

## **What is the difference between a DBA/Partnership (County) and an LLC or S Corp (State)?**

Filing a DBA with the County does not establish a separate company for legal issues. You (and partner if you have one) are personally liable for debt. Corporations and LLCs are formed through the State. **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. If you have a partnership, it is strongly recommended that you have a written agreement no matter what your legal structure may be.

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

Corporations and LLCs are formed with the State of Michigan. You can do a name search and get the forms that you need at [www.mi.gov/lara](http://www.mi.gov/lara).

## **How do I get my business license?**

There are several different types of licenses that are routinely referred to as a “business license”.

To find out if the State of Michigan requires a license: [www.mi.gov/statelicensesearch](http://www.mi.gov/statelicensesearch).

If you are a food-related business, there may be a license at the County level. Go to [health.macombgov.org](http://health.macombgov.org) and search for *Food Licensing*. Also, many cities require businesses to be licensed. Check with your local Clerk’s office. If you are making a product there may be federal regulations. Go to [www.cpsc.gov](http://www.cpsc.gov) and search for *Regulatory Robot*.

## **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 register at [www.mi.gov/taxes](http://www.mi.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, see the section on nonprofits.

## **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 go to [IRS.gov](http://IRS.gov) and search for EIN.

If you have a DBA with no employees, then you may use your own Social Security Number instead of getting an 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 has a number of many different tests the IRS 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, go to [www.irs.gov](http://www.irs.gov) and search *Publication 1779*.

## **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 can register the nonprofit corporation with the State of Michigan. Examples of nonprofit businesses include: Sporting Leagues, Homeowners Associations and Youth Group Associations. For more information go to Michigan.gov and search for *Charities*. If you will be soliciting donations from the public, you need apply with the IRS. Go to IRS.gov and search *Charities*. Nonprofits who solicit contributions from the public must also register with the state. Go to Michigan.gov and search for *Charities*.

## **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 workshops and one-on-one counseling (by appointment only). Contact them at (586) 254-3551. Go to [sbdcmichigan.org/macomb](http://sbdcmichigan.org/macomb) to search for workshops, register for counseling and to download the *Guide to Starting and Operating a Business*.