

Steps for Closing a Business Entity

Source: [SBA - Closing a Business](#)

Steps to Closing a Business

If you are considering leaving your business below you will find suggested steps to follow in closing your business.

1. Decide to close a business

Sole proprietors can decide by themselves that they should close up shop. Whereas if your business is a partnership, limited liability company (LLC), or a corporation you and your co-owners must make the decision to dissolve the entity according to the guidelines established in your articles of organization. Remember to document the final decision with a written agreement.

2. Get expert advice

Closing a business is a delicate multi-step process. It is highly recommended that you enlist professional help. Expert advice may come from lawyers, accountants, business brokers, auctioneers, tax experts, bankers, and the IRS.

3. File dissolution documents

If you fail to legally dissolve your LLC or corporation you will continue to be liable for taxes and filings. If your business is operating as a general partnership or sole proprietorship you may not be required to formally dissolve your business, but it is still a good idea to notify the government and creditors of the change. If you are unsure if you should file dissolution papers, consult a small business attorney.

4. Cancel registrations, permits, licenses, and business names

To protect your finances and reputation, ensure that you cancel all licenses and permits that you will no longer need.

If you have registered under an assumed, or trade name, other than your own name then you can cancel that business name registration with your local government.

5. Comply with employment and labor laws

Ensure that final paychecks are paid to employees by their last day of work, or soon after, according to your state laws. Your state may also require you to pay employees for their unused leave.

The Worker Adjustment and Retraining Notification Act (WARN) protects workers, their families, and communities by requiring employers with 100 or more employees to provide at least 60 calendar days advance written notice of the closing. Depending on location, small businesses may need to comply with worker protection rules as well. Many states have enacted legislation similar to WARN requiring businesses with less than 100 employees to comply.

6. Resolve financial obligations

Taxes

When you file income tax returns for the year in which your business closes, check the box that indicates the document is a final return. Many state revenue agencies require additional filings for sales tax.

If you have employees, you must obligate your payroll tax responsibilities or you will risk personal liability. Inform your federal and state tax agencies that your business is closing and that you will cease to file unemployment returns and an employer's quarterly tax form.

Businesses should close their Employer Identification Number (EIN) account by contacting the IRS. The agency cannot cancel your account, but closing your EIN account notifies the IRS that you are not planning to use the number in the future.

For more information, the IRS provides a [checklist](#) of typical tax actions to take when closing a business, depending on your type of business structure. of typical tax actions to take when closing a business, depending on your type of business structure.

Business debts

Notify all lenders and creditors of your plans to dissolve the business and settle remaining debt. If you are unable to pay your debts, you may want to consider filing for bankruptcy.

Contact the business associates to whom you owe payment, or who owe payment to you. It's a good idea to discuss with your accountant, attorney, and insurers to ensure that you have everything accounted for.

Close Accounts

Finally, don't forget to close out your business bank account and cancel your business credit cards.

7. Maintain records

You may be legally required to maintain records, particularly tax and employment records, even after your business has closed. A prudent guideline for keeping records ranges anywhere from 3 to 7 years.