

Chapter 2 – Establishing a Business

Determination of Business Structure

Your attorney or certified public accountant may best determine the most beneficial structure for your particular business. Outlines below are some of the most common forms of business structures.

- A **Sole Proprietorship** is the simplest and most common form of business organization. The creation of a business as a sole proprietorship requires no formal Arizona filing. Profits and losses are reported on a separate schedule within your personal tax return. The sole proprietor of the business may be held personally liable for the debts and obligations of the business.
- A **General Partnership** is an association of two or more persons joined together to carry on trade or business for profit and is usually formalized through preparation of a written agreement. It is not required to file your agreement with the state.
- The **Limited Partnership** has become an increasingly popular choice for business owners, especially those involved in real estate or other investment ventures. LPs can limit the liability and the involvement of certain partners.
- A **Limited Liability Partnership (LLP)** is a business owned by two or more persons and is a relatively new business structure in Arizona. Professional advice concerning this type of business should be obtained from an Arizona attorney.
- A **Limited Liability Company (LLC)** is a flexible form of enterprise that blends elements of the partnership and corporation structures. LLC owners have limited personal liability and the benefit of pass-through taxation.
- A **Foreign Corporation** is a business organized under the laws of another state or country and must be registered to conduct business in Arizona.
- A **C Corporation** is the most complex form of business structure. It is formed by law as a separate entity, distinct from the owners of the business, and has its own rights and responsibilities.
- An **S Corporation** allows you the protection of a corporation with some of the financial flexibility of a partnership and elects not to be subject to federal corporate income tax. To qualify as an S Corporation, a corporation must meet certain requirements.

It is always best to seek legal advice prior to selecting your organization type.

Registration of Business

The type of business structure you choose will determine where and how you must register your company.

Secretary of State Trademark or Trade Name Office

1700 W. Washington St., 7th Floor

Phoenix, AZ 85007

Phone: 602-542-6187, 1-1800-458-8542

Email: trades@mail.sosaz.com

Website: www.azsos.gov/business_services/tnt

This office will issue a certificate of business or trade name for a small fee. Registering a business name is not required in Arizona but is a common business practice. These recorded fictitious names, or “Doing Business As” (DBA) titles, help avoid other businesses from using your business name in Arizona. Recording your business name requires filling out a simple form that can be obtained online from their website. On this same website, a business name search can be performed to determine if a desired name is already registered.

Something important to note is that recording the form does not protect the business name under the copyright law. An attorney can advise you regarding business name and trademark protection.

Arizona Corporation Commission

1300 W. Washington St., 1st Floor

Phoenix, AZ 85007

Phone: 602-542-3026, 1-800-345-5819

Website: www.azcc.gov

Contact this office if your company will be structured as a C Corporation, S Corporation, Foreign Corporation or Limited Liability Company.

The Corporation Commission approves for filing all Articles of Incorporation, all Articles of Organization (for LLC), and any significant changes to those.

Patents and Trademarks

U.S. Patent and Trademark Office

Phone: 571-272-1000, 1-800-786-9199

Website: www.uspto.gov

This office provides useful information on patents and trademarks. Call to request the free booklet, Basic Facts about Trademark and an application. Online access to all the tools needed to file a patent or trademark is available.

Trademark applications are very precise and it is recommended that an attorney is consulted.