style-type: none"> * We are fully liable if the business is sued * We are responsible for reporting and paying all taxes on behalf of the business * We must agree on how the business is to be run (this can be done with an attorney) 	Yes	Low	General partners have liability	Low	* Partners are taxed for the earnings of the business
Limited Liability Partnership (LLP)	While similar in structure to a Partnership, an LLP does require filing particular information with the state in order to operate.	<ul style="list-style-type: none"> * Our business has grown and is now stable * Our business now has some money and/or assets * We want to LIMIT our potential risk if our business is sued 	<ul style="list-style-type: none"> * We will have more interaction with the government * We are responsible for reporting and paying all taxes on behalf of the business * We must agree on how the business is to be run (this can be done with an attorney) 	Yes	Medium	Partners do not usually have liability	Medium	<ul style="list-style-type: none"> * Dependent on how the business is structured * Tax questions should be referred to a tax professional or qualified tax attorney
Corporation	The most formal and complex of the business entities, a corporation requires significant interaction with the state at the formation stage. Corporations must file particular documents in a particular manner, and each document must contain specific information. It is strongly suggested that a business owner should use an experienced attorney if planning to create a traditional corporation.	<ul style="list-style-type: none"> I am interested in: * Limited liability available to protect investment * Separation of power through organization * Options of how the taxes are reported and paid Tax questions should be referred to a tax professional or qualified tax attorney 	<ul style="list-style-type: none"> * Highly formalized * High interaction with the government, especially in the formation stage * Tax questions should be referred to a tax professional or qualified tax attorney 	Yes	Medium	Shareholders do not generally have liability	Medium	<ul style="list-style-type: none"> * Dependent on how the business is structured * Tax questions should be referred to a tax professional or qualified tax attorney
Limited Liability Company (LLC)	Similar to a traditional corporation, but less formalized. LLCs must file particular information with the state. There are default rules which can govern the way these entities operate; however, with the help of an experienced attorney those rules can be altered.	<ul style="list-style-type: none"> I am interested in: * Separation of power through the organization that is customizable to my needs * LIMITING my liability * Options for how I pay taxes 	<ul style="list-style-type: none"> * Highly formalized * High amount of interaction with the government, especially during the formation stage 	Yes	Medium	Members to not generally have liability	Medium	<ul style="list-style-type: none"> * Dependent on how the business is structured * Tax questions should be referred to a tax professional or qualified tax attorney

Section 30 of the Idaho Statutes provides more detail. See Idaho Code § 30-21-201(1)-(5) and Idaho Code § 30-21-102(11)(A)(i)-(x) for business structure filing requirements; Idaho Code § 30-29 for corporations; Idaho Code § 30-23 for partnerships and limited liability partnerships; and Idaho Code § 30-25 for limited liability companies.