

## Suspending Your Business: Legal And Financial Issues

Closing a business can be even more difficult than starting a business, because there are so many financial and legal issues you must take care of.

**It is critical that you work closely with financial and legal experts to ensure you do everything in a timely manner and in accordance with the law.**

Two additional valuable resources are the SBA and the IRS, which have a wealth of information on their websites about the financial and legal responsibilities you incur when closing a small business.

Following is a list of legal issues you will need to discuss with an attorney as you build (and implement) your deployment plan:

- ◆ Identify the responsibilities and capacities of your legal advisors during your absence. For example, will your attorney handle all unfinished business after you close the doors of your business, or will you retain an employee to handle claims and other issues?
- ◆ Appoint a person to serve as power of attorney on your behalf. There are different kinds of powers of attorney: a special or limited power of attorney has a very specific purpose; a general power of attorney has a much broader definition and can act on your behalf for multiple purposes. Only authorize a power of attorney if it becomes necessary, and make sure it is someone you absolutely trust since this person will be representing you in binding, legal matters.
- ◆ Make arrangements in the event of your death or disability, including a possible succession plan for your business and the addition of life or disability insurance to protect you if you are unable to return to your business post-deployment.
- ◆ Ensure that you are closing your business in compliance with all applicable state and federal laws as they pertain to the business regulations, employee requirements, and other issues.

It is important that you prepare a financial analysis of your business cash flow as you build your deployment plan. The analysis should list your start-up and recurring costs as they pertain to your business. The goal when suspending your business is to decrease your costs as much as possible and get the lowest minimum operating cost. Your financial analysis can assist you in eliminating as many costs as possible, including monthly subscriptions, service fees and more. If you lease a building, for example, you may decide to cancel the lease and lose the space rather than paying for it monthly. This would also eliminate utilities and multiple other costs.

If you own your space and plan on re-opening your business when you return, it may not make sense to sell the space. In that case, your monthly mortgage costs, insurance and applicable taxes will have to be included in your lowest possible operating cost. Once you have determined what your business's lowest cost is, your deployment plan will be based around those costs and the elimination of unnecessary costs while you are deployed.

Following is a list of financial issues you will need to discuss with your accountant, tax attorney, or other financial advisor as you build and implement your deployment plan:

- ◆ File annual return for the year you suspend your business. If you have employees, file the final employment tax returns and make the final federal tax deposits of these taxes.

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- ◆ File returns to report disposing of business property or the exchange of like-kind property.
- ◆ Notify and discuss the responsibilities and capacities of financial advisors during your absence.
- ◆ Notify creditors of departure and request reduced interest rates if applicable. Pursuant to the Servicemembers Civil Relief Act, you may be eligible to receive benefits including a cap of 6% interest in debt acquired before being called to active duty if you can provide that military service has materially affected your ability to pay back your debt. For more information, go to [http://www.uscg.mil/legal/la/Legal\\_Assistance\\_SCRA.asp](http://www.uscg.mil/legal/la/Legal_Assistance_SCRA.asp).
- ◆ Appoint a person to pay bills, set up automatic bill payment, or pre-pay some bills to ensure that they all get paid in a timely manner.
- ◆ Appoint a person who can review and/or approve financial transactions to protect yourself from unauthorized withdrawals from your bank account. Take the time to check your credit before you depart so you will know if you are a victim of any crime of theft or fraud while you are deployed.

As mentioned before, the IRS is a very valuable resource when closing a small business. This Close Your Business Checklist from the IRS is a very helpful resource:

<http://www.irs.gov/businesses/small/article/0,,id=98703,00.html>.