

Transition Your Network Marketing Business From a Sole Proprietorship to a Separate Legal Entity

You must realize that you are paying too much in taxes, have a higher risk of IRS audit, no marketing advantage and have unlimited liability and forming a separate legal entity is a must.

by **Scott Letourneau**

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You started your business with one approach, in your own name as a sole proprietorship. Perhaps, your accountant told you to “keep it simple” because you do not make enough money yet.

Now you realize that you are paying too much in taxes, have a higher risk of IRS audit, no marketing advantage and have unlimited liability and forming a separate legal entity is a must. Now you have formed your separate legal entity (hopefully you have the best option for you). That is a huge step. The key is to complete the transition and not to be half pregnant (half sole proprietorship and half a separate legal entity).

Over the years, I have noticed several mistakes in this transition and many times someone is still operating their sole proprietorship at the same time as their new entity without knowing about it. I want to clear up the steps you must complete to make the transition.

Here are the steps:

Form the separate legal entity (an LLC or corporation). Nevada or your home state may be your best options. If you incorporate in Nevada the entity will need to register to do business in the state where you live. Keep in mind *an LLC can be taxed with four different options*. Make sure you have the best option for your business to save you the most in taxes and protect your residual income stream.

Obtain a NEW TAX ID Number. Even if you had a Tax ID number as a sole proprietorship you need a NEW ONE!

Open a NEW bank account in the name of the entity. Yes, even if you already have a bank account and you went from “Marketing Solutions” to “Marketing Solutions, Inc.” that is a new name and a separate legal entity and you need a NEW bank account. Yes, new checks too!

Connect the DBA (doing business as) to the new entity. When you filed the DBA in your local county you were the applicant. Now you need to “reconnect” the DBA to the NEW legal entity. That means you need to terminate the DBA name linked to you and re-file (the same day) the DBA name to the new entity. That means the new entity is the applicant. This is what connects it to the new entity. Now, for both tax and liability issues any business in the DBA from this point forward is under the new entity name.

Obtain a new business license in the name of the new entity. Yes, a new one. Typically, you can NOT transfer a business license from your sole proprietorship name to your new LLC. Reason? It is a separate legal entity.

Obtain a business credit card in the name of the new entity. Stop using your personal credit card. Using a business credit card will help protect your personal credit score.

Update all your sources of income with the new Tax ID number of the new entity. Your goal is to avoid receiving unnecessary 1099's (meaning you want the money, just not to yourself individually anymore) for affiliate or referral fees by the end of next year. Make sure all your affiliates are updated with the new entity information.

Update any contracts in the name of the new entity

Update vendors with your new entity name and information (include your network marketing company that pays you commissions).

Get new business cards. Don't be cheap even if the only difference in the name of your company is "LLC".

Set up a new chart of accounts in the new entity name.

Update your merchant account provider with the new entity information. You may have to complete new forms.

Update your insurance provider with the new entity information.

Comply to and update any state related issues in the name of the new entity.

Check with your attorney or CPA for any steps missed.

This is a good list to help you get started.

The biggest mistake I see is not completely updating the DBA name from your name to the new entity and using the new bank account.

The goal is to get off the sole proprietorship track as fast as possible.

If you add new businesses in the future you can add a new DBA name with the entity as the applicant. The key part is to be aware of the type of asset class. Safe assets like gold and investments should be owned by a separate legal entity from your operating business. Real estate should be in a separate legal entity also. If you have several properties each with a lot of equity it may make sense to split those into separate legal entities.

Take a few minutes to review our check list and note the ones that you still need to complete and make an effort to get them updated in the upcoming week so you can complete your transition to success!

Questions? All network marketing magazine subscribers receive a **free consultation** when you **call Nevada Corporate Planners, Inc. at 1-888-627-7007** and we answer your questions and walk you through the steps to form a corporation or LLC for your network marketing business to help save you taxes, protect your residual income stream and keep the IRS off your back! You will also receive, my brand new CD, **“Get Your Business Off to a Fast Start to Profits”** absolutely FREE (you do not even pay for shipping) that is a \$97.00 value. Go to www.nvinc.com to download a powerful free 96 page report **“The Insiders Guide to Incorporating Your Business and Protecting Your Assets!”** To learn more about how to master the skills of **leverage your network marketing opportunity** through joint ventures, go to www.TheUltimateJointVentureBootCamp.com for a powerful three day event coming to Las Vegas, January 28-30th, 2011!

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Scott Letourneau is *“The Expert on Establishing and Positioning Network Marketing Companies for Maximum Profit!”*

Worldwide **successful entrepreneurs turn to only one person** when they want to establish their **company in the United States**. They want the one person who they know can deliver a truly turnkey experience to position themselves for profits and success. That person is Scott Letourneau!

Scott is the prominent entrepreneur and CEO who founded Nevada Corporate Planners, Inc. in 1997. He also founded the complementary Fast Business Credit, Inc. in 2003, again with great success.

In addition, Scott is a busy lecturer, consultant and author, who is recognized worldwide for helping entrepreneurs get their businesses off to a fast start in the United States.

You will learn from Scott's diverse expertise and complete turnkey business solution, along with his comprehensive and ever-growing list of powerful business resources. These are the very elements that have **allowed his 5,000+ clients both domestic and abroad** to incorporate their business with confidence, ***"propelling their business on a fast track to profits!"***

Scott is the *only* speaker offering a solution to help clients accomplish two goals: how to grow net worth and profits in the shortest period of time and how to **sustain and protect your net worth as it builds and accumulates.**

He is **recommended by top professionals** such as **Sandy Botkin**, a top Attorney/CPA; Attorney **Dr. Arnold Goldstein**; top Internet marketers **Tom Hua, Brett McFall, and Stephen Pierce**; and marketing expert **Jay Abraham** and other top CEOs and professionals throughout the U.S. and internationally. Leading entrepreneurs throughout the world laud him as the foremost expert on not only incorporating businesses, but also helping owners get access to capital and other invaluable business tools. Scott has a BA in Finance, a Masters Practitioners Degree in NLP (Neuro Linguist Programming, the study of patterns of success) and is the author of *"The Insiders Guide to Incorporating Your Business and Protecting Your Assets!"* He is also a contributing author for the new book from *Entrepreneur Magazine's Start Up* series; *"Start Your Own Information Marketing Business – Your Step-by-Step Guide to Success."*

He has appeared on **CNN Headlines News with Pat Summerall's Success Stories**, and has been interviewed by various radio and TV stations throughout North America, eager to tap into his expertise and experience.

Scott understands the **energy and passion required** to balance a successful and growing **business along with a healthy and thriving family life.** He has been in **business for over 12 years and married for 13 years** to his beautiful wife De Ann, an amazing classical violinist, and is the proud father of three beautiful girls, Gracie, Rosie and Faith. His family and offices are headquartered in Las Vegas, Nevada, where he has made his home for the last 15 years.