Business overview

By Philip, Ethan, Israel, Zach, Oliver, Yohanis, Dean, and Dewin

What are the different types of businesses?

- Sole Proprietorship
- Partnership (General, Limited, LLP)
- Limited Liability Companies (LLCs)
- Corporations
- Nonprofits
- Cooperatives

How are Virginia businesses registered?

- You have to choose a business structure.
- Choose a business names.
- Register with the federal government
- Register for taxes and permits.

What is a Professional Corporation?

- Specialized business for licensed professionals
- e.g. doctors, lawyers, architects
- Corporate platform to practice a unique profession

Why is there a separate classification for LLCs?

- Core Structure
  - State-level legal structure
  - Protects personal assets from liability
- Tax Classifications
  - Single-member: taxed as disregarded entity
  - Multi-member: taxed as a partnership
  - Can also be taxed as C-Corp/S-Corp

Filing Forms and Fees for Common Businesses

Sole Proprietorship

- No state registration forms are required.
- Fictitious name filing costs ten dollars.

Partnership (General, Limited, LLP)

- General partnerships file form UPA ninety-three.
- Filing costs twenty-five to one-hundred.

Limited Liability Companies (LLCs)

- File Articles of Organization form LLC1011.
- Filing requires a one-hundred fee.

Filing Forms and Fees for Common Businesses

Corporations

- File stock Articles form SCC six-nineteen.
- Fees start at twenty-five plus charter.

Nonprofits

- File nonstock Articles form SCC eight-nineteen.
- Filing requires a seventy-five fee.

Cooperatives

- File custom Articles with the Commission.
- Filing fees depend on stock type.

How do foreign entities register in Virginia?

- Domestic Entity: Formed inside Virginia
- Foreign Entity: Out-of-state business registering locally
- Domestic requires Articles of Organization/Incorporation
- Foreign requires a Certificate of Authority/Registration
- Domestic obeys only Virginia laws
- Foreign obeys home state rules

Who is liable for each business entity's debt?

- Sole Proprietorship: Single owner 100% responsible
- General Partnership: All general partners share liability
- Limited Partnership: Limited partners = Limited liability
- LLP: All partners = Limited liability

Who is liable for each business entity's debt?

- LLC: Owners only risk their personal investment
- Corporation: Corporate entity itself is liable
- Nonprofit: Nonprofit entity itself is liable
- Cooperative: Members only risk their contributed capital

Limited Partnership: General Partner and Limited Partner

- General Partner:
  - Control over daily operations
  - Management decisions
  - Full personal liability for debts
- Limited Partner:
  - No management control
  - Does not influence daily operations
  - Liability limited to personal investments

What is the default tax classification for a single-member LLC versus a multi-member LLC? (Yohanis)

- Single-member LLC classified as disregarded entity
  - Taxed similarly to sole-proprietorship
- Multi-member LLC classified as a partnership
- Both structures feature pass-through taxation

What is the Elective Pass-Through Entity Tax?

- Optional state tax paid at business level
- Shifts state tax liability onto the business
- Reduces federal taxable income
- Grants refundable state tax credits

What ongoing annual reports or fees does the SCC require to keep an entity in good standing?

- Annual registration fee
- File an annual registration report
- Occasionally an annual continuation report

If a startup plans to seek venture capital and eventually go public, which entity is likely the best fit?

- Delaware C-Corporation is the best and standard fit
- Venture capitalists prefer C-Corps
- Easy to go public on U.S. stock exchanges

If a solo consultant wants minimal paperwork and maximum flexibility, which entity makes the most sense?

- Sole proprietorship makes the most sense
- Least amount of paperwork: local business license
- Owner has complete corporate control

Why would a business go from an LLC to a Corporation?

- To attract investors
- To sell stock
- To expand
- Easier to transfer ownership
- Tax exclusions