



## **The Value of Forming a Legal Entity for Your Business**

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Do you own a car, a house, cash, bank accounts, or other personal or real property? Do you earn wages, 1099 funds, or receive other income? Do you have any personal net worth? If you answered yes to any of the above, it is imperative that you form a legal entity for your business to protect those personal assets. If you don't, you take the risk of losing all or some of your hard-earned personal assets in the event of business catastrophe.

Forming an entity is a simple process that can be performed by a business attorney at very little cost. The basic requirements in Ohio to form a legally recognized entity are threefold. First, a business owner must register or file with the Ohio Secretary of State. Second, a Tax Identification number must be obtained for that entity from the IRS. Third, an Operating Agreement must be drafted and executed by the business owner(s). This Agreement sets forth the rights and responsibilities of the business owner(s). Additional steps that should be taken is the completion of a corporate book with all entity documentation inside, including Corporate Shares of Stock or Limited Liability Company units issued, minutes of entity meetings, and any resolutions made by the entity. Finally, a business owner should open bank accounts and credit cards and execute customer and vendor contracts in the name of the name of the legal entity.

Starting a legal entity for your business and following the above basic steps will ensure that your personal assets are separate from your business assets and thus, will protect them from being taken if your business should fail or a judgment is obtained against the business. It should be noted that there are exceptions to this general rule, one being the execution of a personal guaranty but, in general, the formation of an entity and compliance with Ohio law in doing so will protect you from personal liability. Websites that contain more information about the above are: <http://www.sos.state.oh.us/> and <http://www.irs.gov/>. A business forming an Ohio entity should always consult an Accountant to discuss possible tax implications. For more information on entity formation or other small business legal issues, contact Small Business Attorney, Caroline Z. Worley at [czw@worleylawllc.com](mailto:czw@worleylawllc.com) or 614.670.9458 See her bio and website at: [www.worleylawllc.com](http://www.worleylawllc.com).

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