## Business Structure FAQ's

**Sole Proprietorships:**

A sole proprietorship is the simplest form of business where one individual conducts the business and is personally liable for all the obligations of the business. (An assumed business name may be required if the business name does not contain the legal name of the owner.) Owner reports profit/losses on personal tax returns, Schedule C to Form 1040. Simple and inexpensive to create.

**Assumed Business Names:**

Any time a person conducts or transacts business in the state of Oregon and does not disclose their full name in the title of the business, they must file an assumed business name. This is called a ‘dba’, which stands for ‘doing business as’.

**Limited Liability Companies (LLC):**

A limited liability company is an unincorporated association having one or more members. It can be managed by members or by managers. Ownership/membership in an LLC is expressed in either # of units, or % of ownership interest, as written in an Operating Agreement. It is a little more expensive to create than sole proprietorship ($50 vs $100 in the State of Oregon).

An LLC with 2 or more members can choose to be taxed as a partnership (pass-through taxes paid by members) or as a corporation. LLC’s with single members can elect to be taxed as a corporation or as an individual. In this case, profits/losses pass through directly to the single member.

**Corporations:**

A corporation is a legal entity created under Oregon Laws by filing articles of incorporation with the Business Registry. A corporation acts as a single entity. It exists separately from its owners. As a separate entity, the corporation must file its own tax returns. The owners pay taxes on salaries, bonuses, and dividends. The corporation may own property, sue, and be sued. To create a corporation requires considerable administrative expense.

**Non-profit Corporations:**

A non-profit corporation is formed for any lawful purpose but not for financial profit. Forming a non-profit is simple and is very similar to forming a for profit entity. After forming your non-profit corporation, you must then request a 501 (c) status in order to be tax free, which can be more complicated. Check out this site for more information: http://filinginoregon.com/pages/business\_registry/nonprofit.html.

**General Partnerships:**

A general partnership is an association of two or more persons doing business. All partners are personally liable for the obligations of the partnership. Profits/losses are allocated equally to partners, unless an agreement says otherwise.

**Foreign Entities:**

‘Foreign entities’ are businesses that were filed anywhere other than Oregon. This can be another state or another country. In order for a foreign entity to transact business in Oregon, it must obtain permission from the Business Registry by submitting an application form, a fee and an original certificate of existence or similar document from the jurisdiction of filing.

**Doing business in another state when you’re registered in Oregon**

By law, if your company plans to conduct business in any other states than the state you registered your business, and then you may need to register your business in those states.

This process is called *foreign qualification*. (If you’re a consultant who performs the majority of your work online, with clients in multiple states, in most cases, you do *not* need to file a foreign qualification.)

What is meant by “doing business?” In today’s mobile/virtual world, it can be difficult to know just what constitutes doing business in a state. If you’re uncertain whether your particular business needs to foreign qualify, you should check with your attorney or accountant.

**Some general questions to answer:**

* Does your LLC or corporation operate out of any physical presence in the state (i.e. office or retail store)?
* Are you frequently conducting in-person meeting with clients in the state (and not just conducting business via email/phone)?
* Does a significant portion of your company’s revenue come from the state?
* Do any of your employees work in the state? Do you pay state payroll taxes?
* Did you apply for a business license in the state?

If you answered yes to any of these, your business may need to file a foreign qualification in the appropriate state.

**Operating Agreement**

An operating agreement is an agreement among all the members of an LLC. The operating agreement is internal to the organization, and includes distribution of profit, manager’s roles and powers, and everything needed to run the company.

**Partnership Agreement**

This is a document that spells out how your business will be run by more than one owner. (It is much like a ‘prenup’ before a wedding.) It is critical that two or more people co-running a business look at and decide on several key issues (how money will be spent, how many hours each partner will spend, the exit strategy, etc.) before opening the business.