



The Chaplin Group  
Helping You Design Success!

# Setting Up A For-Profit Business in Maryland



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Chapter One

# Overview

# Introduction

Maryland—known as the *Free State*—is more than just home to blue crabs, the Chesapeake Bay, and vibrant communities. It's also one of the most strategically located states for entrepreneurs.

Nestled between Washington D.C. and major northeastern markets like Philadelphia and New York, Maryland offers access to talent, infrastructure, and business resources that make launching and scaling a company both exciting and achievable.

Whether you're envisioning a local coffee shop, a tech startup, or a professional services firm, understanding Maryland's business environment and legal framework is the foundation for your success.

This guide will walk you step-by-step through every major milestone: from choosing a structure and registering your business to managing taxes, compliance, and growth.



A person's hand is shown using a card reader on a tablet. The background is a blurred retail environment with shelves of products. The person is wearing a red sweater. The card reader screen displays a blue interface with a white arrow pointing up and the word 'Swipe' partially visible.

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Chapter Two

# Choosing Your Business Structure

# First Things First

Before you can make your first sale or open your doors, you'll need to decide *how* your business will exist legally. One of the most important decisions you'll make when starting your Maryland business is selecting the legal structure under which your company will operate. Your choice affects everything from taxes and liability to financing opportunities and long-term growth potential.

Think of your business structure as the foundation of a house. If the foundation is strong and appropriate for the size of the structure you intend to build, everything else becomes easier. Choosing the wrong structure can create unnecessary legal, financial, and administrative challenges later. Before making a decision, consider the following questions:

- Will you be the sole owner or have partners?
- Do you need protection for your personal assets?
- How much paperwork and compliance are you willing to manage?
- Do you plan to seek investors?
- What are your short-term and long-term growth goals?

Let's examine the most common business structures available in Maryland.



Sole  
Proprietorship



Partnership



Limited  
Partnership



Corporation



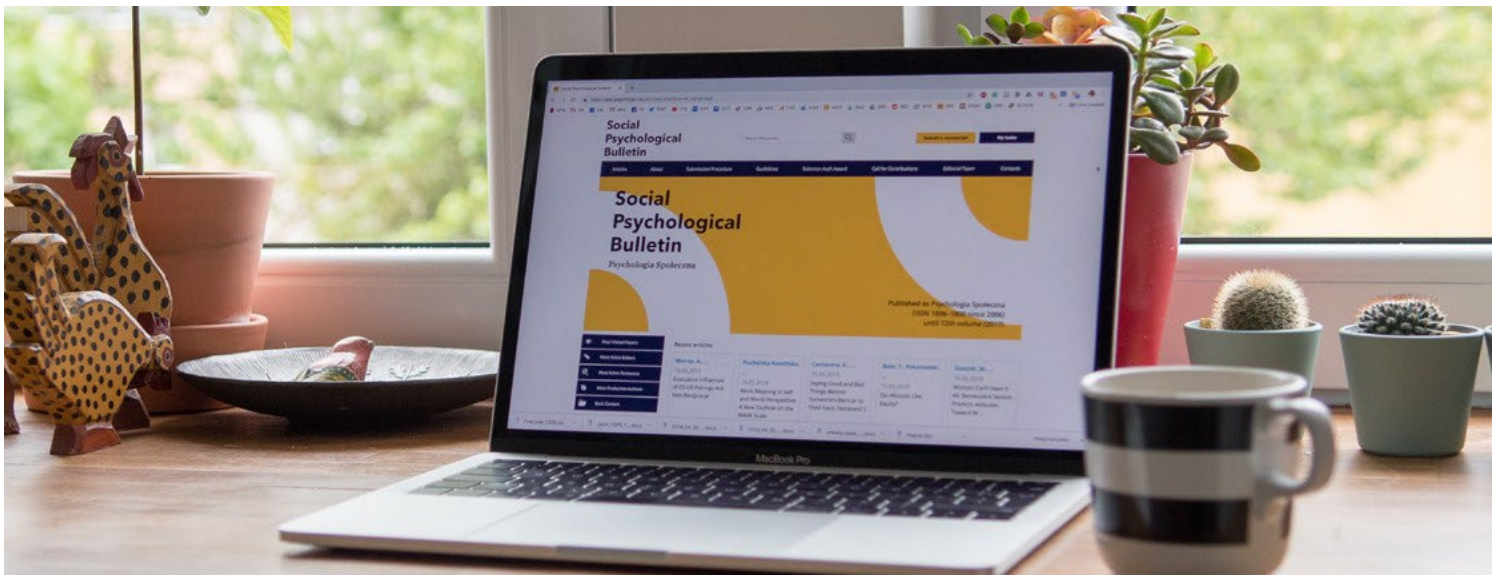
Limited Liability  
Company



Nonprofit  
Organization



Cooperative  
(Co-op)



# Sole Proprietorship

A sole proprietorship is the simplest and most common business structure for new entrepreneurs. In this arrangement, the business and the owner are considered the same legal entity.

If you're operating under your legal name, Maryland generally does not require formal registration to begin doing business.

## Advantages

- ✓ Easy and inexpensive to start
- ✓ Minimal paperwork
- ✓ Complete control over business decisions
- ✓ Income and losses reported directly on personal tax returns
- ✓ Simple accounting and recordkeeping requirements

## Maryland Considerations

If you plan to operate under a business name rather than your legal name, you may need to register a trade name through the Maryland State Department of Assessments and Taxation (SDAT).

## Disadvantages

- ✓ Unlimited personal liability
- ✓ Personal assets may be at risk if the business incurs debt or legal claims
- ✓ More difficult to raise capital
- ✓ Limited continuity if the owner becomes unable to operate the business

## Best For

- ✓ Freelancers
- ✓ Consultants
- ✓ Coaches
- ✓ Home-based businesses
- ✓ Side hustles
- ✓ Businesses testing a new concept before investing heavily

# PARTNERSHIP



•ID 298208591 | @ Piscine26 | Dreamstime.com

**A partnership** is formed when two or more individuals agree to own and operate a business together. Partnerships can be formal or informal, but a written agreement is strongly recommended.

There are several types of partnerships  
**General Partnership (GP)**  
**Limited Partnership (LP)**

## General Partnership (GP)

All partners share management responsibilities, profits, losses, and liabilities.

## Limited Partnership (LP)

Includes both general partners and limited partners. Limited partners typically invest capital but do not participate in daily management. Provides liability protection to partners against certain business obligations.

### Advantages

- Shared financial responsibility
- Combined skills and expertise
- Greater access to capital
- Relatively easy formation process

### Disadvantages

- Potential conflicts between partners
- Shared liability in some partnership structures
- Profit sharing may reduce individual earnings
- Decisions often require consensus

### Best For

- Family-owned businesses
- Professional service firms
- Real estate ventures
- Businesses with complementary ownership teams

### Maryland Considerations

Partnerships should establish a detailed partnership agreement addressing:

- Ownership percentages
- Profit distribution
- Roles and responsibilities
- Voting rights
- Exit strategies
- Dispute resolution procedures

# Limited Liability Company (LLC)

The LLC has become the most popular business structure among small business owners because it combines flexibility with personal asset protection.

An LLC is considered a separate legal entity from its owners, known as members.

## Advantages

- ✓ Personal liability protection
- ✓ Flexible management structure
- ✓ Pass-through taxation
- ✓ Fewer formal requirements than corporations
- ✓ Credibility with customers and lenders

## Disadvantages

- ✓ Self-employment taxes may apply
- ✓ Annual compliance requirements
- ✓ Additional costs for formation and maintenance

## Best For

- ✓ Small business owners
- ✓ Retail businesses
- ✓ Service companies
- ✓ Contractors
- ✓ Real estate investors
- ✓ E-commerce businesses



## Maryland Considerations

To form an LLC in Maryland, you must file Articles of Organization with SDAT and pay the required filing fee. Although not required by law, an Operating Agreement is highly recommended to establish ownership rights and management procedures.

## Why Many Entrepreneurs Choose an LLC

For many small business owners, an LLC offers the ideal balance between simplicity and protection. It shields personal assets while avoiding many of the complexities associated with corporations.



# About the Author

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The Chaplin Group is a consulting and organizational development firm with a strong faith-based and nonprofit-centered foundation. For more than 40 years, the firm has helped entrepreneurs, startup ventures, nonprofit organizations, churches, ministries, and community-based initiatives transform ideas into thriving organizations through strategic planning, leadership development, organizational management, and capacity-building services.

A recognized specialty of The Chaplin Group is working with startups and emerging organizations. From concept development and business formation to operational planning, funding strategies, and long-term sustainability, the firm has guided countless founders and leaders through the critical stages of organizational growth. This hands-on experience has enabled new businesses and nonprofits to establish strong foundations, avoid common pitfalls, and position themselves for lasting success.

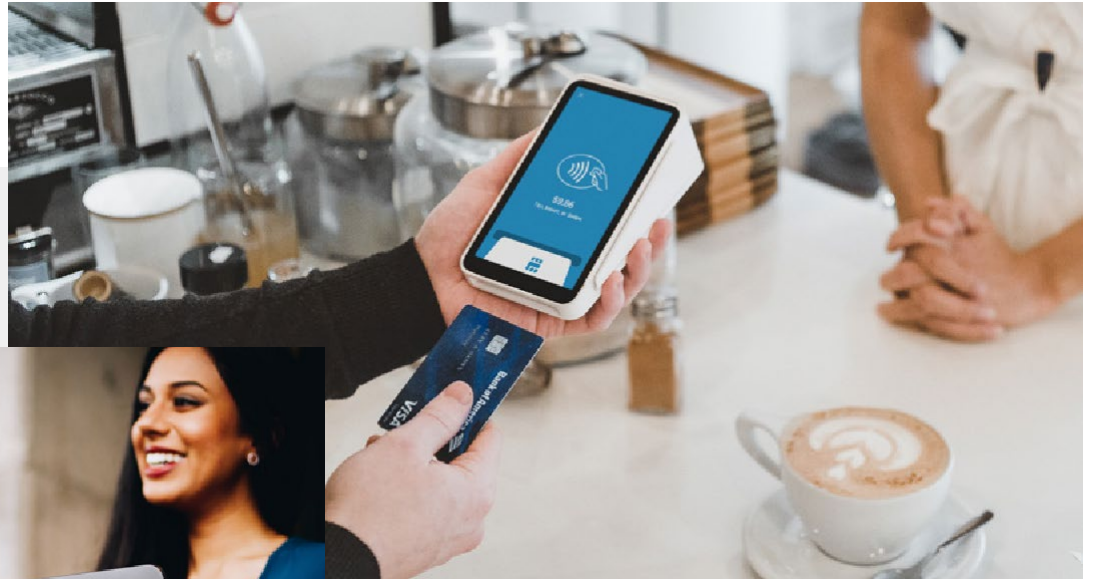
Rooted in principles of service, stewardship, and community impact, The Chaplin Group brings decades of expertise in nonprofit management, grant writing, board development, fundraising, financial oversight, and leadership training. Its faith-informed perspective and deep understanding of mission-driven organizations have made it a trusted resource for leaders seeking to build resilient organizations that create meaningful change.

Through consulting, training, and technical assistance, The Chaplin Group continues to empower visionaries, entrepreneurs, and nonprofit leaders to turn purpose into action and build organizations that strengthen communities and leave a lasting legacy.



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# Resources



Maryland  
OneStop

MARYLAND LICENSING ONESTOP  
PORTAL

Use the **Maryland Licensing OneStop Portal** to apply for **state licenses**. These may include licenses for mechanics, real estate, home inspections, or insurance.



<https://businessexpress.maryland.gov/>

## Maryland Department of Assessments and Taxation

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