

Your Business Formation Checklist: LLC & Sole Proprietorship

1

Choose Your Business Name

Select a unique name and check your state's database for availability to avoid conflicts. Make sure it's available as a domain name and social handle

- Avoid overly trendy words that might feel dated in 5 years
- Think about whether it'll limit you if you expand later
- Using your own name (like "Amina's Design Studio") can work beautifully if you want to build a personal brand. However, if you want your business to feel separate from you or you plan to sell it one day, choose a standalone name instead.

2

Choose Business Structure & Register Business with State

Decide between Sole Proprietorship, LLC, or Nonprofit to define your legal and tax obligations.

- **For LLC:** File Articles of Organization (\$50-\$500 filing fee)
- **For Sole Proprietorship:** File DBA (Doing Business As) if not using your personal name, otherwise you can get started right away using your name and personal social security number.

3

Get Your EIN & Apply for Licenses & Permits *if necessary*

Obtain an Employer Identification Number from the IRS website. It's free and takes about 10 minutes.

- Check your city/county requirements for a general business license
- Secure industry-specific licenses if needed (e.g., food service, childcare)
- Obtain a home occupation permit if operating from home

4

Open Business Bank Account

Separate personal and business finances. Bring your EIN and formation documents to the bank.

5

Register for State Taxes

Register for sales tax permits if selling products (requirements vary by state).

6

Set Up Accounting System

Establish a system for tracking finances from day one, using tools like QuickBooks, Wave, or a simple spreadsheet.

7

Get Business Insurance

Assess if liability insurance or professional insurance is necessary for your business type.

8

Create Contracts & Terms

Develop templates for contracts and terms of service to protect all parties involved.

9

Set Up Payment Processing

Integrate payment solutions like Square, Stripe, or PayPal for seamless transactions.

Your Nonprofit Formation Checklist

1

Define Your Mission & Purpose

Clearly articulate your nonprofit's charitable, religious, educational, or community service mission. This will guide all future decisions and is required for IRS approval.

2

Choose & Verify Your Organization Name

Select a unique name and check your state's database for availability. Many states require "Inc." or "Incorporated" in the name. Verify domain and social media availability.

3

Recruit Your Board of Directors

Assemble a minimum of 3 board members (varies by state, some require more). Board members should be committed to your mission and bring diverse skills. They cannot all be related.

4

File Articles of Incorporation with Your State

Submit your formation documents to your state (\$50-\$200 filing fee varies by state). Include your mission statement, board member names, and registered agent information.

5

Create Bylaws & Conflict of Interest Policy

Draft internal governing documents outlining how your nonprofit will operate, board responsibilities, meeting procedures, and conflict of interest policies.

6

Get Your EIN (Employer Identification Number)

Obtain a free EIN from the IRS website. Takes about 10 minutes and is required before you can apply for tax-exempt status.

7

Apply for 501(c)(3) Tax-Exempt Status

File IRS Form 1023 or 1023-EZ (\$275-\$600 fee). This process can take 3-12 months. You'll need detailed information about your programs, finances, and governance structure.

8

Register for State Tax Exemptions

After receiving federal tax-exempt status, apply for state-level tax exemptions (sales tax, property tax) if available in your state.

9

Open a Nonprofit Bank Account

Bring your EIN, Articles of Incorporation, and IRS determination letter to open a dedicated nonprofit bank account.

10

Set Up Accounting & Recordkeeping System

Implement robust financial tracking using nonprofit accounting software (QuickBooks Nonprofit, Aplos). Maintain detailed records for transparency and annual reporting.

11

Register for Charitable Solicitation

If you plan to fundraise, register with your state's charity registration office. Requirements vary by state.

12

Obtain Necessary Licenses & Insurance

Secure general liability insurance and any industry-specific licenses (childcare, food service, etc.). Consider Directors & Officers (D&O) insurance to protect board members.