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Starting a business is more than filing paperwork with the state. Many new business owners focus on launching operations, finding customers, or developing products while overlooking the organizational steps that help protect the business long term.

A well-organized startup process helps reduce disputes, avoid tax problems, maintain liability protection, and create a stronger foundation for growth. Even small businesses and family-owned companies benefit from having a written formation checklist and internal setup policy.

Here's a practical example of a basic new entity setup policy that businesses can adapt for their operations.

Sample Internal Policy

Business Formation Checklist and New Entity Setup Policy

Purpose
This policy's purpose is to establish a standard process for forming and organizing a new business entity. Companies should complete each item before beginning regular business operations.

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1. Complete Formation Filing

- Select the appropriate entity type (LLC, corporation, partnership, etc.).
- File formation documents with the appropriate state agency.
- Obtain stamped or approved copies of formation documents.
- Store copies electronically and in the company records book.

Responsible Party: _____ Completion Date: _____

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2. Obtain Employer Identification Number (EIN)

- Apply for a federal Employer Identification Number (EIN).
- Confirm EIN documentation has been received from the IRS.
- Provide EIN information to accounting and banking institutions as needed.

Responsible Party: _____ Completion Date: _____

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3. Sign Governing Documents

- Prepare and sign all governing documents:
  - Operating Agreement
  - Corporate Bylaws
  - Shareholder Agreements
  - Partnership Agreements
- Confirm all owners or managers receive signed copies.
- Retain executed originals with company records.

Responsible Party: _____ Completion Date: _____

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4. Open A Bank Account

- Open a separate business bank account.
- Ensure no personal funds are mixed with company funds.
- Establish bookkeeping and accounting procedures.
- Determine authorized account signers.

Responsible Party: _____ Completion Date: _____

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5. Document Ownership

- Document ownership percentages in writing.
- Issue membership certificates or stock certificates if applicable.
- Record all capital contributions.
- Maintain an ownership ledger or capitalization table.

Responsible Party: _____ Completion Date: _____

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6. Obtain Required Licenses

- Identify required federal, state, and local licenses or permits.
- Confirm zoning or industry-specific approvals if necessary.
- Maintain copies of all active licenses and renewal dates.

Responsible Party: _____ Completion Date: _____

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7. Review Tax Elections

- Review available federal and state tax classifications.
- Consult accounting or legal advisors regarding tax elections.
- Document any elections filed with taxing authorities.
- Establish payroll tax procedures if you intend to hire employees.

Responsible Party: _____ Completion Date: _____

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8. Obtain Insurance

- Review appropriate insurance coverage:
  - General liability insurance
  - Workers' compensation insurance
  - Professional liability insurance
  - Commercial property insurance
  - Cybersecurity coverage if applicable
- Confirm policies are active before operations begin.

Responsible Party: _____ Completion Date: _____

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9. Create an Annual Records and Compliance Calendar

- Create a compliance calendar for:
  - Annual reports
  - Tax filings

    - License renewals
    - Required meetings
    - Insurance renewals

- Assign responsibility for ongoing compliance monitoring.
- Maintain corporate records in a secure location.

Responsible Party: _____ Completion Date: _____

Final Thoughts

Many business problems begin by overlooking small organizational issues. A written startup checklist helps owners stay organized, document important decisions, and reduce the risk of future disputes or compliance problems.

Businesses should also remember that formation requirements vary depending on the industry, ownership structure, and state of formation. Legal and tax guidance early in the process can help prevent costly mistakes later.