



Practical Guide: Key Considerations for Legally Establishing a Business in the United States

Starting a business in the U.S. involves more than just having a great idea—it requires understanding the legal, financial, and tax frameworks that govern small businesses. This guide summarizes the essential steps and considerations to legally form and operate a business in the U.S., ensuring compliance, protection, and long-term sustainability.

1. Choose the Right Legal Structure

- - Sole Proprietorship: Simple, but no personal liability protection.
- - Limited Liability Company (LLC): Flexible structure with limited liability protection.
- - Corporation (S-Corp or C-Corp): Offers liability protection and growth potential, but more complex reporting.
- - Partnership: Ideal for two or more owners; must define roles and responsibilities clearly.

Business Structure Comparison Table

Business Structure	Description	Advantages	Disadvantages	Best For
Sole Proprietorship	Simplest form, owned by one person, no legal separation between owner and business.	<ul style="list-style-type: none">- Easy and inexpensive to set up.- Full control of decision-making.- Minimal regulatory requirements.	<ul style="list-style-type: none">- No personal liability protection.- Harder to raise capital.- Limited scalability and credibility.	Freelancers, solopreneurs, and low-risk businesses.
Limited Liability Company (LLC)	Hybrid structure offering limited liability with flexible management and pass-	<ul style="list-style-type: none">- Limited liability for owners.- Pass-through taxation.- Fewer	<ul style="list-style-type: none">- More expensive to set up.- Some states impose annual fees or taxes.	Small businesses needing liability protection and flexibility.

	through taxation.	formalities than corporations.		
Corporation (C-Corp / S-Corp)	Separate legal entity with strong liability protection; ideal for scaling and raising capital.	<ul style="list-style-type: none"> - Strong liability protection. - Easier to raise capital. - Perpetual existence. 	<ul style="list-style-type: none"> - Complex and costly setup. - Formalities and compliance requirements. - Potential double taxation (C-Corp). 	High-growth businesses seeking investors or going public.
Partnership (General or Limited)	Two or more people share ownership. Can be general (shared liability) or limited.	<ul style="list-style-type: none"> - Simple to establish. - Shared investment and responsibility. - Pass-through taxation. 	<ul style="list-style-type: none"> - General partners have personal liability. - Potential for internal conflict. - Limited continuity unless stated otherwise. 	Co-founded businesses with clearly defined roles.

2. Register Your Business

- - Choose a unique business name and verify its availability.
- - Register your business with the Secretary of State in your operating state.
- - Obtain an Employer Identification Number (EIN) from the IRS.
- - Apply for local business licenses or permits based on location and industry.

3. Open Business Bank Accounts and Set Up Finances

- - Open a business checking account to separate personal and company finances.
- - Establish credit accounts and consider applying for a business credit card.
- - Choose an accounting method (cash or accrual) and adopt reliable software.

4. Understand U.S. Tax Obligations

- - Federal Taxes: Income, employment, and self-employment taxes (IRS).
- - State and Local Taxes: Vary by location; may include sales tax, franchise tax, and income tax.
- - File quarterly estimated taxes and maintain accurate financial records.
- - Work with a CPA to ensure full compliance and strategic planning.

5. Comply with Employment Laws

- - Verify eligibility to hire employees and follow I-9 and E-Verify procedures.

- - Understand wage laws, workers' compensation, and unemployment insurance requirements.
- - Create an employee handbook and comply with anti-discrimination laws.

6. Protect Intellectual Property and Assets

- - Register trademarks, copyrights, or patents as applicable.
- - Sign NDAs and non-compete agreements where necessary.
- - Consider business insurance: liability, property, cyber, or professional.

7. Plan for Growth and Compliance

- - Establish internal controls and compliance calendars.
- - Reinvest profits and prepare for future funding or expansion.
- - Stay informed about regulatory changes at the federal and state levels.



How to Use This Guide?

- Download and share it with your team.
- Apply the steps one by one or customize them based on your context.
- Connect with **K-OS INNOVATION** if you want strategic support.

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