

Starting a business is exciting and challenging. It is important to get started on the right foot by registering your business in North Dakota and obtaining an Employer Identification Number (EIN) from the IRS. North Dakota has a packet called New Business Registration Forms that is critical to the process. The forms are easy to understand and complete. If you have questions, consult your accountant or attorney.

That packet can be ordered at: [www.nd.gov/businessreg](http://www.nd.gov/businessreg) or by calling the North Dakota Secretary of State at 800-352-0867 or 701-328-4284.

Basic information on types of business organizations are included in this section. You and your accountant and/or attorney, should make the decision together.

### Types of Business Organizations

#### Sole Proprietorship

This is a situation in which one person owns and manages the business and is the sole person financially responsible for it. In other words, this person receives all the money from the business but is also legally responsible for all its debts. If you have a sole proprietorship, you are responsible for the income tax of the business.

Aside from the financial responsibilities and licensing regulations, the sole owner of a business has no obligation to an outside authority. This person can make the decisions on curriculum, fees, philosophy, policies, and related matters without having to answer to anyone else.

#### Partnership

If two or more persons get together to operate a business, they form a partnership, drawing up an agreement that states each person's share in the business. These persons make decisions and receive monies as would an individual, dividing income according to each person's share. They are also responsible for the debts incurred by the business, again dividing that responsibility according to each person's share in the business. Partnerships do not pay income taxes. Rather, each partner is taxed on his or her proportionate share of the business.

The partnership, like the sole proprietorship, is responsible only to itself, making all decisions related to the operation of the center, as long as it stays within the limits of licensing regulations and financial responsibilities.

#### Corporation (For profit)

Usually a corporation is formed when there is more than one person involved in a business, although in some states individuals may also become incorporated. Corporations are organized under state laws and therefore may differ somewhat from state to state. Basically, a corporation operates as though it were an individual. The

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corporation assumes the responsibility of the business, receives all monies, and assumes all debts.

Members of the corporation are not held personally responsible for debts of the business, but only for the share of the business that they own. You will need legal assistance to set up a corporation and may need additional legal assistance for its continuation, should problems arise. Unlike the partnership form of business, a corporation pays income taxes on its profit, while the members of the corporation pay income tax on their share of the profits.

It is conceivable that you could organize a simple corporation and elect members of your family as the Board of Directors and officers. The Board, in turn, hires you as the director, and you draw salary as your compensation.

### **Nonprofit Corporation**

If you want to enter the nonprofit field, you must become incorporated. This assures those who contribute to your center that all monies received will go into the project and will not be of benefit to any individual. Nonprofit corporations are not taxed, since they don't profit. All monies earned must be put back into their business.

If the center is operated by a religious organization, a community service organization, or some type of incorporated group, the center is considered to be nonprofit. It operates under the sponsors' nonprofit incorporation papers. Tuition income may or may not be supplemented by the sponsoring group either through fund raising or grants. Often the sponsoring body will underwrite one or more aspects of the program, such as providing facilities free of charge.

*Leading the Way for Child Care in North Dakota*

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Eastern North Dakota 800-941-7003 or 218-299-7026 ~ Western North Dakota 888-223-1510 or 701-223-1510

[www.ndchildcare.org](http://www.ndchildcare.org)