



StartUp
Mendocino

BUSINESS ACCELERATOR

2023

Navigating Legal and Taxes



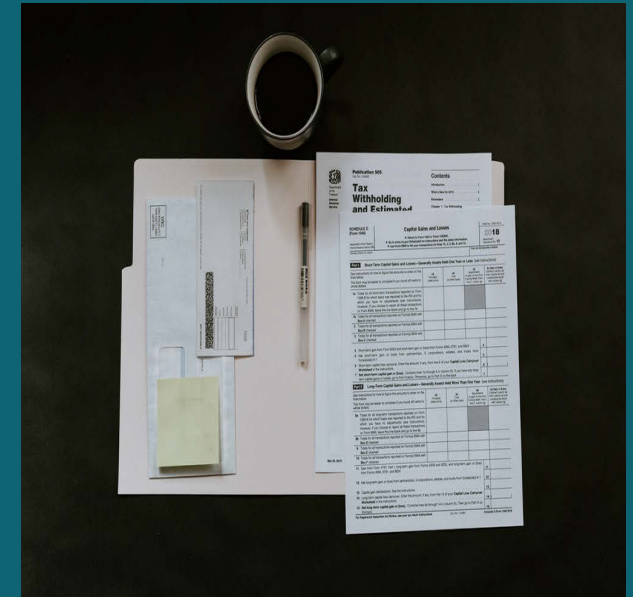
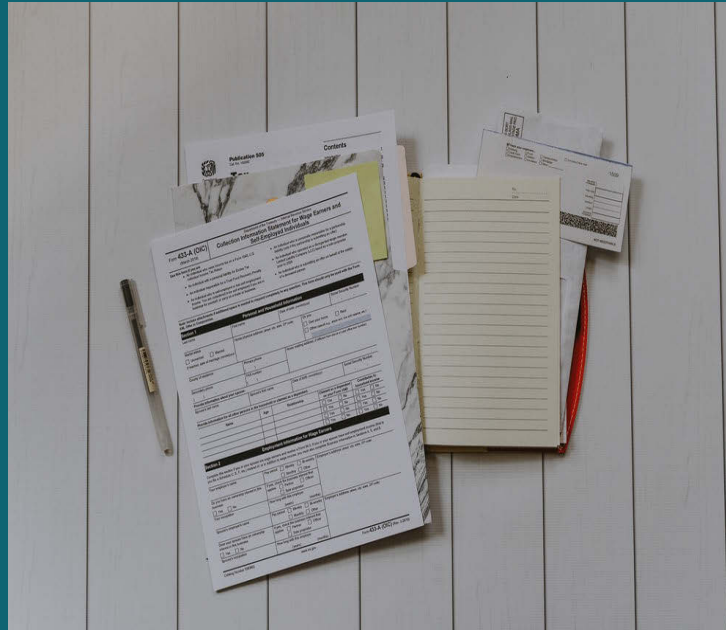


How Did It Go?

- **How Did You Create Time? What Happened To Your Schedule?**
- **What Does Your Vision Look Like?**
- **What has your Vision exposed? Where are your 2023 opportunities?**

Agenda

- Business Models/Legal Entities
- Taxes and Liabilities
- Licenses and Permits
- Insurance



Taxes Go Way Back
Governments have imposed taxes for thousands of years. There are recordings of tax payments made in ancient Mesopotamia circa 2500 B.C. At the time, people who didn't have money to pay taxes often had to pay with livestock, food, or labor.

Business Structure

Your business structure affects how much you pay in taxes, your ability to raise money, the paperwork you need to file, and your personal liability.

You'll need to choose a business structure before you register your business with the state.

Choose carefully. While you may convert to a different business structure in the future, something that you can use as long as possible will prove to be the most cost effective.

"You must keep your mind on the objective, not on the obstacle." --William Randolph



Sole Proprietorship

- A sole proprietorship is easy to form and gives you complete control of your business. You're automatically considered to be a sole proprietorship if you do business activities but don't register as any other kind of business.
- Sole proprietorships do not produce a separate business entity. This means your business assets and liabilities are not separate from your personal assets and liabilities. You can be held personally liable for the debts and obligations of the business. Sole proprietors are still able to get a trademark. It can also be hard to raise money because you can't sell stock, and banks are hesitant to lend to sole proprietorships.
- Sole proprietorships can be a good choice for low-risk businesses and owners who want to test their business idea before forming a more formal business.



Partnership

- Partnerships are the simplest structure for two or more people to own a business together. There are two common kinds of partnerships: limited partnerships (LP) and limited liability partnerships (LLP).
- Limited partnerships have only one general partner with unlimited liability, and all other partners have limited liability. The partners with limited liability also tend to have limited control over the company, which is documented in a partnership agreement. Profits are passed through to personal tax returns, and the general partner — the partner without limited liability — must also pay self-employment taxes.
- Limited liability partnerships are similar to limited partnerships, but give limited liability to every owner. An LLP protects each partner from debts against the partnership, they won't be responsible for the actions of other partners.
- Partnerships can be a good choice for businesses with multiple owners, professional groups (like attorneys), and groups who want to test their business idea before forming a more formal business.



Limited Liability Corp(LLC)

- An LLC lets you take advantage of the benefits of both the corporation and partnership business structures.
- LLCs protect you from personal liability in most instances, your personal assets — like your vehicle, house, and savings accounts — won't be at risk in case your LLC faces bankruptcy or lawsuits.
- Profits and losses can get passed through to your personal income without facing corporate taxes. However, members of an LLC are considered self-employed and must pay self-employment tax contributions towards Medicare and Social Security.
- LLCs can have a limited life in many states. When a member joins or leaves an LLC, some states may require the LLC to be dissolved and re-formed with new membership — unless there's already an agreement in place within the LLC for buying, selling, and transferring ownership.
- LLCs can be a good choice for medium- or higher-risk businesses, owners with significant personal assets they want protected, and owners who want to pay a lower tax rate than they would with a corporation.



Corporation

•C corp

A corporation, sometimes called a C corp, is a legal entity that's separate from its owners. Corporations can make a profit, be taxed, and can be held legally liable.

•S corp

An S corporation, sometimes called an S corp, is a special type of corporation that's designed to avoid the double taxation drawback of regular C corps. S corps allow profits, and some losses, to be passed through directly to owners' personal income without ever being subject to corporate tax rates.

•B corp

A benefit corporation, sometimes called a B corp, is a for-profit corporation recognized by a majority of U.S. states. B corps are different from C corps in purpose, accountability, and transparency, but aren't different in how they're taxed. B corps are driven by both mission and profit. Shareholders hold the company accountable to produce some sort of public benefit in addition to a financial profit. Some states require B corps to submit annual benefit reports that demonstrate their contribution to the public good.

•Nonprofit corporation

Nonprofit corporations are organized to do charity, education, religious, literary, or scientific work. Because their work benefits the public, nonprofits can receive tax-exempt status, meaning they don't pay state or federal income taxes on any profits it makes.



Cooperative

A cooperative is a business or organization owned by and operated for the benefit of those using its services. Profits and earnings generated by the cooperative are distributed among the members, also known as user-owners. Typically, an elected board of directors and officers run the cooperative while regular members have voting power to control the direction of the cooperative. Members can become part of the cooperative by purchasing shares, though the amount of shares they hold does not affect the weight of their vote.

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Taxes

The business structure you set up will determine what type of taxes and how you pay those taxes.

There are five general areas of tax that most business's will pay.

"Taxation is the price which civilized communities pay for the opportunity of remaining civilized."
- *Albert Bushnell Hart*



Income Tax

- All businesses except partnerships must file an annual income tax return. Partnerships file an information return. The form you use depends on how your business is organized.
- The federal income tax is a pay-as-you-go tax. You must pay the tax as you earn or receive income during the year. An employee usually has income tax withheld from his or her pay. If you do not pay your tax through withholding, or do not pay enough tax that way, you might have to pay estimated tax. If you are not required to make estimated tax payments, you may pay any tax due when you file your return.



Self-Employment Tax

Self-employment tax (SE tax) is a social security and Medicare tax primarily for individuals who work for themselves. Your payments of SE tax contribute to your coverage under the social security system. Social security coverage provides you with retirement benefits, disability benefits, survivor benefits, and hospital insurance (Medicare) benefits.

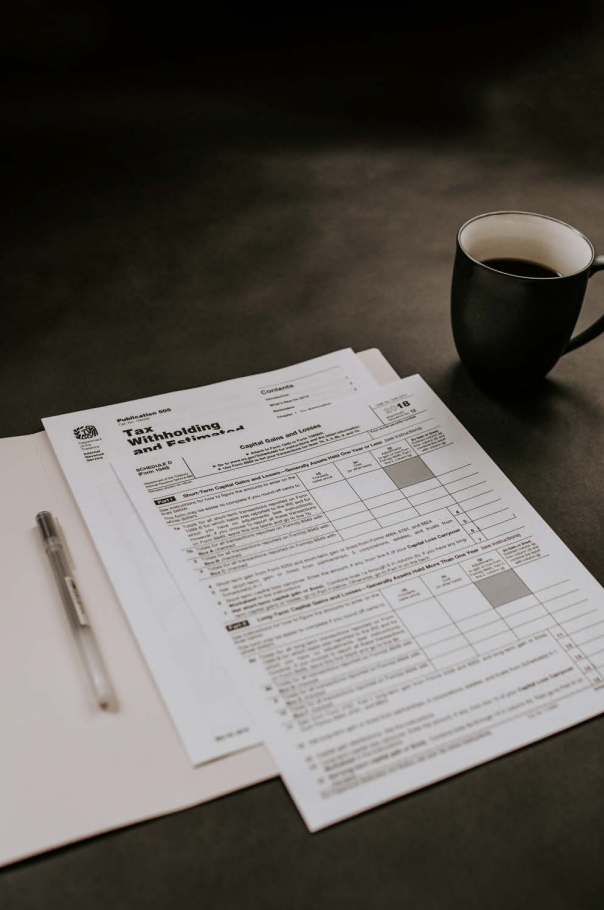
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Employment Taxes

•When you have employees, you as the employer have certain employment tax responsibilities that you must pay and forms you must file. Employment taxes include the following:

- Social security and Medicare taxes
- Federal income tax withholding
- Federal unemployment (FUTA) tax



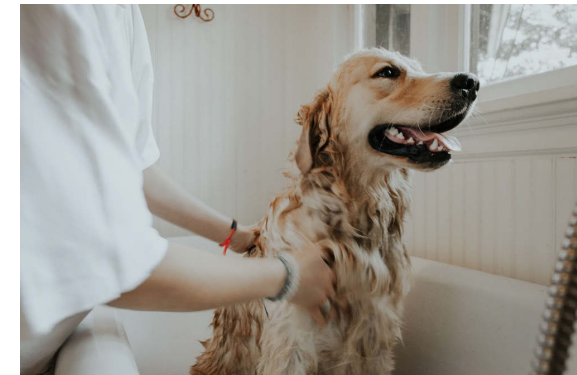
Excise Tax

An excise tax is a tax imposed on a specific good or activity. Excise taxes are commonly levied on cigarettes, alcoholic beverages, soda, gasoline, insurance premiums, amusement activities, environmental impacts, some transportation and betting,

Licenses and Permits

Need a Permit or License?

All businesses in Mendocino County, whether in the city limits or unincorporated areas will need licenses to operate in their region, industry and with the public depending on what you are doing and how you are doing it.





What Do I Need for Mendocino?

Treasurer Tax - Collector

- Business License
- TOT Registration

Agriculture

- Device Registration
- Pesticide Use

Planning and Building Services

- Use Permit
- Variance
- General Plan Amendment
- Building Permit
- Certificate of Compliance
- Coastal Development Permit
- Boundary Line Adjustment
- Subdivision

Environmental Health Consumer Protection: Animal Care Services

- Facility Permit to Operate
- Community Event Permit
- Temporary Food Vendor Permit
- Swimming Pool/Spa Permit
- Body Art Permit

- Body Art Practitioner
- Cottage Food Permits
- Septic Tank Replacement Permit
- Water Well Permit
- UST Repair or Construction Permit
- UST Removal Permit

Transportation

- Encroachment Permits
- Transportation Permits
- Street Closure Permits

- Pet License

Marriage License

Air Quality Management District

- Burn Permit
- Renovation and Demolition Notification
- Grading Permit
- Diesel Engine Permit

Mendocino County Sherriff

- ABC Permits
- Concealed Carry Permit
- Explosives Permit
- Itinerant Permit

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State and Federal Licenses

According to former University of South Carolina Law Professor William Quirk's Law Review article, "Nature of a Business License Tax," the foundation for the business license tax was laid when the General Assembly passed an act in 1872 to provide for a general license law.



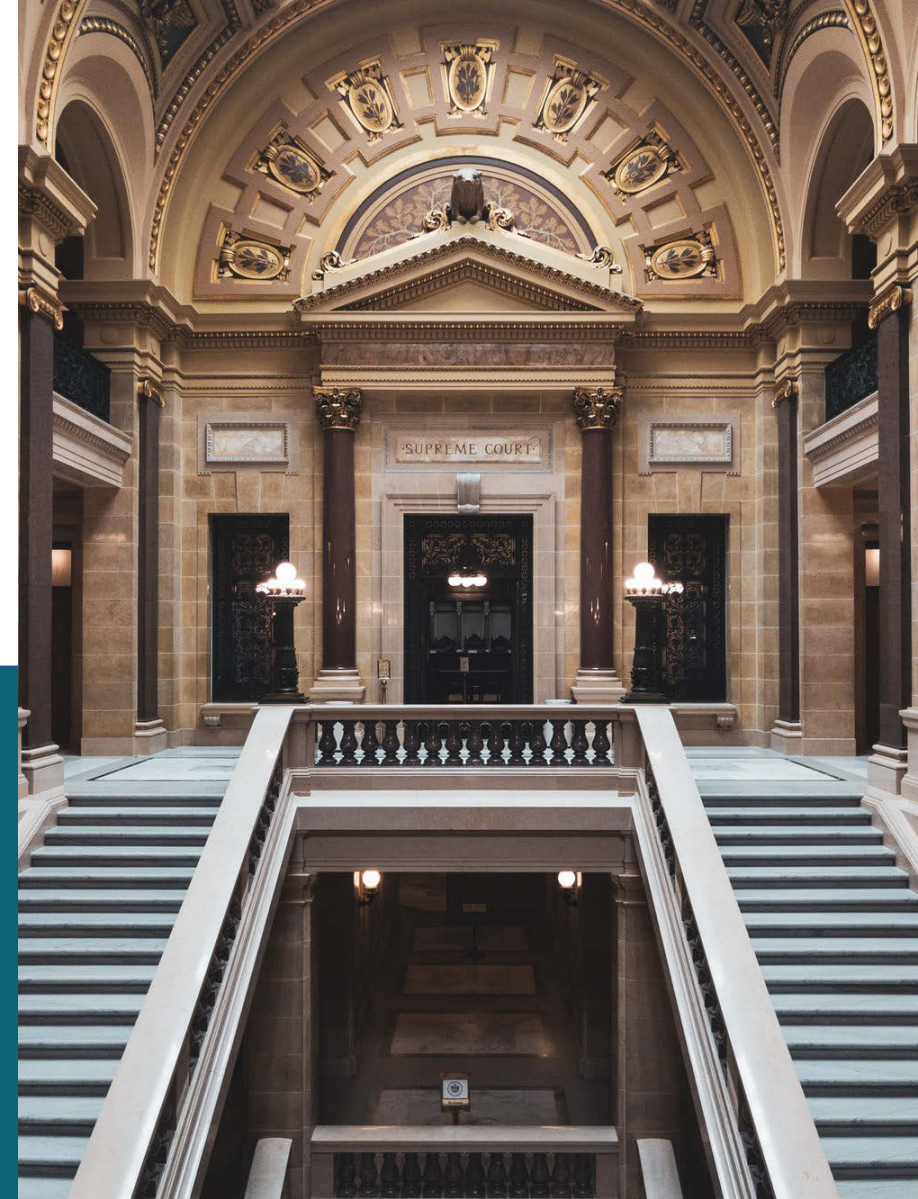
California

Resellers Certificate: If you make three or more sales in a 12 month period.



Federal

The federal government regulates advertising, labor, environmental impact, privacy and health and safety. Check to see if you need further licenses to operate if your business falls or is connected to one of these.





What Is Insurance?

Insurance is a contract, represented by a policy, in which an individual or entity receives financial protection or reimbursement against losses from an insurance company. The company pools clients' risks to make payments more affordable for the insured.

Insurance policies are used to assist against the risk of financial losses, both big and small, that may result from damage to the insured property, or from liability for damage or injury caused to a third party.

What Insurance Do I Need?

When purchasing business insurance it's important to obtain the right amount. Be sure that your business is neither over insured nor underinsured. To help you decide the amount of property insurance you need, refer to your company's assets list. You can buy property insurance on the basis of the property's actual value (the replacement cost minus depreciation) or its replacement value (the cost of replacing the item without deducting for depreciation). An agent and insurance company familiar with the risks typically involved with your type of operation can help you decide on a reasonable amount of liability.



Property and Renters Insurance



Liability Insurance



Business Vehicle Insurance



Workers Comp Insurance



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A vertical image on the left side of the slide shows a person running on a large, weathered wooden log. The log is positioned diagonally from the bottom left towards the center. The background is a pale, overcast sky.

Business Dev Work

- Vision Documented
- Insurance Check Up
- 2023 Tax Systems Confirmed
- Time Management Refined

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THANK YOU FOR BEING PART OF



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