

# ABC's of Business in Maryland



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# INTRODUCTION

Some basic concepts will help you in what to consider when starting your business and how to avoid common mistakes

## TOPICS OF DISCUSSION

- Assembling a Professional Team
- Choice of Entity
- Common Mistakes
- Resources

## The Professional Team

- Every business needs a team of professionals with which to consult
- The types of professionals may vary by the type of business but should include: Attorney, Certified Public Accountant, insurance broker and banker

## **To incorporate or not to incorporate, that is the question**

- Sole Proprietor v. Entity
- Personal assets at risk v. ease
- What are your long term goals?
- Do you have employees?
- Are you placing goods in the stream of commerce?
- Cost now v. cost later

# What is an entity?

The legally recognized form under which your business will operate

## Choice of Entity

There are several forms of business entities available in Maryland, including:

- Corporation
- Partnership
- Limited Liability Company
- Limited Partnership
- Limited Liability Partnership
- Limited Liability Limited Partnership

## Most Common

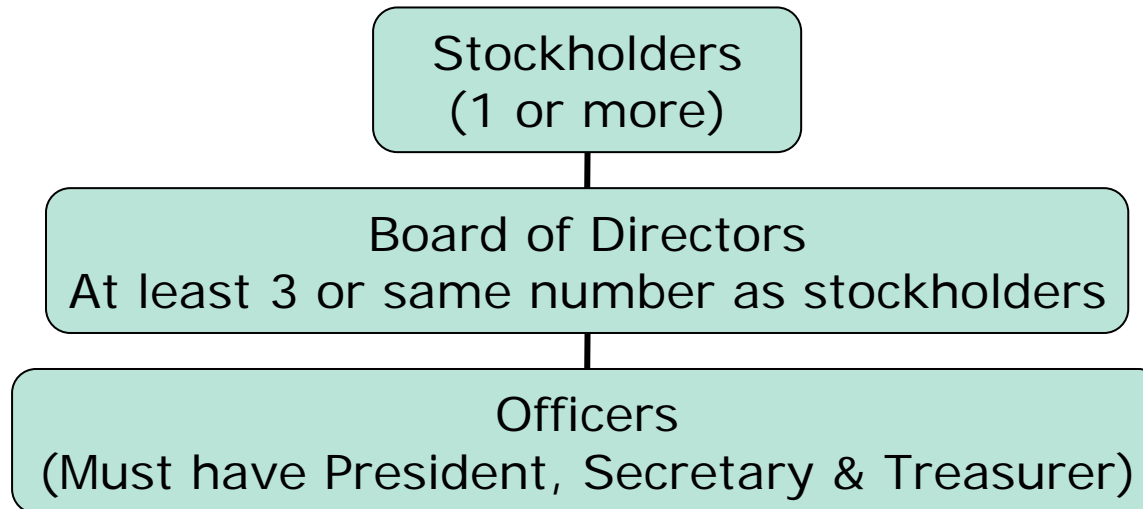
The most commonly used entities for small business are:

- Corporation
- Limited Liability Company

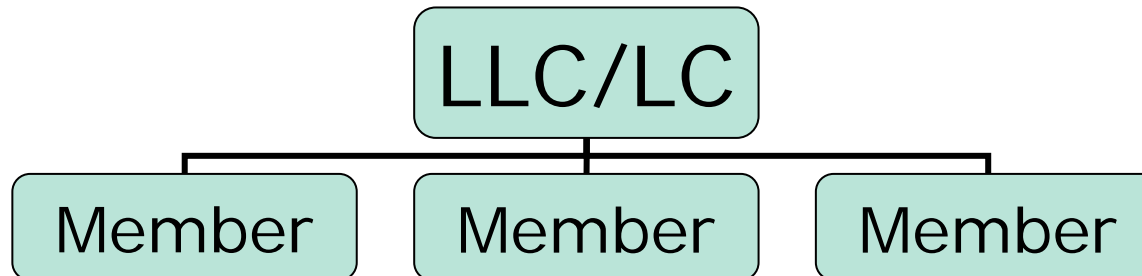


# Corporation

Corporation/Corp/Inc/Incorporation/Limited/Ltd/Chartered



## Limited Liability Company



## Tax Advice

- Get competent tax advice before choosing your entity
- Always get tax advice before embarking on a major business decision

## Exit Strategy

- Must know from day one that you will likely outlive the entity
- What are everyone's rights and responsibilities upon retirement, death, divorce, disability, sale of interest?
- Document, document, document

## Limitations of Entities

- Personal tax liabilities
- Personal guarantees
- Officers can be responsible for income, sales, and employee withholding taxes
- Cannot hide behind entity for personal actions

## Trade Names and Trademarks

- A trade name is an alternate name used and owned by the entity/proprietor
- A trademark is a word, symbol or combination that identifies that product or service with the entity or proprietor

®

TM

©

## Common Mistakes

- Using an incorporation service
- Cutting and pasting contracts from others in the industry
- Not having a stockholders/member agreement
- Not paying taxes
- Not obtaining the proper license
- Not properly signing formal documents

## More Common Mistakes

- Not paying employees overtime (not using a payroll service)
- Not understanding intellectual property
- Not having a business plan
- Doing the deal and then calling the lawyer
- No employee documentation



**Center for Business & Technology Development  
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## **Resources Available Include:**

- Small Business Development Center (SBA)
- Business Resource Center (EDA)
- SCORE (Service Corp of Retired Executives)
- James Rouse Entrepreneurial Fund
- Howard County Economic Development Authority
- State of Maryland Economic Development Authority

## Where To Go From Here

- Assemble a team of professionals at the planning stages
- Consult with your team regularly before, during, and after start-up
- Have an attorney form an entity if appropriate
- Seek assistance from available resources