



FREQUENTLY ASKED QUESTIONS



How do I form a nonprofit business?

If you wish to form a nonprofit business, you do not register your name at the County Clerk's office. You must form a corporation with the State of Michigan, and then file for nonprofit status. Examples of nonprofit businesses include: Sporting Leagues, Homeowners Associations, Charities (such as a fund raiser for a person's medical bills), Youth Group Associations, etc. Some sources for information and assistance are: Nonprofit Enterprise at Work (N.E.W.): 313-887-7788, <http://www.new.org> and Accounting Aid Society, 313-647-9620, <http://accountingaidsociety.org>. These organizations can assist you with the process of forming a nonprofit business. Nonprofits who solicit contributions from the public must also register with the Michigan Attorney General's Charitable Trust Division at 517-373-1152.

Where do I go to form a Corporation or a Limited Liability Company (LLC)?

Corporations and LLCs are formed with the State of Michigan. You can contact the Michigan Department of Labor & Economic Growth, Corporation Division at 517-241-6470, <http://www.michigan.gov/lara>. You can do a name search, reserve a name and get the proper forms. Your options are: C Corporation, Sub-Chapter S Corporation or Limited Liability Company (LLC). Please note, there are additional steps involved to form a Sub-Chapter S Corporation.

I've formed a Corporation or an LLC with the State of Michigan. Do I also need to register with the County Clerk's office?

When you register your business name, you are actually forming a legal structure. Sole Proprietorships and Partnerships are formed at the County Clerk's office. Corporations and LLCs are formed through the State. There are different legal and tax liabilities associated with entities formed at the County versus the State level. **You do not want to be registered with both the County and the State**, because that would be two different legal structures with two different levels of liability. Choose one or the other, not both.

How do I get my business license?

There are several different types of licenses that are routinely referred to as a "business license". Above, is the information on registering or forming a legal structure. To find out if the State of Michigan require a license:: <http://www.mi.gov/statelicensesearch>. If you are a food-related business, there may be a license at the County level: <http://health.macombgov.org/Health-Programs-EnvironmentalHealth-FoodService-FoodLicensing>. Also many Cities require businesses to be licensed. Check with your local Clerk's office.

How do I get my tax-exempt number?

If you are referring to a sales tax license, so that you don't have to pay sales tax on items that your business purchases to resell to the public, you can contact the Michigan Department of Treasury 517-636-4660, <http://www.michigan.gov/taxes>. Keep in mind, that if you purchase items for your business to use (and not to resell), then you are the final user – and must pay sales tax on these items.

If you are referring to being exempt from paying sales tax because you are a nonprofit corporation, you can call the Michigan Department of Treasury at 517-636-4660 to obtain the necessary forms.

Do I need a Federal Tax ID?

An Employer Identification Number (EIN) is also known as a Federal Tax Identification Number, and is used to identify a business entity. Generally, businesses need an EIN. To apply online: <https://www.irs.gov/businesses/small-businesses-self-employed>.

If you are a sole proprietor with no employees, then you may use your own Social Security Number instead of getting a EIN. **However, if you also need a Sales Tax License, then it is recommended that you first obtain an EIN.**

What's the difference between an independent contractor and an employee?

The question of an employee vs. independent contractor is a very critical issue and is NOT a simple task. There are many different tests the IRS may apply to determine whether an individual is an employee or contractor. Improperly classifying someone as a contractor, whom the IRS considers to be an employee can result in stiff penalties. For further information, contact the IRS, (313) 628-3722, <https://www.irs.gov/businesses/small-businesses-self-employed>.

I've registered my business name... what now? I still have questions, who can help me?

The SBDC is a taxpayer-funded resource that can help you start and grow your business. They offer guides, workshops and one-on-one counseling (by appointment only). If you have questions for the SBDC, contact (586) 254-4112.

Go to <http://sbdcmichigan.org/macomb> to access these resources and to download the 63-page Guide to Starting and Operating a Business, that includes:

- Steps to Starting a Small Business
- Ways to Legally Structure a Business
- Patents, Trade, Service Marks, and Copyrights
- Financing, Marketing & Insurance