



7 Critical Steps to Closing Your Business

Whether you have decided to close your business after a long successful run or because you are seeking a fresh start, it is usually not as simple as shutting the doors and wiping your hands clean. You'll often need to take numerous steps from a state and federal law perspective to obtain finality and perhaps liability protection. Ohio business owners should consider these critical steps before, during, and after closing so as to reduce problems and liability along the way.

Make it Official

Document your decision to close your business! This should be a written resolution or agreement, especially if multiple business owners are involved. Each entity is different, and documenting the close should comply with any relevant governing documents. Once you have wrapped up everything, be sure to formally dissolve this entity.

Communicate with Your Network

There are many people involved in your business' network. Notify them. It may sound silly, but this step is often overlooked. Remember to talk with your creditors, suppliers, lenders, service providers, and utility providers. You'll need to ask about any final requirements needed from their end. Don't forget to inform your employees and pay them. Lastly, let your customers know and resolve any remaining contractual obligations.

Everything Must Go

Many businesses have tools of the trade or a home base. Sell off inventory and other business assets, if possible, or donate to a charity to generate a charitable deduction. Anything remaining should be distributed to yourself and any other owners under the governing documents.

Collect Recievables and Pay Your Debts

Before you notify your debtors you are going out of business, collect outstanding accounts receivable. Be sure to settle or pay your debts to the extent possible, prioritizing your personal liability protection. For instance, sales tax and income tax withheld from your employees' paychecks are amounts for which you will be held personally liable if not properly remitted to the applicable governmental agency.



Wrap it up

Your business had many needs throughout its life, some of which required you to sign leases or service agreements. Take the time to list out and terminate applicable contracts. If appropriate, cancel state or county permits or licenses, including your vendor's license. Make sure to cancel any business names you no longer need, including your trade name.

Take a look at the different accounts associated with your business. Cancel business credit cards and subscriptions. Make your final federal and state payroll deposits and close your business bank and other accounts, including all state & federal agency accounts.

Conclude Employee Benefits

One of the complex areas in the conclusion of a business is employee benefits. We suggest getting professional advice if you provide a pension or benefit plan, health savings accounts, or similar benefits for your employees. Often there are special obligations required upon closing your business.

Fireside with Uncle Sam

Finally, the step many business owners do not want to think about—taxes and the IRS. Depending on your business type, this step can become increasingly complex and require expert advice. In most situations, business owners should:

- Notify federal and state tax agencies. The IRS recommends cancelling your federal employer identification number.
- Submit final sales tax forms and funds due up to the closing date.
- File your final employment-related tax returns: IRS Form 940, IRS Form 941, and state withholding and wage reporting forms.
- File your final income tax returns and designate on the return that it is your final return.
- Keep your business records, for four to seven years.

Every business and situation is different, and some require particular care. Whether you are closing your business after a long successful run or seeking a fresh start, it is vital to close your business correctly. Failure to legally dissolve an entity and take the proper steps may expose you to continued taxes, statutory agent fees, and filing requirements.

Are you thinking about wrapping up your company? Give our business attorneys a call today to help protect what matters the most.