

When considering things to do after forming an LLC, it's vital to remember that while you've recently set up a Limited Liability Company (LLC) or incorporated, and thus laid a significant legal groundwork for your enterprise, this is only the beginning of your business journey.

Forming an LLC aims at both setting the legal foundation for your business and protecting your personal assets.

Things to do after forming an LLC may have been among the questions you had while you were contemplating this step, but now that the decision to form an LLC has been made, you probably have even more concerns about what to do next.

Is creating an LLC enough to let you legally open your doors for business? Not exactly. There are several nuances to consider before you're fully prepared to conduct business.

Here are 10 things to consider before you're ready to do business, which may include meeting regulatory requirements, obtaining necessary permits, and setting up financial management systems.

What You Need To Do After Forming An LLC

1. Obtain Any Necessary Business Licenses and Permits

Many new business owners think that forming an LLC or corporation is the same as getting a business license. Then unfortunately, some realize this isn't the case when they are fined for operating without a license. Think of it this way: getting an LLC is the first step and creates a legal foundation for the business. A business license gives you the right to operate.

Depending on what kind of business you have and where you live, you may need to get business licenses from your state, county, or town.

Most licenses are relatively inexpensive and getting one upfront will save you money and keep your business legit. Check with your local board of equalization offices, or find a service to determine which permits your business needs to legally operate.

Understanding the difference between an LLC and a business license is crucial. To illustrate, consider these typical licenses and permits that various businesses might need:

- Zoning permit
- Permit from the health department
- Professional licenses
- General business operation license
- Home occupation permits

2. Get a Seller's Permit

Across the country, different states impose various regulations on businesses. Many states require what's commonly referred to as a seller's permit (or a name akin to it).

This isn't exclusive to large corporations but extends to sole proprietors, LLCs, and partnerships that sell taxable goods and services.

For instance, in a state like California, this permit becomes crucial for any business that ventures into selling or leasing property that's brought under the state's retail sales tax umbrella.

It's not merely a suggestion but a mandate. Before you immerse yourself in the commerce world, ensure that this permit is in your business's arsenal.

3. Get an Employer Identification Number (EIN)

An EIN, or what many would recognize as a federal tax ID number, isn't just a random set of digits. It's a beacon for the IRS to pinpoint your business in a sea of enterprises and meticulously track its transactions.

Imagine an EIN as the corporate counterpart of a person's social security number. If you are considering hiring employees, an EIN becomes non-negotiable.

Yet, even if you're running a solo operation, procuring an EIN remains prudent. This is particularly advantageous when you'd prefer to hand over your EIN, a more impersonal identifier, instead of your intimate social security number to associates like clients and vendors.

4. Apply for S Corporation S Treatment (If Applicable)

An LLC has "pass-through" tax treatment, meaning that the business' profits and losses are passed along and reported on the business owner's tax return.

As the owner of an LLC, you must report all profits (or losses) of the business on a Schedule C with your personal tax return.

LLC owners who are active in the business must also pay self-employment tax on the profits.

In some cases, it may benefit you to elect S Corporation status. This enables you to split your business' profits into salary and distributions. You'll pay self-employment tax (or Medicare/social security tax) on the salary portion, but not on the distributions.

To elect S Corporation status, you need to file form 2553 with the IRS (it's free) within 75 days since forming the LLC, or 75 days from the start of the current tax year.

For those weighing the advantages of an LLC versus an S Corporation, the table below offers a clear breakdown of their primary differences in terms of taxation and formalities:

Feature/Requirement	LLC	S Corporation
Tax Treatment	Pass-through, owners report all profits/losses on personal tax returns	Enables splitting of profits into salary and distributions
Self-Employment Tax	Pay self-employment tax on all profits for active owners	Pay only on the salary portion
Form to File for Tax Treatment	None (default treatment)	Form 2553
Deadline for Tax Election	Not applicable	Within 75 days since forming or start of tax year

5. Open a Business Bank Account

Transitioning from a business idea to a tangible LLC is exhilarating. But what follows next? You should steer towards establishing a business bank account under the LLC's name.

Such an account isn't just for depositing checks made out to your entrepreneurial venture. It's a lighthouse, demarcating the waters between personal and professional.

Especially when you delve into the world of corporations and LLCs, the law firmly dictates a separation of personal and business finances. Thus, fortifying your business with its own bank account isn't a mere suggestion, but an unequivocal necessity.

6. Apply for a Business Credit Card

While ensuring your business has its own bank sanctuary, don't overlook the power of a business credit card.

Not only does this card let you channel all your business expenditures through one avenue, but it also records your financial journey throughout the year. Come tax season, and you'll find this audit trail a godsend.

More so, wielding a business-exclusive credit card fortifies your "corporate veil", a protective shield that stands between potential business mishaps and your personal assets.

7. Insure Your Business

While forming an LLC or incorporating does help protect your personal assets from any liability of the company, it doesn't protect the business itself from losses.

That's why you should consider getting a general liability insurance or a Business Owners Policy (BOP). These policies will broadly cover your business against accidents, injuries, and negligence claims.

In addition, if you're selling a product, you'll need product liability insurance. And, if you provide a professional service (i.e. lawyers, accountants, notaries, real estate agents, insurance agents, hair salons, consultants), you'll need to take out a professional liability policy.

8. Foreign Qualify in Other States (If Applicable)

If your LLC will be doing business in a state other than the state where you formed the LLC, you will need to register in the new state(s).

Examples of "doing business" can include: Opening an office or store in another state, when a significant portion of your company's revenue comes from another state; when you have employees working in another state; and when you frequently conduct in-person meetings in a state.

To better understand what 'doing business' in another state means, here are a few scenarios to consider:

- Opening an office or store in another state
- A significant portion of your company's revenue coming from another state
- Having employees working in another state
- Frequently conducting in-person meetings in a state

9. Get a Doing Business As (DBA)

If like most businesses you are going to be operating under any variation of your official company name (i.e. Company vs. Company.com vs. Company, Inc...), you will need to file a Doing Business As (DBA) for each of the variations. You should have your LLC file the DBAs so they operate underneath the LLC.

10. Make a Plan to Keep Your LLC Compliant

Once you become a corporation or LLC, you've got to operate your business at a higher administrative level than you've been used to as a sole proprietor.

Both LLCs and corporations often need to file an annual report with their state, as well as keep up with their quarterly tax payments.

Mark these important dates on a calendar ahead of time, or sign up for a service that will automatically send you alerts ahead of key state and federal filing deadlines.

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