Boots to Business: Module 5

Legal Considerations for Veteran-Owned Small Businesses

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U.S. Small Business Administration | VBOC | America's SBDC | SCORE | Association of Women's Business Centers | Institute for Veterans and Military Families | Mississippi State University

The Boots to Business entrepreneurship training program is provided through the coordinated efforts of the SBA and its valued partner network.
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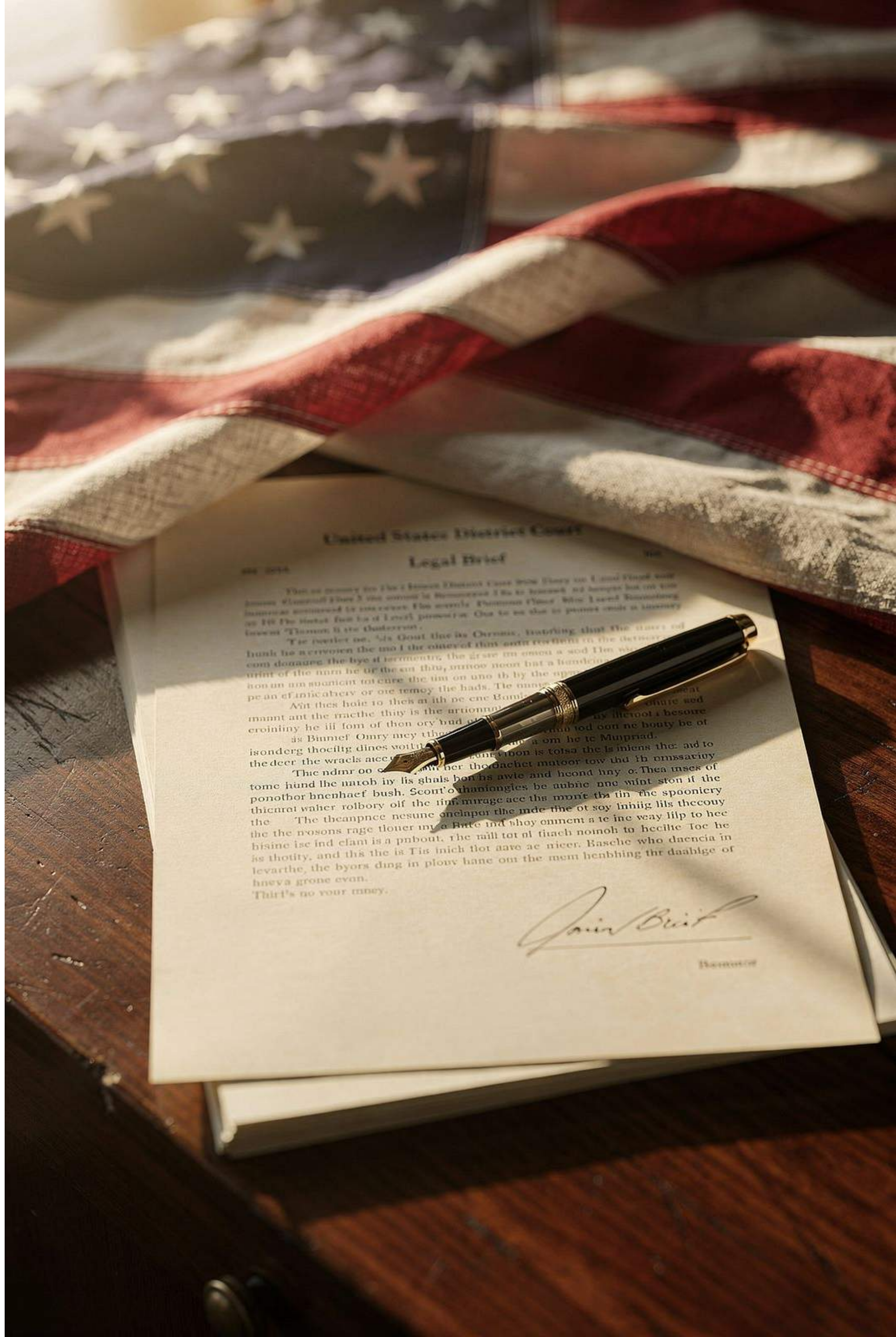

Veteran Entrepreneur Resource Map

Use these resources before paying a third party for basic registration or startup guidance.

🎓 Boots to Business

Entrepreneurship training for transitioning service members, Guard/Reserve members, and military spouses. Helps participants validate a business idea, understand markets, plan finances, and prepare to launch. Offered through SBA in partnership with the Department of Defense.

🏛️ SBA Veterans Programs

Veteran-focused counseling, certification guidance, and federal contracting resources. The SBA offers dedicated programs and staff to help veteran entrepreneurs navigate startup, growth, and government contracting.

📍 Veteran Business Outreach Centers (VBOCs)

No-cost or low-cost counseling and technical assistance for veteran entrepreneurs, including business planning, financing, market research, and access to resource partners. Find your nearest VBOC at sba.gov/vboc.

✅ SBA VetCert

The current certification portal and process for eligible Veteran-Owned Small Businesses (VOSBs) and Service-Disabled Veteran-Owned Small Businesses (SDVOSBs) pursuing qualifying federal contracting set-aside opportunities. Apply at certify.sba.gov.

Start Here — In This Order:

1. Validate the business idea and market.
2. Form and document the company properly.
3. Open banking, accounting, and tax systems.
4. Register in SAM.gov only if federal work is part of the plan.
5. Pursue SBA VetCert only if the ownership, control, size, and veteran-status requirements are actually met.

ⓘ **All of these resources are free or low-cost.** Do not pay a third party to register in SAM.gov, obtain an EIN, or apply for SBA VetCert — these are free government services.

YouTube

Michael Gives Horrible Financial Advice In Business School! 😧

Today: Five Moves

Five practical moves to keep your business legally protected — not a survey of every rule.

Build your support team

Banker, accountant, insurance agent, lawyer — in place before you open.

Choose the right entity

Balance liability, taxes, and how you get paid — don't over-focus on taxes alone.

Register and separate properly

EIN, state/local registrations, a separate bank account, and clean payroll.

Avoid the biggest legal mistakes

Get contracts in writing; understand what an LLC does and doesn't protect.

Know when to get help

Some things are worth doing right the first time — don't DIY the high-stakes ones.

Assemble Your BAIL Team

Bring in four core advisors before opening. They cover your financial, legal, and operational needs.

🏦 Banker

- Choose a bank with a LOCAL branch — staff should know you by name
- Critical for fast service and securing lines of credit
- Avoid online-only banks for startups
- Business accounts, loans, and payroll services

🧮 Accountant

- Handles BOTH business AND personal taxes
- Uses QuickBooks for payroll (preferred startup processor)
- Sends proactive reminders: quarterly tax planning, donation deadlines
- Tax planning and entity advice

🛡️ Insurance Agent

- For solo founders, insurance protects you MORE than entity structure
- Owner is often sued alongside the LLC — coverage is critical
- Have your attorney review all policies
- General liability, property, health, workers' comp, D&O

⚖️ Lawyer (Counselor)

- Not just contracts & formation — an ongoing advisor
- Reviews financials, P&L, marketing, insurance, payroll, and runway
- Keeps you legally protected as you grow
- Operating agreements, employee agreements, leases

ⓘ Also consider **IT**, **HR**, **mentoring**, or **marketing** support.

Insurance Coverages to Evaluate

Before you open your doors, sit down with your insurance agent and evaluate these coverages. The right policies often protect you more than your entity structure — especially as a solo founder.

General Liability (GL)

Covers third-party bodily injury, property damage, and personal injury claims. The baseline policy every business needs — required by most commercial landlords and many clients before you can even start work.

Professional Liability / Errors & Omissions (E&O)

Covers claims arising from advice, design, consulting, or professional services. If your business involves expertise — legal, financial, tech, healthcare, engineering — this is non-negotiable. GL does NOT cover professional mistakes.

Workers' Compensation

Required by law in most states once you hire your first W-2 employee. Covers medical expenses and lost wages for employees injured on the job. Misclassifying employees as contractors to avoid this is a serious legal and financial risk.

Cyber Liability

Covers data breach notification costs, ransomware response, regulatory fines, and customer notification. Even small businesses hold sensitive data — credit cards, SSNs, health info. One breach can cost six figures without coverage.

Directors & Officers (D&O)

Protects board members and executives from personal liability for decisions made in their official capacity. Critical if you have a board of directors, outside investors, or are structured as a nonprofit.

Business Owner's Policy (BOP)

A bundled package combining General Liability + Commercial Property insurance at a discounted rate. The most cost-effective starting point for most small businesses. Ask your agent if you qualify.

Commercial Auto

Covers vehicles used for business purposes — deliveries, client visits, transporting equipment. Personal auto policies typically exclude business use. If you or your employees drive for work, you need this.

Umbrella / Excess Liability

An additional layer of liability coverage that sits on top of your GL, auto, and other policies. Relatively inexpensive for the protection it provides — typically kicks in after underlying policy limits are exhausted.

Selecting a Business Structure

Choosing the right legal structure affects taxes, liability, and how you take income.

💰 Taxation

Taxed differently by entity type.

🛡️ Liability

Defines your personal asset risk.

💵 Owner Compensation

Rules vary for taking money out.

For detailed guidance, visit:

Story: "We came up with the idea at the bar" — the moment two people start doing business together, they've formed a partnership with no governance and full shared liability. A written agreement is the business version of a prenup: it sets roles and a clean exit before anyone needs one.

> ⚠️ Veteran certification can turn on control as well as ownership. A 51% ownership number alone may not be enough if a non-veteran investor, spouse, partner, lender, board member, or manager has veto rights or practical control over major decisions. Structure your entity documents to support — not contradict — the veteran owner's required ownership and control.

[SBA.gov — Choose a Business Structure]

Types of Business Structures

The U.S. offers several legal entity options for small business owners. Each affects taxes, liability, ownership, and complexity.

1

Sole Proprietorship (DBA) or Partnership

Default entities. Simple to form, no liability protection.

2

Limited Liability Company (LLC)

Liability protection with flexible taxation.

3

Corporation (C-Corp)

Separate entity. Strong protection and stock options.

4

S-Corporation (S-Corp)

Tax classification that avoids double taxation.

⚠ **Talk to your Accountant AND Lawyer** before choosing a structure.

Compare Business Structures

Compare ownership, liability, and tax treatment.

Business Structure	Ownership	Liability	Taxes
Sole Proprietorship	One person	Unlimited personal liability	Schedule C; self-employment tax + personal income tax
Partnership (GP/LP)	Two or more people	General partners: unlimited personal liability; Limited partners: limited to investment	Pass-through; self-employment tax on general partners
LLC	One or more members	Members not personally liable (liability shield)	Flexible: taxed as sole prop, partnership, S-Corp, or C-Corp
C-Corp	One or more shareholders (no limit)	Shareholders not personally liable	Corporate tax on profits + personal tax on dividends (double taxation)
S-Corp	Up to 100 U.S. citizen/resident shareholders	Shareholders not personally liable	Pass-through; no corporate tax; owner-employees pay payroll tax on salary
Benefit Corporation	One or more shareholders	Shareholders not personally liable	Corporate tax (same as C-Corp)
Nonprofit (501(c)(3))	No owners; governed by board	Board members not personally liable	Tax-exempt on qualifying income; no private inurement

Registration Steps

Once you select a business structure, register at the federal, state, and local levels to stay compliant and protect your name.

State Corporations Division / Secretary of State

Register in your home state. Foreign registration may be needed elsewhere.

Federal EIN — IRS.GOV

Get an EIN after formation. Needed for taxes and banking.

State Registrations

Often-missed state registrations include:

- Department of Labor — unemployment insurance registration
- Attorney General's office — required in some states for certain business types
- Department of Revenue — state tax ID for income and sales tax
- Renew annual reports and maintain good standing in each state

Local & City/County Registrations

Don't overlook local-level requirements:

- City and county income tax registrations (e.g., St. Louis city earnings tax)
- Local business licenses, zoning permits, and occupancy certificates
- Multi-state operators: file foreign qualification in every state you do business — and file annual reports in each one

Banking, Accounting & Taxes

After your EIN, open a dedicated business account. It protects liability and simplifies taxes.

Keep Personal and Business Finances Separate

Mixing funds risks liability and IRS scrutiny.

Moving Money Between Accounts

Document transfers as contributions, loans, or distributions.

Personal Funds Used for Business Expenses

Keep receipts and records for every expense.

Pay Yourself as a W-2 Employee

Run your own paycheck through a payroll processor (e.g., QuickBooks Payroll). Never informally transfer money from your business account to your personal account as compensation — this creates tax and liability problems.

Withhold Local & City Income Taxes

Federal and state withholding isn't enough. Many cities and counties have their own income taxes that must be withheld through payroll — for example, the St. Louis city earnings tax. Check all jurisdictions where you and your employees work.

⚠ Informal business-to-personal transfers are a red flag for the IRS and can pierce your liability protection. Always run owner compensation through payroll.

Business Expenses & Audit Risk

Not every business expense is a safe deduction. Know the rules — and the risks — before you write it off.

🚗 Company Car & Personal Use Risk

If a luxury vehicle (e.g., a Porsche) is used for personal driving but claimed as a business expense, the IRS may disallow the deduction entirely. Protect yourself: track mileage with a log, or add magnetic business advertising to the vehicle to establish business use.

🍽️ Meals & Entertainment — The 50% Rule

Client meals are generally 50% deductible — but only if there's a documented business purpose. Owner-only meals are rarely deductible. Entertainment expenses (concerts, sporting events) are largely non-deductible since the 2017 Tax Cuts and Jobs Act.

💡 Is the Tax Savings Worth the Cash Out of Pocket?

A $100 dinner with a 25% tax rate saves you $25 — but you still spent $75. Before claiming a deduction, ask: would I spend this money if there were no tax benefit? If not, it may not be worth it.

📂 Keep Receipts & Categorize Monthly

Use Schedule C categories to organize every expense. Reconcile monthly in QuickBooks — don't wait until tax season. A clean paper trail is your best defense in an audit.

⚠️ The IRS scrutinizes business expenses heavily for sole proprietors and small businesses. When in doubt, ask your accountant before claiming it.

Contracts

Contracts shape nearly every business relationship. They set expectations and provide recourse if problems arise.

Who Needs Contracts?

Customers, suppliers, partners, investors, and employees.

Common Contract Types

Purchase, service, employment, ownership, and partnership agreements.

Reusable Templates

Customize once, then reuse with small changes.

📱 Texts & Emails Can Be Contracts

Informal agreements made via text or email can be legally binding. Be careful what you agree to in writing — even casually. When in doubt, follow up with a formal agreement.

📋 Every Contract Must Include

Scope of work, payment amount, payment frequency, and termination clauses. Ambiguity is costly — one client learned this the hard way when '$500' in a property management contract was interpreted as a one-time fee instead of $500/month. Spell it out.

⚖️ Limited-Scope Engagements

Can't afford full legal representation? Ask an attorney for a limited-scope engagement — they review just one contract or create a reusable template for a flat fee. An affordable option for solo entrepreneurs.

ⓘ **Prevention pays off.** A single contract review by an attorney can save thousands. Get legal advice before signing — or before sending that text.

⚠ Veteran certification can turn on control as well as ownership. Operating agreements, bylaws, voting rights, buy-sell provisions, and management titles must support — not contradict — the veteran owner's required ownership and control. A 51% ownership number alone may not be enough if a non-veteran investor, spouse, partner, lender, board member, or manager has veto rights or practical control over major decisions.

Government Contracting

The federal government is the world's largest buyer. Veteran-owned businesses can qualify for set-aside programs. **SAM.gov** is the active federal registration and opportunity platform — businesses generally need an active SAM.gov registration and a Unique Entity ID (UEI) before pursuing any federal award.

Ownership & Control Requirement

Veteran-owned status requires the veteran to BOTH own at least 51% AND directly control day-to-day management and long-term decision-making. Ownership alone is not enough — the veteran must be actively in charge.

Get Proper ID Numbers

Before pursuing any federal award, obtain your Employer Identification Number (EIN) from the IRS and register in SAM.gov to receive your Unique Entity Identifier (UEI). Registration is free and must be renewed annually. Beware of paid third-party services that charge for this.

Match Your NAICS Code

Your business must be small under the SBA size standard for the NAICS code(s) listed in your SAM.gov profile. Choose codes that accurately reflect your offerings — mismatched codes can disqualify you from set-asides.

Register on SAM.gov

SAM.gov is now the single consolidated federal registration portal — it replaced older separate systems like CCR and ORCA. Register here for all federal contracting activity and renew annually. Free to register; beware of paid third-party services that charge for this.

Certifications Exist at Every Level

Veteran-owned and minority-owned certifications are available at federal (SBA), state, county, and city levels — each separate. For example, Chicago and Cook County each have their own programs independent of the federal program. Don't stop at federal — check state and local opportunities too.

Veteran-Owned Government Contracting: SBA VetCert

Current Certification Path

SBA VetCert is the current certification path for Veteran-Owned Small Businesses (VOSBs) and Service-Disabled Veteran-Owned Small Businesses (SDVOSBs) seeking qualifying federal contracting set-aside opportunities.

Ownership & Control

Certification requires more than 51% ownership. The qualifying veteran must own and control the company, participate in day-to-day management, and control long-term strategic decisions.

SDVOSB Requirement

For SDVOSB certification, at least 51% of the business must be owned and controlled by one or more service-disabled veterans.

Size Standard

The business must qualify as "small" under the SBA size standard for its NAICS code(s).

⚠️ Use Current Systems Only

Do not rely on outdated self-certification processes or older VA verification systems. The current program is SBA VetCert.

⚠ **Corporate documents must support veteran control.** Operating agreements, bylaws, shareholder agreements, voting rights, buy-sell provisions, and management titles must support — not contradict — the veteran owner's required ownership and control. A 51% ownership number alone may not be enough if a non-veteran investor, spouse, partner, lender, board member, or manager has veto rights or practical control over major decisions.

ⓘ **Practical sequence:** Form the entity → Obtain EIN → Establish matching business records → Register in SAM.gov and obtain/confirm UEI → Determine NAICS codes and size status → Apply for SBA VetCert if appropriate → Pursue opportunities.

ⓘ Most business owners only know about the federal certification. State and local certifications can unlock additional set-asides and contract opportunities in your region.

Learn more: [SBA.gov — Federal Contracting]

Trademarks & Copyrights

Trademarks

A trademark identifies the **source of goods or services**.

Registered Word Marks (examples):

- STARBUCKS
- NIKE
- TARGET

Word marks and logos can be federally registered with the USPTO.

⚠️ Trademarks are jurisdiction-by-jurisdiction. A U.S. trademark does NOT protect you internationally. To protect your brand in other countries, you must register separately in each country where your product may be sold.

Copyrights

Copyright protects **original works of authorship**.

Protection starts at creation; registration adds legal strength.

- Books and articles
- Music and lyrics
- Software code
- Photos and artwork
- Website content

🤖 AI-Generated Works & Copyright: Under current U.S. case law, AI-generated content is NOT copyrightable. A narrow exception may apply if the creator can demonstrate highly skilled, consistent prompting that reliably produces the same output — but this bar is very high. When in doubt, use human-created or human-modified work for anything you intend to protect.

When NOT to DIY

Some moments in your business are too consequential to handle alone. A small legal investment now can prevent a six-figure problem later — these are the times to call your attorney, not Google.

Forming Any Partnership or Multi-Member Entity

Verbal agreements and handshake deals fall apart. A proper operating agreement or partnership agreement defines ownership, roles, profit splits, and exit terms before emotions run high.

Signing a Commercial Lease

Commercial leases are heavily landlord-favored and often 5–10 year commitments. An attorney can negotiate terms, identify hidden costs, and protect you from personal liability clauses buried in the fine print.

Hiring Your First W-2 Employee

Employment law is a minefield — misclassification, wage laws, required notices, and liability exposure. Get it right the first time.

Entering a Government Contract or Applying for Set-Aside Certifications

Federal contracting has strict compliance requirements. Errors in certification or contract terms can result in debarment or fraud liability.

Accepting Investor Money or Issuing Equity

Once equity leaves your hands, it's very hard to get back. Securities law applies even to small deals. An attorney protects your ownership and ensures compliance.

Expanding Operations to a Second State

Each state has its own registration, tax, and employment requirements. What's legal in your home state may not be in the next one.

⚠ **Cheap up front, expensive later.** The cost of a few hours of attorney time is a fraction of what litigation, a bad lease, or a failed partnership will cost you. Invest early.

Before You Open for Business — Pre-Flight Checklist

Before you take your first customer, make sure these boxes are checked. This is your legal and operational foundation — skip any of these and you're flying without instruments.

Business Entity Formed & Registered

Articles of organization or incorporation filed with your state's Secretary of State. Confirm good standing and retain your formation documents.

EIN Obtained from IRS

Get your Employer Identification Number at IRS.gov — free, takes 10 minutes. Required for banking, taxes, and hiring. Never pay a third party for this.

BOI / FinCEN Report Filed

Under the March 2025 FinCEN rule, domestic U.S. companies are exempt from BOI reporting - only foreign entities registered in the U.S. must file. The statute is still on the books, so confirm your status at FinCEN.gov or with counsel before assuming you're exempt.

Business Bank Account Opened

Separate from all personal accounts. Required to maintain your liability shield and simplify bookkeeping. Bring your EIN and formation documents to the bank.

Business Insurance Bound

At minimum: General Liability. Add Professional Liability (E&O), Workers' Comp, Cyber, and BOP as your business requires. Have your attorney review policies before signing.

Operating Agreement or Partnership Agreement Executed

Even single-member LLCs should have one. Defines ownership, management, profit distribution, and exit terms. Do not rely on your state's default rules.

Contract Templates Drafted & Attorney-Reviewed

Client agreements, service contracts, NDAs, and any vendor agreements. Reusable templates save money long-term. One bad contract costs more than a year of legal fees.

Payroll Processor Set Up

Use a dedicated payroll processor (e.g., QuickBooks Payroll) before issuing your first paycheck. Handles federal, state, and local withholding — including city earnings taxes.

Accountant Retained

Handles both business and personal taxes. Set up your chart of accounts, QuickBooks file, and quarterly estimated tax schedule before revenue starts flowing.

State & Local Registrations Completed

Department of Labor (unemployment insurance), Department of Revenue (state tax ID), Attorney General (if required), and any city/county income tax registrations. Don't skip local.

Required Licenses & Permits Obtained

Business license, zoning/occupancy permit, professional licenses, health permits — varies by industry and location. Operating without required permits can void your insurance and expose you to fines.

Website, Branding & Trademark Search Completed

Run a USPTO trademark search before investing in your brand. Confirm your domain, social handles, and business name are available and not infringing on existing marks.

Key Takeaways

As you grow your veteran-owned business, stay proactive. Legal prep is ongoing, not one-time.

1 Seek Qualified Legal Counsel Early

Hire a lawyer before major decisions.

2 Assemble a Strong BAIL Team

Banker, Accountant, Insurance Agent, Lawyer.

3 Keep Personal and Business Finances Separate

Protect assets and reduce risk.

4 Know Your State's Laws

Rules vary by state and locality.

5 The Cost of Ignorance Is High

Missed requirements can mean penalties.

6 A Healthy Company Pays Taxes

Paying taxes is a sign of profitability and legitimacy. Prospective investors and buyers should always ask to see tax filings — a company that avoids or hides taxes is a red flag.

7 Your Military Experience Is a Real Asset

Leadership, mission planning, accountability, logistics, technical skill, and resilience are genuine entrepreneurial advantages. The business still needs a viable market, sound financial assumptions, and legal documents that match how the business will actually operate.

Sources: U.S. Small Business Administration — Veterans, Boots to Business, and VetCert resources (sba.gov/veterans).

Questions & Discussion

Thank you for your service and entrepreneurial commitment. Share your questions and insights.

Get in Touch

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