



**BUS-18 — Business Law**  
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Required Text: Essentials of Business Law  
& the Legal Environment  
by Richard A. Mann & Barry S. Roberts 13<sup>th</sup> Edition

ISBN-13: 978-1337-55518-0  
Publisher: Cengage.

All students must have their own book, calculator, and materials at all times.

***Contract Statement: Please Note: This syllabus is NOT a legal covenant or contract between the instructor and student. It is an informal publication designed to provide the student with general guidance during the semester. The schedule and procedures for this course are subject to change at the discretion of the instructor. This schedule may change as circumstances warrant.***

**SUPPLEMENTAL READING:** Supplemental reading is **required!** Magazines, Newspapers articles, press releases, Internet Magazines, Television News, etc. (Student choice) are required outside reading in addition to the required text. Learning strategies (include, but not are not limited to;) readings from textbooks, journals, magazines, white papers, and online Internet sources, writing assignments such as written responses to discussion questions. Conceptual presentations to demonstrate a level of understanding on material(s) presented via classroom discussions and presentations.

**This is a difficult and challenging course and expectations are high (4 units)**

**THIS IS AN ASYNCHRONOUS COURSE**

**INSTRUCTOR LEAD – STUDENT DRIVEN**

**ONLINE PARTICIPATION:** The presentation of the material in this course will be primarily by online lecture and discussion of assigned readings as well as relevant case studies and current events in business law. Students are expected to read the text and review the questions and problems at the end of each chapter of the textbook and be prepared to discuss such issues raised in class whether such constitutes a homework assignment or not.

**COURSE DESCRIPTION:** Business 18 - Business Law deals with the legal implications of business decisions and activities. This course provides background information on the legal system and potential business liabilities and covers the law of contract and commercial paper such as promissory notes. Relationship of this Course to the Program of Study: A business degree should equip students with the insights necessary to evaluate the legal and ethical implications of business decisions and make ethical decisions incorporating the Benedictine values and standards of the profession. Specifically, BUS 18 guides learners through the source of our laws, the format of our legal system, and provides an opportunity to learn and understand the law of sales, contracts, as well as civil and criminal duties and liabilities. With exposure to this content, learners will be prepared to evaluate the legal and ethical implications of business decisions. Business 18 is a one-semester, 4-unit, beginning course in business law, covering the origin and development of law, courts and court procedure, contracts, employment, and partnerships. This class includes coverage of Agency, Labor and Employment and International Business Law. The course fulfills part of the requirement of a business major and the prerequisite for advanced courses in business law. This course emphasizes the Business Law Uniform Commercial Code (AA, CSU)

**COURSE OUTLINE:** BUSINESS 18 composed of nine (9) weeks – meeting online every week for approximately (2-4) four hours. These classes will be various online video lecture for the onlineclass. Class will cover a wide range of topics and applications, new concepts, small group discussions & presentations, laboratory demonstration & step-by-step sequencing to demonstrate techniques.

**COURSE OBJECTIVES:** BUSINESS 18 is to focuses on the knowledge needed to start, lead, and manage a small businesses and the legal environment that businesses face daily.

- identify the basic processes in the judicial system.
- describe the development of law in the United States.
- define fundamental legal terms.
- list key legislation affecting contract law.
- describe the major federal law dealing with contracts.
- list the minimum legal requirements creating a valid contract.
- identify the key elements of a contract.
- describe the differences between valid, void, and voidable contracts.
- define when a person has legal capacity to enter a contract.
- describe the various classifications of contracts.
- describe under what conditions a contract is terminated.
- define the various remedies available for breach of contract.
- identify current trends in employment law.
- define agency and the relationship between the principal and agent.
- list key elements affecting environmental law and international business law.

**STUDENT LEARNING OUTCOMES:**

1. The student will explain and provide examples of an enforceable contract and an unenforceable contract
2. The student will explain and provide examples of an enforceable non-contractual promise and an unenforceable non-contractual promise

**COMMUNICATION:** All student contact **MUST** be done in the following manner: e-mail me at [mrpaden@itsensei.com](mailto:mrpaden@itsensei.com) and [montepaden@whccd.edu](mailto:montepaden@whccd.edu) unless otherwise directed All e-mail must include the following information in the subject line of the e-mail each and every time that you communicate with me:

1. Your name (first and last)
2. Class you are enrolled in (BUS-18)
3. Reason for e-mail (question, homework, etc.)

An Example Will Look Like: **Super Student BUS 18 - Assignment #1 – Chapter 1 – Week #1**

Although e-mail will not be graded I do expect all students to use correct grammar and spelling. No chat room slang. Please be brief and to the point. In addition please do not send jokes, funnies, Spam, get thin quick type of e-mails. I receive and respond to numerous messages each and every day, such items are time consuming and tend to carry viruses. Your cooperation is appreciation.

**STUDENT EXPECTATIONS:** Students are expected to use critical thinking methods to solve problems and implementation. Students are required to participate in satisfying, creative, and intellectual activities and discussions. Lectures are an integral part of the course; students are held responsible for the contents of the lectures as well as assigned readings in the textbook. **Class assignments indicate the topic and chapter to be read prior to each class session. Be prepared to discuss the Questions at the end of each chapter; students who actively participate in the discussion of the Questions have a strong tendency to perform higher.** Students will achieve a basic working understanding of the following:

- Learn the basics of Small Business Management and the Essentials of Business Law
- Creating & revising a variety of business & legal documents.
- Discuss the purpose of business law and its importance.
- Explain the similarities and differences among various legal processes.

**Student Requirements**

1. Internet access is highly recommended (high speed recommended) on any computer with a web browser

2. Purchase courses text book, calculator, and note book
3. Willing to read various business publications
4. Personal e-mail account/address
5. Five to ten hours per week to devote to course

**Student Knowledge Base Expectations** - Students are expected to have a basic understanding of computing.

**ATTENDANCE POLICY:** Attendance is taken every class period. Students are highly encouraged to attend each and every class due to the technical nature of the subject matter. A student is not allowed to miss more than four (4) hours total for the entire class duration. Excessive absences will result in the students having his/her overall semester grade dropped by one grade level. (Excessive is defined as more than four (4) absences). It is the **student's responsibility** to withdraw from the class if s/he no longer wishes to attend. (The instructor will **NOT** drop a student from class because of lack of attendance). If a student does not complete the class or withdraw, the student will receive a grade of "F".

**EXAM POLICY:** There will be a Final Project consisting of a full business plan. If other exams are added for lectures sections, the exam may be essay, fill in the blank and/or multiple choice. Essays will be graded for proper grammatical structure, spelling, punctuation and creative thinking in the application of concepts taught in class. Exams may also be a production style exam and **class notes are permitted**. There will be **NO** make up for missed exams.

**PRODUCTION ASSIGNMENTS:** If production assignments are assigned the following process for productions assignments must follow this format to be accepted for grading. Production assignments where appropriate must be typed. Production assignment completion dates will be announced in class. ***Late assignments will not be accepted for grading.***

The forgoing criteria are required for any and all assignments/work physically turned in to the instructor for in class assignments only.

**HOMEWORK ASSIGNMENTS:** All homework assignments are due at the beginning of the first class meeting of the following week or on the date announced in class. **Late homework will not be accepted.** Neatness counts!! Spelling, grammar, punctuation, and complete sentences (where appropriate) are important. Homework assignments that cannot be read will not be graded. All homework must be typed (typed, double-spaced, 12 pt. font either Arial or Times New Roman and saved in an .rtf file format). Each assignment(s) must be identified by the above criteria and e-mailed to the instructor for credit. ***All other instances must be approved by the instructor.***

**WRITING ASSIGNMENTS:** When assigned students will be required to submit all their work typed, double spaced, 1 inch margins, 12 point Arial or Times New Roman (readable) font. Short essay style assignments still require demonstration of proficiency in construction complete sentences and

paragraphs. Writing assignments will be in the students own words and sources must be sighted. Assignment will be due the first day of the class week (typed, double-spaced, 12 pt. font either Arial or Times New Roman and saved in an .rtf file format) **No late papers will be accepted.**

**ASSIGNMENTS:** Typical assignments will require the evaluation of an average business or personal situation in which the appropriate selection will be determined by the student. This must be communicated both in writing, and in demonstrations of the appropriate skills or use of the software. Students are highly encouraged to be as creative as his/her abilities allow. Viruses are a nuisance to say the least. You are required to have and utilize a virus protection program to help ensure that you do not spread a potentially infectious file to me and/or to your fellow classmates. Please check your vendor on a weekly basis for virus definition and other various updates. If at any time a virus is submitted (may it be with your work or just an e-mail) that item will be immediately destroyed and you will not be able to send me any other work and/or messages unless you can assure me that you have taken the responsibility to rectify the situation. It will be your responsibility to contact me in order to have any further assignments accepted. The forgoing criteria is required for any and all assignments/work turned in to the instructor. There will be no formal exam(s). Although, students will have a final project due on the last day of class which will be explained prior to the end of the semester. **There will be NO make up for late work.**

All homework assignments are due at the beginning of the week on or before the date on your assignment sheet or announced in class. **All assignments are subject to change at any time.** **Late homework will not be accepted.** Neatness counts!! Spelling, grammar, punctuation, and complete sentences are important. Assignments that cannot be read will not be graded. All assignments must be typed. There will be weekly production assignments. Not all assignments will be graded. You will have one week to hand in an assignment. (There may occasionally be multi-week assignments.) (typed, double-spaced, 12 pt. font either Arial or Times New Roman and saved in an .rtf file format)

**Submission of Assignments should be in the following manner:**

**(FOR IN CLASS ASSIGNMENTS Does Not Apply for online section) – In other words this is an emergency to submission plan for your assignments if the college learning management system fails anytime during the semester.**

The submission of completed assignments is a two-step process. Both steps must be completed in order for an assignment to be accepted for grading.

**Step One:** Upon completion of each assignment, you must submit your assignment **via your college email account**, additional please take under advisement that you should also cc your assignments to your own personal email account as well.

**Step Two:** In addition the student must send an e-mail to course instructor at [mrpaden@itsensei.com](mailto:mrpaden@itsensei.com) and [montepaden@whccd.edu](mailto:montepaden@whccd.edu) with the attached assignment(s).

Assignments are posted on the assignment sheet included with this document. One week after the class/week has begun your assignment is due. Each assignment is the following week. Thus week 1 assignment is due the first class meeting of week 2, and will remain thus until the last week of class. **Late homework will not be accepted at any time for any reason.**

It is not enough to hand in correct assignments that merely produce the expected output. You will be graded on elegance, legibility, maintainability, and other such important factors. I will generally not give full specifications of the problem. I highly suggest that when sending your assignments to the above email addresses you carbon copy yourself to an outside email address that is not provided by the college.

**GRADING:** I will not argue with you about grades. **Students must show continuous progress through the course or you will be dropped. Continuous progress is defined as maintaining weekly contact with the course instructor and turning in of weekly assignments. Logging in to your LMS (learning management system) a minimum of 3 separate days. You will have exactly 1 week, and/or 7 day and/or 168 hours to complete your weekly assignments. Therefore, please pay close attention to due dates. Don't always trust your computer. Check and double check so nothing is missing.**

**ATTENDANCE POLICY:** Attendance is taken every time you logon to your course during the class duration. Students are to log on to their learning management system no less than 3 different times per assignment week (i.e. Week #1, Week #2, etc...) Students are highly encouraged to attend each and every class due to the technical nature of the subject matter. A student is not allowed to miss more than 2 weeks for the entire class duration. Excessive absences will result in the students having his/her overall semester grade dropped by one grade level. (Excessive is defined as more than 2-week absences). It is the **student's responsibility** to withdraw from the class if s/he no longer wishes to attend. (The instructor will **NOT** drop a student from class because of lack of attendance). If a student does not complete the class or withdraw, the student will receive a grade of "F".

**EXAM POLICY:** Tests and Exams are all delivered via the LMS. If other exams are added for lectures sections, the exam may be essay, fill in the blank and/or multiple choice. Essays will be graded for proper grammatical structure, spelling, punctuation and creative thinking in the application of concepts taught in class. All assessments will be delivered via WHCCD LMS. Exams may also be a production style exam and class notes are permitted. **There will be NO make up for missed exams.**

The initial assignments are very simple, and fundamentally easy to understand. Later homework will be more complex, and thus count more heavily toward your final grade.

Students **may** be required to submit multiple one page synopsis, when and if assigned, (typed, double-spaced, 12 pt. font either Arial or Times New Roman and saved in an .rtf file format)

explaining their weekly outside reading (see synopsis). A photocopy of the entire article/source(s) must be scanned with the worked that is turned in. (1. Your one page synopsis, 2. copy of article scanned and/or e-mailed link) Short essay style assignments still require demonstration of proficiency in construction complete sentences and paragraphs. Writing assignments will be in the students own words and sources must be sighted. Assignment will be due the first day of the class week. Students must proofread and grammar check all work before turning assignment into instructor. For more specifics on what is expected please view the standards. **No late papers will be accepted.**

Typical assignments will require the evaluation of an average business in which the appropriate selection of analytical and educated choices will be determined by the student. This must be communicated both in writing, and in demonstrations of the appropriate skills for use of the material covered. Students are highly encouraged to be as creative as their abilities allow. **Note: Extra assignments (i.e., written assignments, homework, production assignments, etc...) may be added at anytime.** It is the student's responsibility to take accurate notes as to what assignments are due and the date that it is to be turned in. It is not the instructor's responsibility to reiterate an assignment if a student misses the class in which the assignment was given. It is the student's responsibility to ask if any assignments were assigned during the nonattendance period. **Students must show continuous progress through the course or you will be dropped. Continuous progress is defined as maintaining weekly contact with the course instructor and turning in of weekly assignments.**

**POP QUIZZES:** There may be a pop quiz of the material at any time. You may use any written material you have such as class notes, chapter outline, etc. during a pop quiz. There is no make-up for a pop quiz.

**EXTRA CREDIT:** Students will be given a limited chance to utilize extra credit to bring up their grade at any given time. The amount of extra credit is limited to 10% of the total possible class points. Students will be given a limited chance to utilize extra credit to bring up their grade at any given time. The amount of extra credit is limited to 10% of the total possible class points.

**EVALUATION METHODS:** Evaluation methods for this class includes but is not limited to lecture and laboratory exercises to demonstrate an understanding of the material presented and will include laboratory production assignments, skill demonstration assignments, homework assignments, written assignments, pop quizzes, and module exams. Evaluation methods for this class includes but is not limited to lecture and laboratory exercises to demonstrate an understanding of the material presented. This will include (but is not limited to) laboratory production assignments, skill demonstration assignments, homework assignments, written assignments, pop quizzes, assignments, and module exams.



**Percentages and Letter Grades:**

Score $\geq$ 90%	=	A
90% $\geq$ score $\geq$ 80%	=	B
80% $\geq$ score $\geq$ 70%	=	C
70% $\geq$ score $\geq$ 60%	=	D
60% $\geq$ score & below	=	F

**E-MAIL:** is fast becoming the means to rapid business/personal communication. For the benefit of the student an e-mail address is need to participate on the online environment. If you do not currently have an e-mail address you are required to establish one in order participate in this format of instructional delivery. Note: E-mail will be used frequently to communicate with the instructor and/or other students. Basic familiarity with a web browser, an email account and a site for posting student work. For this reason I strongly suggest getting use to using your college email account provided to you for the duration of this course.

**STATEMENT ON VIRUSES:** West Hills College determines to the best of its knowledge and abilities the computer systems under their control are virus free. Due to multiple users and the problems that may arise from them, students are strongly encouraged to virus check their personal storage media before and after each use in a college computer system. In no case shall West Hills College be held liable for any damage or loss of information, which may occur by using media on college and non-college machines.

**Statement of the use of Internet Access:** Internet access is provided to facilitate communication in support of research and higher education using high-performance networking technology and wide area of telecommunications utilities, and to promote educational collaboration, sharing in research educational information, and wide access to computer resources for the advancement of educational studies. All use the Internet as provided by West Hills Community College must be consistent with the above purpose. Any use which adversely affects the operations of the WHCCnet or jeopardizes the use or performance for other members will result in the users dismissal from the class. **Accessing, downloading, disseminating, and/or participation in any pornographic or sexually explicit material and/or discussion(s) (i.e. chat rooms) shall be deemed a volition of the WHCCnet and grounds for immediate dismissal from the class.**

**SPECIAL ASSASTANCE:** If you have any condition, such as a physical or learning disability, which will make it difficult for you to carry out the work as I have outlined it, or which will require academic accommodations, please notify me as soon as possible.

**STATEMENT OF ACCESSIBILITY:** If you have a verified need for an academic accommodation or materials in alternate media (ie: braille, large print, electronic text, etc.) per the Americans With Disabilities Act or Section 504 of the Rehabilitation Act, please contact your instructor as soon as possible.



**HONESTY POLICY:** Any student found copying or attempting to copy any work from another student (without permission from the instructor) will receive an "F" in this class. Any student allowing another student to copy (without permission of the instructor) will also receive an "F" in this class. Any student found cheating or attempting to cheat will receive an "F" in this class and their name will be given to the Dean of Instruction for further action, as deemed necessary.

**PLAGIARISM:** Plagiarism and cheating are serious offenses and may be punished by failure on exam, paper or project; failure in course; and or expulsion from the college. For more information refer to the "Academic Dishonesty" policy in the student handbook. The act of plagiarizing. 2. To steal and use (the ideas or writings of another) as one's own. 3. To appropriate passages or ideas from and use them as one's own.. 4. To take and use as one's own the writings or ideas of another is a Plagiarizer. Definition from: The American Heritage Dictionary

**WEST HILLS COLLEGE'S STUDENT HONOR CODE:** All students agree to abide by the following student honor code by signing the admissions application, which provides: "I will be academically honest in all of my academic work and will not take part in academic dishonesty of others."

**GOALS:** The goals of this academic honesty policy are to:

- Foster a culture of academic honesty in the college community.
- Maintain the integrity and academic reputation of the colleges and district.
- Process fairly and consistently matters related to academic dishonesty.

**DEFINITIONS:** For purposes of this policy, the following definitions are used:

- **"Academic Honesty"** means performing all academic work without plagiarism, cheating, lying, tampering, stealing, or receiving unauthorized or illegitimate assistance from any other person.

- **"Academic Dishonesty"** means knowingly performing, attempting to perform, or assisting any other person in performing any academic work that does not meet the above standard of academic honesty.

- **"Academic Work"** means any act performed in connection with work required to be submitted, being prepared to be submitted, or actually submitted for academic advancement in connection with courses and programs offered by the college. Academic work includes, but is not limited to, examinations, exercises, quizzes, term papers, reports, performances, presentations, artwork, laboratory work, and scientific experiments. Academic work includes, but is not limited to, written and oral work presented or recorded in any media including magnetic or electronic. Academic work includes, but is not limited to, work in connection with regular college courses, whether conducted at an on campus or off campus location), independent study courses at any location, courses offered through the college's continuing education and distance learning program at any location.

**Code of Etiquette:** Classroom etiquette, whether on-site or online, must provide a positive and respectful learning environment for students and faculty. Our Benedictine values include respect for others, community and hospitality. Incorporation of these values into the classroom allows facilitators and students to interact in an environment of learning and mutual respect.

### **Important Notice**

**Data Loss:** *Memory Stick and information thereon, are not the responsibility of the instructor or West Hills College. All information put on your disk (i.e. flash drive, HDD) is your responsibility. You are highly encouraged to make multiple backups copy of all of your work. If any information is lost prior or after an assignment and/or test that information is the student's responsibility. If information is lost/destroyed due to natural or unnatural means it is still the student's responsibility to turn a given assignment on time.*

***There are no exceptions.***

**Video/Audio Recording:** In this class, students may not make audio or video recordings of any course activity. Students may not post any such recording to any social media, text, email or any other form of communication electronic or non-electronic. The only exceptions are those students permitted to record as an accommodation. If this accommodation is needed the instructor must have a perfect copy of what has been recorded. Those students who are permitted to record are not permitted to redistribute audio or video recordings of statements or comments from the course to any individuals and/or social medial sites, text, email or any other form of communication electronic or non-electronic. Students found to have violated this policy are subject to discipline in accordance district policies, Local, State and Federal Law.

**Cellphones:** You are to turn these devices off (and/or silence/vibrate) during class time. More so, you are not to have your device on your desk (or chair next to desk) during class time. **NOTE:** if a cell phone goes off during class, the offending student will be asked to leave, and will be absent for that class. This is the only time you will be warned. Thank you in advance to adhering to this requirement.

# Business Comparison Chart

Before you begin the incorporation process, you will need to choose a business structure. incorporate.com can help you form a new corporation or Limited Liability Company (LLC) in any state. There are plenty of options when it comes to deciding whether to incorporate or form a partnership or act as a sole proprietor; take your time and let incorporate.com Business Comparison Chart help you through the process. Please review our chart below for the advantages of forming a **C Corporation**, Subchapter **S Corporation**, or **LLC**.

	C Corp	S Corp	LLC	General Partnership	Sole Proprietor
Owners have limited liability for business debts and obligations					
Created by a state-level registration that usually protects the company name					
Business duration can be perpetual					
May have an unlimited number of owners					
Owners need not be U.S. citizens or residents					
May be owned by another business, rather than individuals					
May issue shares of stock to attract investors					
Owners can report business profit and loss on their personal tax returns					
Owners can split profit and loss with the business for a lower overall tax rate					
Permitted to distribute special allocations, under certain guidelines					
Not required to hold annual meetings or record meeting minutes					

It's the most common type of corporation in the U.S. – and with good reason. C corporations (c corps) offer unlimited growth potential through the sale of stocks, which means you can attract some very wealthy investors. Plus, there is no limit to the number of shareholders a c corp can have.

# Advantages of a C Corporation

There are many benefits of a c corp. Below are just a few that stand out.

- Limited liability. This applies to directors, officers, shareholders, and employees.
- Perpetual existence. Even if the owner leaves the company.
- Enhanced credibility. Gain respect among suppliers and lenders.
- Unlimited growth potential. The sky's the limit thanks to the sale of stock.
- No shareholders limit. However, once the company has \$10 million in assets and 500 shareholders, it is required to register with the SEC under the Securities Exchange Act of 1934.
- Certain tax advantages. Enjoy tax-deductible business expenses.

# Disadvantages of a C Corporation

Having unlimited growth comes with a few minor setbacks.

- Double taxation. It's inevitable as revenue is taxed at the company level and again as shareholder dividends.
- Expensive to start. There are a lot of fees that come with filing the Articles of Incorporation. And corporations pay fees to the state in which they operate.
- Regulations and formalities. C corps experience more government oversight than other companies due to complex tax rules and the protection provided to owners from being responsible for debts, lawsuits, and other financial obligations.
- No deduction of corporate losses. Unlike an s corporation (s corp), shareholders can't deduct losses on their personal tax returns.

# C Corporation vs. S Corporation

Both c and s corps offer limited liability protection. Both require Articles of Incorporation to be filed. And both comprise shareholders, directors, and officers. There are lots of similarities, but they differ in the complex realm of taxation and corporate ownership.

As we mentioned above, c corps are subject to double taxation while s corps are pass-through tax entities, allowing them to avoid being taxed at the corporate level and again on shareholders' personal income taxes.

When it comes to corporate ownership, c corps have no restriction on ownership, which goes back to our point about them having unlimited growth potential. But s corps don't have that luxury as they're restricted to no more than 100 shareholders. Also, s corps cannot be owned by a c corp, other s corps, LLCs, partnerships, or many trusts. But a c corp has no limits on who or what can be a shareholder. Compare corporations and LLCs with our [business comparison chart](#).

## How to Form a C Corporation

1. Choose a legal name and reserve it, if the Secretary of State in your state does that sort of thing (not all do).
2. Draft and file your Articles of Incorporation with your Secretary of State.
3. Issue stock certificates to the initial shareholders.
4. Apply for a business license and other certificates specific to your industry.
5. File Form SS-4 or apply online at the Internal Revenue Service website to obtain an Employer Identification Number (EIN).
6. Apply for any other ID numbers required by state and local government agencies. Requirements vary from one jurisdiction to another, but generally your business most likely will be required to pay unemployment, disability, and other payroll taxes – you will need tax ID numbers for those accounts in addition to your EIN.

It's kind of like the lite version of a c corporation (c corp). An s corp offers investment opportunities, perpetual existence, and that coveted protection of limited liability. But, unlike a c corp, s corps only have to file taxes yearly and they are not subject to double taxation. Read on if this sounds enticing for your business.

## S Corp Advantages

Read 'em and weep.

- Limited liability. Company directors, officers, shareholders, and employees enjoy limited liability protection.
- Pass-through taxation. Owners report their share of profit and loss on their individual tax returns.
- Elimination of double taxation of income. Income is not taxed twice – once as corporate income and again as dividend income.
- Investment opportunities. The company can attract investors through the sale of shares of stock.
- Perpetual existence. The business continues to exist even if the owner leaves or dies.
- Once-a-year tax filing requirement. Versus c corps, which must file quarterly.

## S Corp Disadvantages

There's a lot to love, but here's a few things to consider before adding the 's' to your corp.

- U.S. citizens and permanent residents only. Unlike the c corp and LLC (Limited Liability Company), you have to be a legal resident of the U.S.
- Limited ownership. An s corp may not have more than 100 shareholders.
- Formation and ongoing expenses. It is necessary to first incorporate the business by filing Articles of Incorporation with your desired state of incorporation, obtain a

registered agent for your company, and pay the appropriate fees. Many states also impose ongoing fees, such as annual report and/or franchise tax fees.

- Tax qualification obligations. Mistakes regarding the various filing requirements can accidentally result in the termination of s corp status.
- Closer IRS scrutiny. Payments to employees and shareholders could be distributed as either salaries or dividends. Each are taxed differently, which is what leads the IRS to scrutinize that distribution more closely.

## S Corporation vs. C Corporation

### What is an s corp?

As we described above, an s corp is something like the lite version of a c corp. That is, when you consider its growth potential and organizational structure.

Every business that files for corporation is first classified as a c corp. Once that's complete, you have to then file for subchapter s corp status and meet all requirements for an s corp – namely, have fewer than 100 shareholders who are all individuals, not corporations; have only one class of stock; and be owned by U.S. citizens or resident aliens. All of which are pretty easy requirements for most small businesses.

Back to the perk of saving money. An s corp is not subject to double taxation as a c corp is. That means that an s corp's revenue is not taxed at the corporate level. It's only taxed when paid out as salaries or dividends to shareholders. That alone could save an s corp hundreds of thousands of dollars. For this reason, a c corp makes very little sense for a small business. But if you opt for an s corp, make sure you have a solid accountant as one mistake in filing can send your company back to c corp status, leaving it open to be taxed twice.

## How to Start and Form an S Corp

1. Choose a legal name and reserve it, if the Secretary of State in your state does that sort of thing (not all do).
2. Draft and file your Articles of Incorporation with your Secretary of State.
3. Issue stock certificates to the initial shareholders.
4. Apply for a business license and other certificates specific to your industry.
5. File Form SS-4 or apply online at the Internal Revenue Service website to obtain an Employer Identification Number (EIN).
6. Apply for any other ID numbers required by state and local government agencies. Requirements vary from one jurisdiction to another, but generally your business most likely will be required to pay unemployment, disability, and other payroll taxes – you will need tax ID numbers for those accounts in addition to your EIN.
7. File the IRS form 2553 within 75 days of your corporation formation.

# What is an LLC?

Simply put, an LLC is the least complex business structure. Unlike an s corp or c corp, the structure of an LLC is flexible. Starting an LLC also gives you the perk of pass-through taxes, limited liability (obviously), and legal protection for your personal assets. Plus the added benefit of looking more legit than the other guys.

## Advantages of Starting an LLC

There are several advantages to creating an LLC, but here are a few that stand out.

- **Pass-through taxes.** There's no need to file a corporate tax return. LLC owners report their share of profit and loss on their individual tax returns, meaning you avoid double taxation.
- **No residency requirement.** Those who an LLC need not be U.S. citizens or permanent residents.
- **Legal protection.** Creating an LLC gives you limited liability for business debts and obligations.
- **Enhanced credibility.** Partners, suppliers, and lenders may look more favorably on your business when it's an LLC.

## Disadvantages of Starting an LLC

Creating an LLC is an attractive option, but there are a few hurdles.

- **Limited growth potential.** LLC owners cannot issue shares of stock to attract investors.
- **Lack of uniformity.** An LLC can be treated differently in different states.
- **Self-employment tax.** LLC earnings can be subject to this kind of taxation.
- **Tax recognition on appreciated assets.** This could happen if you convert an existing business to an LLC. One more way that extra taxation can occur.

It depends on your short-term and long-term business goals. We recommend that you think about where your business is now and how you want your business to grow before deciding whether starting an LLC is right for you.

## How to Create an LLC (Limited Liability Company):

1. Choose a legal name and reserve it, if the Secretary of State in your state does that sort of thing (not all do).
2. Draft and file your Articles of Incorporation with your Secretary of State.
3. Decide who will run the business (managers or members).
4. Decide how many owners will be part of the LLC.
5. Apply for a business license and other certificates specific to your industry.



6. File Form SS-4 or apply online at the Internal Revenue Service website to obtain an Employer Identification Number (EIN).
7. Apply for any other ID numbers required by state and local government agencies. Requirements vary from one jurisdiction to another, but generally your business most likely will be required to pay unemployment, disability, and other payroll taxes – you will need tax ID numbers for those accounts in addition to your EIN.

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