THE UPSTART
Small Business
Legal Guide
Second Edition

Robert Friedman

Upstart Publishing Company
Specializing in Small Business Publishing
a division of Dearborn Publishing Group, Inc.
Contents

List of Forms ix
Introduction xiii

Chapter 1 You and Your Attorney 1
Client’s Rights 1
When to See an Attorney 1
Preventive Legal Audits 3
How to Find an Attorney 5
Prepaid Legal Plans 5
How Much Are Attorneys’ Fees? 6
Ethical Considerations 6

Chapter 2 How to Get Started in Business 7
Checklist for Getting Started in Business 7
Why Businesses Fail 9
Creating Business Plans 9
Permits and Licenses 11
How and When to Use the Forms in This Chapter 13

Chapter 3 How to Select the Best Business Form 17
Sole Proprietorships 17
Partnerships 17
Limited Partnerships 19
Family Partnerships 19
Limited Liability Companies 20
Corporations 23
Partnership versus Corporation: Nontax Aspects 24
How and When to Use the Forms in This Chapter 25

Chapter 4 How to Make Your Corporation Tax-Free 33
The Pros and Cons of S Corporations 33
S Corporations Distinguished from Partnerships 34
Qualifications 35
How to Make the Election 35
When Should the S Corporation Be Used? 36
Terminating the Election 36
How and When to Use the Form in This Chapter 37
Chapter 5  Buying or Selling a Business  
Considerations  
Preparation  
The Contract  
Bulk Transfer and Sales Tax Regulations  
Price Allocation  
Checklist for the Purchase of a Corporation or Its Assets  
Fraudulent Sale of a Business  
How and When to Use the Forms in This Chapter  

Chapter 6  Franchises  
The Perils and Pitfalls of Franchises  
A Franchise versus the Independent Business  
A Franchisee's Checklist  
The FTC Franchise Rule: Who's Covered and Who's Not  
What Do State Franchise Laws Require?  

Chapter 7  How to Save Time on Tax Recordkeeping  
Identification Numbers  
Business Taxes  
Depositing Taxes  
Information Returns  
How Good Business Records Can Save You Taxes  
What Tax Records to Save  
Basic Tax Records  
Small Business Financial Status Checklist  
Employers' Records  
Payroll Records  
How to Avoid IRS Penalties  
How and When to Use the Forms in This Chapter  

Chapter 8  How to Save Taxes  
Maximizing Deductions  
Are You Overlooking Any Business Deductions?  
The Home Office Deduction  
When to Trade In Business Equipment  
Not All Charitable Contributions Are Deductible  
Employ Your Children  
Fringe Benefits  
Taxpayers’ Bill of Rights  
How and When to Use the Forms in This Chapter  

Chapter 9  Sales Contracts and Warranties  
Contract Formation  
Oral Agreements  
Price Terms  
Delivery Terms  
Risk of Loss  
Seller's Remedies  
What to Do If Your Supplier Does Not Deliver
<table>
<thead>
<tr>
<th>Chapter 10</th>
<th>Patents and Trademarks</th>
<th>147</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trademarks</td>
<td></td>
<td>147</td>
</tr>
<tr>
<td>Patents</td>
<td></td>
<td>150</td>
</tr>
<tr>
<td>How and When to Use the Forms in This Chapter</td>
<td>155</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chapter 11</th>
<th>You and Your Employees</th>
<th>162</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hiring an Independent Contractor Instead of an Employee</td>
<td>162</td>
<td></td>
</tr>
<tr>
<td>The Hiring Process</td>
<td>164</td>
<td></td>
</tr>
<tr>
<td>Immigration Reform and Control Act of 1986</td>
<td>165</td>
<td></td>
</tr>
<tr>
<td>Discrimination Laws</td>
<td>166</td>
<td></td>
</tr>
<tr>
<td>Rights of Employees with AIDS</td>
<td>169</td>
<td></td>
</tr>
<tr>
<td>Are You Guilty of Sex Discrimination?</td>
<td>169</td>
<td></td>
</tr>
<tr>
<td>Drug Testing</td>
<td>171</td>
<td></td>
</tr>
<tr>
<td>Discrimination against Minorities</td>
<td>172</td>
<td></td>
</tr>
<tr>
<td>How to Terminate Employees Properly</td>
<td>172</td>
<td></td>
</tr>
<tr>
<td>More Labor Laws</td>
<td>174</td>
<td></td>
</tr>
<tr>
<td>How to Eliminate Theft</td>
<td>175</td>
<td></td>
</tr>
<tr>
<td>Intellectual Property Protection</td>
<td>175</td>
<td></td>
</tr>
<tr>
<td>Is Your Employee a Future Competitor?</td>
<td>176</td>
<td></td>
</tr>
<tr>
<td>Workers’ Compensation</td>
<td>177</td>
<td></td>
</tr>
<tr>
<td>How and When to Use the Forms in This Chapter</td>
<td>180</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chapter 12</th>
<th>Special Laws Affecting Small Business</th>
<th>210</th>
</tr>
</thead>
<tbody>
<tr>
<td>Duty to Report Product Hazards</td>
<td>210</td>
<td></td>
</tr>
<tr>
<td>How to Obtain Federal Records</td>
<td>210</td>
<td></td>
</tr>
<tr>
<td>Drug Testing of Drivers</td>
<td>212</td>
<td></td>
</tr>
<tr>
<td>Keep Your Corporate Minutes Up-to-Date</td>
<td>212</td>
<td></td>
</tr>
<tr>
<td>Environmental Reporting Requirements</td>
<td>212</td>
<td></td>
</tr>
<tr>
<td>How to Avoid EPA Sanctions</td>
<td>213</td>
<td></td>
</tr>
<tr>
<td>Commercial Arbitration Clauses</td>
<td>213</td>
<td></td>
</tr>
<tr>
<td>Immigration Law</td>
<td>213</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chapter 13</th>
<th>Estate Planning Strategies</th>
<th>215</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estate Planning Checklist</td>
<td>215</td>
<td></td>
</tr>
<tr>
<td>Estate and Gift Taxes</td>
<td>216</td>
<td></td>
</tr>
<tr>
<td>Is a Living Trust Right for You?</td>
<td>217</td>
<td></td>
</tr>
<tr>
<td>Why You Need a Will</td>
<td>218</td>
<td></td>
</tr>
<tr>
<td>How to Choose an Executor or Trustee</td>
<td>219</td>
<td></td>
</tr>
<tr>
<td>Powers of Attorney</td>
<td>220</td>
<td></td>
</tr>
<tr>
<td>How to Restrict the Transfer of Stock</td>
<td>222</td>
<td></td>
</tr>
<tr>
<td>Perils and Pitfalls of Joint Ownership</td>
<td>222</td>
<td></td>
</tr>
<tr>
<td>How and When to Use the Forms in This Chapter</td>
<td>223</td>
<td></td>
</tr>
</tbody>
</table>
Chapter 14 Real Estate Strategies 241
Buying Real Estate 241
Vacant Land 243
Financing Real Estate 243
Need Help in Purchasing Real Estate? 244
The Benefits of Private Mortgages 244
Legal Jargon of the Purchase Contract 245
Anatomy of a Purchase Contract 246
Inspection Contingency 247
Environmental Considerations 248
Lead Poisoning: The Silent Disease 251
Lease with Option to Purchase 251
The Ups and Downs of Office Condos 252
When Is Title Insurance Necessary? 254
Can the Bank Foreclose Your Mortgage? 255
Is Your Business a “Nuisance”? 256
Don’t Lose Your Property to a Squatter 256
Historical Preservation Districts 257
How to Reduce Your Property Taxes 258
Are You Violating Zoning Laws? 259
Are You Guilty of Housing Discrimination? 260
The Landlord’s Duty to Mitigate 261
How and When to Use the Forms in This Chapter 263

Chapter 15 Leasing Strategies: Real Estate and Equipment 275
Lease It and Save! 275
How to Negotiate Commercial Leases 276
Shopping Center Leases That Violate Antitrust Laws 278
Checklist for Negotiating a Shopping Center Lease 279
How and When to Use the Forms in This Chapter 281

Chapter 16 Protecting Your Small Business 295
Purpose of Insurance 295
Divorce Planning 299

Chapter 17 The Americans with Disabilities Act 301
Undue Hardship 302
Drugs and Alcohol in the Workplace 302
Miscellaneous Provisions 303
How to Comply with the ADA 303
How the ADA Affects Workers’ Compensation 304
Public Accommodations and Commercial Facilities 305
How and When to Use the Form in This Chapter 307

Chapter 18 Credit, Collections, and Bankruptcy 311
The Top Ten Danger Areas 311
The Fair Credit Reporting Act 311
Women and Credit 312
Thirteen Sources of Cash for Your Business 313
How to Come Up with Collateral for a Bank Loan 314
Equal Credit Opportunity Act 315
Are Debtors Getting Away with Murder? 315
Successful Debt Collection 317
Mechanic’s Liens 321
How to Collect a Money Judgment 322
Consumer’s Right to Attorney Fees 323
Bankruptcy 323
How and When to Use the Forms in This Chapter 326

Chapter 19  How to Prevent Workplace Violence 336
  A Ten-Step Prevention Plan 336
  Negligent Hiring and Retention of a Dangerous Employee 337
  How and When to Use the Forms in This Chapter 339

Chapter 20  Your Small Business Dot Com 346
  Steps for Establishing Your Web Site 346
  Legal Pitfalls 348
  How and When to Use the Form in This Chapter 349

Index 353
About the Author 363
How to Install and Use the Software 365