



Business Credit Builder

Business Structure Readiness



Business Structure Readiness

Step 1 Goals:

1. Forming your business as an LLC or Corporation (C or S)
2. Operating your LLC/Corporation as an out-of-state business (filing Foreign forms)
3. State, City, and/or County business licenses
4. Company name choice, availability, claiming, and correct listing
5. Physical address (not P.O., or home address—better safe than sorry)
6. Dedicated business phone number(s) (fax isn't necessary)
7. Company information listed and verified in the national 411 directories
8. Obtain an Employer ID Number (EIN) from the IRS
9. Company banking (make sure business information is recorded accurately)
10. Verify that all business records reflect the correct business information
11. Copyright your website
12. Keep professional looking with a business email connected to your website
13. Managing business structures beginning to end—streamlining business finances.



Business Structure Readiness

Business Structures

1. Lenders like LLCs and Corporations. Why?
2. Foreign filing. Not missing the details.
3. Final structure details. State, City, and/or County business licenses.

Business Structures

Lenders like LLCs and Corporations. Why?

- Seeing your business as your lenders do is a vital first step in how you build corporate credit, as it helps to create the proper perspective for you as a business owner.

The lender's perspective...

- When a business isn't structured as an LLC or as either an "S" or "C" corporation red flags rise. It is probably a Sole Proprietorship.
- Sole proprietorships—other than a professional's business (CPA, MD, DDS, or LP), carries with it added financial risks and limitations;
 - Unlimited personal liability
 - Limited ability to raise capital—thus having a shorter business life
 - Limited expertise and growth potential
 - Limited life expectancy—"why would I lend to this business money if it could easily close its doors tomorrow?"



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Business Structures

Separate your business and personal expenses by establishing your company as either a corporation (S or C), or as a limited liability company.

Make sure to file foreign incorporation documentation (if incorporating in any state other than the one your business resides).

Check with your local state government offices/website to confirm that you have filed (will file) all of the necessary City, County, and State forms and licenses.



Business Structure Readiness

Business Name

Choice

- Important for more than how it represents your business to customers, a confusing name may give the wrong impression to lending officers as well. Also, make sure that the name you choose to use for your business isn't in use in another state, as credit may be incorrectly applied to the other business.

Availability

Claiming

DBAs

Correctly listing



Business Structure Readiness

Business Name

Choice

Availability

- Check availability with state and national sources (DnB, State Secretary office, or State DOL)

Claiming

DBAs

Correctly listing



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Business Name

Choice

Availability

Claiming

- Make sure to file business name files with your city, state (include foreign file), and county licenses.

DBAs

Correctly listing



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Business Name

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- Often used by sole proprietors, doesn't protect personal assets, is not a separate entity, not secure for building business credit as it can be used—the exact same name—by another business.

Correctly listing



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Business Name

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- Using shortened forms (David's Landscaping – dba Dave's Care, or worse simply listing it differently on different forms) could be confusing to bureaus, and may cause credit reporting issues.



Business Structure Readiness

Business Name

Due Diligence:

- Check state records for business name availability (Secretary of State, or DOL)
- Check national records for business name availability (Dun & Bradstreet)
- Check the 411 National Directory
- Check your domain name with you hosting provider or register.com
- Perform a trademark check with your attorney, or online service provider

Business Address

- Must be a physical address
- No P.O. boxes—it's suggested that home addresses are alright, however, to be on the safe side, use only a business address like Regus, Opus, or Alliance to name a few. Google “virtual offices.”



*** An Important Note ***

Consistency is key for your business name and address when filing documents . Any inconsistency could cause mix-ups when credit is applied to your business. Your company could wind-up with more than one credit profile being created, and a few other difficulties. Just keep it consistent! If you fill the address out as “Billy’s Bar-B-Que on 5th ave” on your licenses, don’t change it, under any circumstances, to maybe “Bill’s BBQ on fifth avenue” on your bank applications.



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Business Name

Due Diligence:

- Check state records for business name availability (Secretary of State, or DOL)
- Check national records for business name availability (Dun & Bradstreet)
- Check the 411 National Directory
- Contact the IRS to see how they have you listed

Business Phone & Fax

- Separate phone line (VoIP or land-line; not a cell or home phone)
 - You can use a service such as listyourself.net to list your business for free to 411.
 - A verification will be done through listyourself.net to the phone listed for your company, which must be a VoIP or land-line (no 800 numbers allowed).
 - 800 numbers and the use of cell phones appear temporary to lenders, which will cause loan applications to be denied. Lenders, and others, have software that allows them to know what type of phone they are calling into.
- Fax lines aren't as critical for your business, but most telecom services provide free fax lines when you purchase your phone number. M&G uses Nextiva for our 877, fax, and office phone lines for a reasonable charge.

Business Employer Identification Number (EIN)

- IRS Statement:
 - 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. You may apply for an EIN in various ways, and now you may apply online. **This is a free service offered by the Internal Revenue Service.** Additionally, you must check with your state to make sure you need a state number or charter.
 - Apply Online:
<https://sa1.www4.irs.gov/modiein/individual/index.jsp>
 - Check State filing Requirements:
<http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/State-Links-1>

Responsible EIN Use

- Banks will require an EIN as an identifier for your new account(s). This will also provide opportunity to separate your personal and business files—EIN versus personal SSN to open business account(s).
- City, County, and State licensing for your business can be opened with a business EIN, again separating PG.
- Your business EIN will be required on all federal income and payroll/employment forms.
- Most federal tax payments are required to be made electronically using the federal tax filing system (EFTPS). The EIN serves as the identifier in this case.
 - **Note:** *Using the Correct Name Control in e-filing Corporate Tax Returns*
 - A name control is a sequence of characters derived from a taxpayer's name that is used by IRS in processing the tax return filed by the taxpayer. It is important that the combination of name control and taxpayer identification number (TIN) provided on an electronically filed return match IRS's record of name controls and TINs.
 - A name control is established by the IRS when the taxpayer requests an Employer Identification Number (EIN). The IRS creates the name control from the legal name listed on the Form SS-4, Application for Employer Identification Number.
 - When a return or extension is filed, the IRS checks whether a name/TIN combination is correct by matching it against a file containing all employer identification numbers (EIN) issued by IRS.
 - The name control listed on the return/extension is then compared to the name control on the IRS file. If it matches the name control in our records, it is considered to be correct.
 - In e-file, a taxpayer's Employer Identification Number (EIN) and name control in the Return Header must match the data in the IRS e-file database. If the EIN and name control do not match at the parent (consolidated) level, the e-filed return will reject.



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Responsible EIN Use – cont.

- As noted above, payment of sales, income, and other state taxes will require an EIN. Additionally, some state will also require a state assigned EIN.

Business Banking

- Opening an account
 - What type of documentation is required will vary based on your business' structure.
 - Corporations
 - ❖ Business Tax Identification Number or EIN
 - ❖ Articles of Incorporation or Certificate of Incorporation
 - ❖ Corporate Resolution identifying authorized signers if officer names are not listed on Articles of Incorporation or Certificate of Incorporation
 - Limited Liability Companies (LLC)
 - ❖ Business Tax Identification Number or EIN
 - ❖ Articles of Incorporation or Certificate of Incorporation
 - ❖ Corporate Resolution identifying authorized signers if officer names are not listed on Articles of Incorporation or Certificate of Incorporation
- It is imperative that all filed applications and documents for the new bank account be verified to have the business name and addressed as they are/were filed with all other licenses and documentations. Again, consistency is key in creating a professional appearance for your business.



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Business Documentations Verification

- It's time for an overall check of your filing processes.
 - Briefly going over all documents to make sure that all “T’s” are crossed and all “l’s” are dotted.
 - Confirm that all business documents; bank, IRS, city, county, state, business phone, and any other structural filing that were created all have the same business name, written out in the EXACT same way (Bill’s Bar-B-Que, **NOT** Billy’s BBQ) or vis-versa.
 - Confirm that all documents are filed uniformly with the same address as well, which includes accounts like rent/lease agreement, bills, and website(s).



Business Structure Readiness

Business Intellectual Property

- One of the last parts to the initial structural set-up of the business is regarding your business web site and email addresses.
- It is important to copyright your website. Appearances are important not in that you have a web presence, but that it is maintained as a vital part of your business as a professional entity.
 - It is proven that to attract investors, and to appear attractive as a company to lenders, protecting your intellectual property is vital.
- That goes also with how your business employees and contractors are viewed as professionals by representing each with a professional business email account.



Business Structure Readiness

Streamlining the Business Structure

In concluding Step 1, our goal for each of our clients at Madison and Grey is to provide a full system that provides more than foundational services that help in maintaining a company throughout its life.

With a constantly changing economic environment, one that has become so disjointed, it is more vital than ever to maintain a strict watch on a business' cash flow, growth, change, and much more.

Partnering with Madison and Grey and its team of Certified Advisors takes a business from its foundational start, and creates a program for keeping a sharp eye on the business via an award winning platform that Dun & Bradstreet has voted the #1 financial platform on the market today!

Additionally, utilizing our business intelligence analysis has proven successful as a forward looking tool—where has my company been, where is it today, and where will it be tomorrow—that has an 88% accuracy.



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Streamlining the Business Structure

And as part of our analysis and advising processes, we have partnered with universities from across the country that provided detailed information on a every business industry, which we use to compare how your business measures up to both your local and national competitors.

Our platform predicts best/worst case future scenarios with 88% accuracy so that you can see where you are headed.

- Monitor trends for early detection and early correction
- Forecast futures with best/worst case scenarios; see where change is needed
- View your business as a portfolio of business centers; see which are profitable and which is draining your resources

Step 1 Checklist

- Choose or change the company name
- Obtain a physical business address (not P.O., or home address)
- Obtain a business phone number(s) (fax isn't necessary)
- Business change/formation - LLC or Corporation (C or S)
- Corporate foreign filing (if necessary)
- State, City, and/or County business licenses
- Company information listed and verified in the national 411 directories
- Obtain an Employer ID Number (EIN) from the IRS
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Congratulations on completing
Step 1!