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Starting a Business in Michigan

The Legal Formation Guide

The entity choices, filings, and agreements that protect you from day one — explained in plain language.

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STARTHERE

Why Your Entity Choice Matters

The structure you pick on day one determines who can come after your personal assets, how much you pay in taxes, and how easily you can bring on partners or investors later. Changing it afterward is possible — but expensive. Ten minutes with this guide will help you walk into any attorney or accountant meeting knowing the right questions to ask.

The Three Structures Compared

	LLC	S-Corp	C-Corp
Best for	Most small businesses, real estate, family companies	Profitable firms seeking self-employment tax savings	Startups raising venture capital
Liability shield	Yes	Yes	Yes
Taxation	Pass-through by default	Pass-through with salary/distribution split	Entity-level tax; dividends taxed again
Formality	Low — operating agreement recommended	Payroll + election deadlines	Bylaws, board, annual meetings
Investors	Limited flexibility	100-shareholder cap, one class of stock	Multiple stock classes; VC-standard

Rule of thumb: if you are not sure, you are probably an LLC — but the S-corp election deserves a serious look once profits regularly exceed what you would pay yourself as a reasonable salary.

THECHECKLIST

Ten Steps to Form Your Michigan Business

- **1. Choose and clear your name.** Search the Michigan LARA business-entity database and the USPTO trademark register before you fall in love with a name. Consider reserving the matching web domain the same day.
- **2. File your formation documents.** Articles of Organization (LLC) or Articles of Incorporation (corporation) filed with LARA. Michigan's LLC filing fee is modest — this is not the place a lawyer earns their fee. The documents that follow are.
- **3. Get your EIN.** Free from the IRS online in minutes. You will need it for banking, payroll, and taxes. Never pay a third-party site for this.
- **4. Sign an operating agreement (or bylaws).** The single most skipped — and most important — document. It governs what happens when an owner leaves, dies, divorces, or disagrees. Michigan does not require one; every multi-owner business needs one anyway.
- **5. Elect your tax treatment.** Default pass-through, S-corp election (Form 2553 — watch the 75-day deadline), or C-corp. Coordinate with your accountant before the deadline passes.
- **6. Open a dedicated bank account.** Commingling personal and business funds is the fastest way to lose your liability shield. Every dollar in and out of the business goes through this account.
- **7. Register for Michigan taxes.** Sales tax license, employer withholding, and unemployment insurance through Michigan Treasury Online, depending on what you sell and whether you hire.
- **8. Check licenses and zoning.** State professional licenses, county and city business licenses, and — if you work from home — local zoning and HOA rules.
- **9. Put contracts in writing.** Client engagement terms, vendor agreements, and employee/contractor classifications. Handshake deals fund lawsuits.
- **10. Calendar your annual report.** Michigan LLCs file by February 15 each year; corporations by May 15. Missing it can dissolve your entity — and your liability protection with it.

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Five Mistakes That Cost Founders Real Money

- **Skipping the operating agreement.** Michigan's default LLC rules will govern your fallout with a co-owner — and they will not say what you would have wanted.
- **Wrong state.** Delaware incorporation sounds sophisticated, but for most Michigan small businesses it just buys you two states' worth of fees and filings.
- **Misclassifying workers.** Calling employees 'contractors' invites IRS and Michigan UIA penalties that regularly reach five figures.
- **Ignoring the corporate veil.** No separate bank account, no records, personal expenses on the business card — courts pierce the shield of owners who treat the entity as a personal wallet.
- **DIY equity splits.** 50/50 with no tiebreaker, or handing 30% to an early helper with no vesting, are the two most common cap-table regrets we see.

Ready to form your business — properly?

Berris Law Firm offers flat-fee business formation, and your initial consultation is always free. We will help you pick the right structure, file it correctly, and put the agreements in place that keep partners friendly and assets protected.

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