

DOING BUSINESS IN TEXAS LEGAL & TAX REQUIREMENTS (PART 1/4)

I. INTRODUCTION

The State of Texas is a pro-business and tax friendly state. Texas does not have a corporate or individual income tax, value added tax or other estate/inheritance taxes. The state has very friendly asset protection laws, trust laws and property exemption laws. If you are considering whether to start or acquire a business in Texas there are several legal, tax, and business requirements that you should be aware of. This report explains the requirements and obligations of doing business in Texas and the USA. We will issue another alert on the tax advantages of doing business in Texas.

II. LEGAL & CORPORATE ENTITIES

The first decision you need to make before doing business in Texas or the U.S. is to select the type of legal entity that you will use. For example, you may form a corporation, limited liability company, partnership or sole proprietor. Each entity has different legal and tax implications for your business which you should discuss with your attorney. In general, a corporation or limited liability company protects the owners from lawsuits or other claims against the company.

If you will operate as a Corporation or an L.L.C., you will need to reserve your business name. Keep in mind that corporation names must include the word "corporation," "incorporated," "limited," or some abbreviation or derivation thereof. Likewise, L.L.C. names must include the words "limited liability company," "limited company," or some abbreviations or derivation thereof.

III. TRADE NAMES OR FICTITIOUS BUSINESS NAME –D.B.A.’s

If you have a trade name or business (d.b.a.) name for your business, it would be wise to register and protect the trade or business name. The company may have to file a fictitious business name statement also called “d.b.a.” or “doing business as.” In fact, many sole proprietors operate under their own actual names. However, if you operate your business under any other name, you are required to file that name with the Secretary of State and with the county clerk’s office in the county in which you will do business. The certificate is good for ten years and can be renewed. The registration of a trade name at the federal and state level is a little more complicated and requires legal analysis to do it properly. We will issue a separate alert on trade names later.

IV. REGISTRATION WITH THE SECRETARY OF STATE REQUIREMENTS

If incorporate or use another legal form to do business in Texas, you must register your company’s name with the Texas Secretary of State, Corporations Section. You are not required to file an assumed name certificate with the county unless your business will use an assumed name that is different from the one you registered with the Corporations Section. That is, your corporation, limited partnership, L.L.C., or L.L.P. be using a name that differs from your registered business name, you, too, must file as assumed name certificate with you county clerk’s office for the county in which your business will be located (if you have more than one office, you file in the county where your headquarters or main site will be locate). If the company is a foreign company doing business or investing in Texas it must also must register in with the Secretary of State to avoid penalties and legal risks of operating without registration.

Sincerely,

Ruben Flores, Attorney & CPA