

SelfInformed

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5 Legal Mistakes

Every Self-Employed Entrepreneur Should Avoid



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As a self-employed entrepreneur, you feel as though the weight of the world is on your shoulders. You wear all the hats: business owner, boss, human resources, marketing and product development. The slightest legal misstep has the potential to set your small business back. Tread carefully and you'll operate within the confines of the law.

These are the top legal mistakes to dodge when starting a business.

Overlooking the Importance of Compliance

It is no secret that we live in a litigious society. There are too many laws to keep track of. One mistake has the potential to spur a lawsuit, government fine or other penalty.

Though it is impossible to know the details of every single law and rule, you should be aware of the generalities of compliance. Reach out to an employment and business law specialist for guidance and you'll move forward in confidence.

As an example, there are countless compliance rules and laws governing the maintenance of accurate records, labor, workplace safety and more.

Implement the necessary procedures and policies and you'll sidestep legal hurdles down the line.

Tax compliance is particularly important when growing a business. From income taxes to filing tax returns, collecting sales tax and remitting that tax, there is plenty to keep track of.

Remain up to date with the details of local, state and tax regulations and you'll keep your new small business safely within the margins of the law. NASE, your business law attorney and tax attorney are here to help.

Fail to pay your taxes and you'll be faced with onerous legal challenges with tax authorities that have the potential to lead to criminal charges. When in doubt, lean on a tax advisor or accountant to guarantee *full* tax compliance.

Compliance with the law also helps boost your company's reputation and standing in the community. Such reverence makes it easier to attract "rainmaker" employees who make a difference on the bottom line.



Ignoring Intellectual Property Laws

Intellectual property, commonly referred to as IP, is the lifeblood of many businesses. Ignoring intellectual property laws and rights will inevitably lead to a perilous outcome.

IP laws and rights are important for safeguarding your micro business ideas. Such protections are also in place to ensure you don't infringe on the patents, copyrights and trademarks of others.

The same is true for your small business. Secure legal protection for your creative works, brand identity and inventions ASAP and you'll protect your hard work.

An intellectual property lawyer will also help you avoid the illegal use of ideas, images, slogans and other IP protected by others. The last thing you want is an IP lawsuit after infringing on others. Such a legal battle can lead to egregiously punitive financial payouts that bankrupt your family business.

Above all, protecting your IP with a trademark, patent or copyright protects your inventions and creative expression.

Why subject your innovative ideas to infringement and theft when you can obtain a legal shield using intellectual property protection?

In the end, spending the time and money necessary to obtain IP protection safeguards your company's market position and competitive advantage.



Choosing the Wrong Business Structure

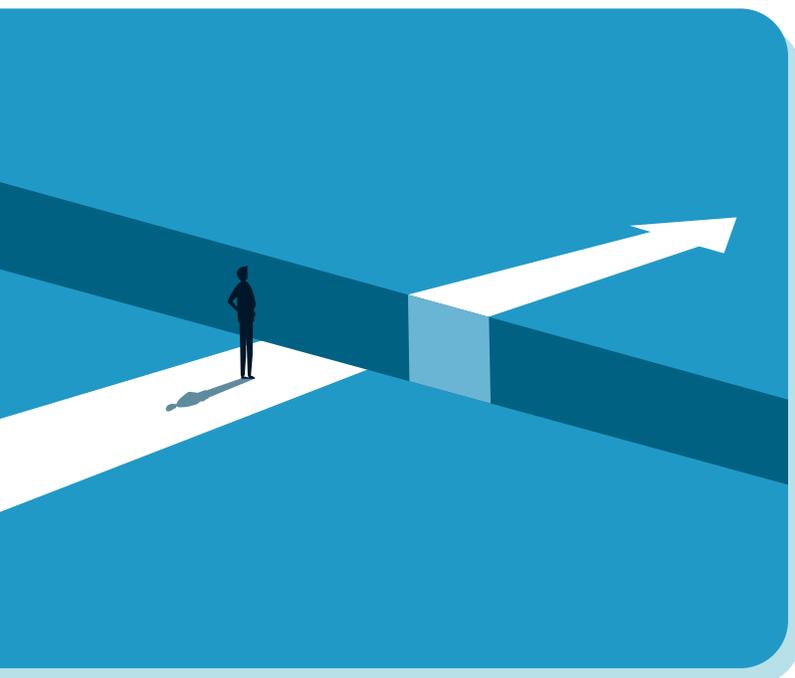
Take your time when selecting your business's legal structure. There are unique advantages and disadvantages to each structure. Those advantages and disadvantages range from tax treatment to liability protection, flexibility and more.

As an example, many entrepreneurs choose to begin their enterprise with an LLC, short for limited liability company. The primary advantage of structuring your enterprise as an LLC is that it provides your company with extensive legal protection.

This way, if your company is sued, its assets instead of your personal assets will be at risk. There's no sense putting your home, bank accounts and other assets on the line when your micro business can bear the entire brunt of legal liability.

Aside from LLCs, there are other structuring options such as corporations, including both S and C corporation varieties. Sole proprietorship and business partnership options are also available.

If you aren't completely certain as to which business structure is ideal for your new company, don't guess. Consult with a business law attorney for invaluable guidance. Your attorney will help you identify the optimal structure for your company.



Neglecting Contracts

Contracts are the legal foundations of business relationships. The subtle details of contracts shape ensuing transactions, lawsuits and more. Though tempting, downloading a generic contract template from the web is a mistake.

A poorly-written contract or a generic contract template printed from the internet will inevitably lead to a negative outcome. Every single word matters.

The details of contract terms and agreements must be spelled out to protect your company's financial interest. Each party's obligations and rights should be clearly explained within the contract.

Moreover, details such as termination provisions, resolution mechanisms and breach of contract subtleties must be included.

Writing your own contracts is a mistake. Let your business law attorney craft carefully worded contracts on your behalf and you'll move forward with new relationships in full confidence.

NASE, short for the National Association for the Self-employed is another invaluable resource for entrepreneurs. The NASE monthly newsletter provides helpful tidbits pertaining to small business contracts, business law and more.

Never sign a contract until it has fair or *favorable* wording. Too many entrepreneurs leap at the chance to ink a new deal with a dream client or partner without reading the small print. Let your contract law attorney read through the wording of the contract *before* signing your name.

If the other party pressures you to accept a handshake agreement, don't give in. Such informal agreements have no legal protection. Handshake agreements cannot be enforced in court, ultimately rendering them meaningless.

The bottom line is you need a comprehensive contract with all clients, partners and other parties before conducting business. Once this legal safeguard is in place, you'll move forward without reservation.



ENTREPRENEUR LEGAL MISTAKE #5:

Comingling Finances

Combining your small business finances with your personal finances is convenient. However, this streamlined and simple approach will inevitably backfire.

Comingling funds creates unnecessary complexities. Every business owner should have distinct accounts that separate his or her personal funds from those of the business.

Open and maintain a completely separate bank account for your business and you won't have to worry about overlap and confusion with personal funds. Moreover, if you start a second family business, don't commingle funds between your companies.

Keep in mind, you and your business are completely different in the eyes of the law. Comingling funds creates unnecessary accounting, tax and legal complexities that can be easily avoided with distinct accounts.

Commingling of credit cards and other lines of credit is also a mistake. Maintain separate lines of credit for yourself and your business with an awareness that each's respective assets will be vulnerable in the event of default.

If you are still tempted to use one single consolidated bank account and/or line of credit for your business and your personal finances, think twice. Blurring the lines between your business and personal finances makes bookkeeping, accounting and tax obligations a *nightmare*.

Invest the little bit of time necessary to open a distinct bank account and business credit card. Use your business credit card for all business-relevant purchases and file your statements to minimize your company's tax deductions at tax time. You'll rack up the credit card rewards as an added bonus.

You Have Allies in Your Business Law Attorney and NASE

It is often said that pupils are only as good as their teachers. Chances are you don't have a law degree. Your specialty is business, innovation, marketing and competing.

Recognize your limits and tap into the expertise of a business law attorney to guide you on your entrepreneurial journey. Your attorney will keep you within the confines of the law, ensuring full compliance while also shielding you from legal liability.

Be proactive, ask for legal guidance and your business law attorney will help maximize your bottom line *without* breaking the law.

NASE, an acronym short for National Association for the Self-Employed, will also help you run a successful business.

NASE provides invaluable tools and resources including a monthly newsletter containing guidance for self-starters like you.

Your Business Could be Featured in our Monthly e-Newsletter!

We want to hear from you!

Each month NASE publishes a new Member Spotlight in our e-Newsletter called SelfInformed, a national newsletter sent to over 50,000 members across the country with the latest news about the self-employed and micro-business community. As part of this national e-Newsletter, we want to shine a spotlight on those members, regardless of where they live, who are operating successful businesses that are growing and thriving.

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May 05, 2025

NASE offers critical advice to those wishing to join the community.

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NASE Shares Insights and Advice as DOGE Proposes IRS Cuts and Layoffs During Tax Season

Mar 04, 2025

With reports emerging that the DOGE initiatives could affect the IRS's ability to process tax returns and issue refunds, Keith Hall offered his insights and recommendations for filing 2024 tax returns.

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Member Benefits

Visit [NASE.org](https://www.nase.org) to learn more about the following benefits!



Get Insurance Customized To Your Small Business

[Get a Quote](#)

Hiscox offers professional service businesses a new way to buy small business insurance online in minutes. We specialize in protecting IT/technology, marketing, consulting, and many other professional service businesses, tailoring coverage to the specific risks in each industry.

Why do I need small business insurance?

Small business owners have a lot going on, and it's easy to let something like business insurance drop to the bottom of the list. But it's important to protect your business from claims and lawsuits that you can't see coming.

How much does business insurance cost?

The cost of small business insurance depends on the industry you're in, the size of your business, the type of insurance, and other factors. Most small businesses spend \$30 a month or less for a general liability policy, but your costs could vary. You can get a quote in the box above to find out how much your coverage may cost.

What is the difference between general liability and professional liability insurance?

General liability insurance covers someone else's claim of bodily injury, property damage or personal injury. This means if someone gets hurt at your place of business, or their property is damaged, you're covered. You're also covered for claims that you damaged someone's reputation by slander or libel.

Professional liability insurance covers your professional services or advice. This is sometimes called errors and omissions insurance because it covers something you did that you shouldn't have (an error) and something you should have done that you didn't (an omission). Professional liability insurance protects you for defense costs even if the claim against you is found to be without merit.



Legal Club Business Plan

Access to a national network of attorneys in every field of law at either no cost or reduced rates.

Legal Club of America is a discount legal referral service with a nationwide network of plan attorneys who provide legal care at no cost or reduced rates. The rising costs of health insurance and the overall running of a business has made it difficult for business owners to make ends meet. Legal Club can help alleviate some of that financial pressure.

Benefit Features

When you become a Legal Club member, your business becomes a corporate member of Legal Club's Small Business Plan. The plan is designated for use by the business only.

Legal Services*

1. Initial phone consultations during business hours for new legal matters.
2. Attorney will review as many as 5 independent documents each quarter. These include business documents, contracts, signed or unsigned, up to 10 pages each.
3. Initial telephone calls made on behalf of your business if deemed appropriate by your plan attorney (two per month). Follow-up calls are made at the guaranteed low hourly rate.
4. Initial letters written on behalf of your business if deemed appropriate by your plan attorney. Three per month for new subjects; follow-up letters are written at the guaranteed low hourly rate.
5. Initial collection letters are limited to 10 per quarter. More than 10, and any follow up letters, are written at the guaranteed low hourly rate or at the contingency fee percentage, depending upon what you and your plan attorney decide.
6. Face-to-face consultation for each new legal matter. Thirty-minute time limit per subject matter. Time over the 30 minutes per subject will be at the guaranteed low hourly rate.
7. Registered Agent for your business in the state in which you are incorporated as well as other states where you do business.

*In certain situations, attorney liability may require plan attorneys to obtain a retainer from the member prior to providing some of the free member benefits. Court costs, filing fees, administrative expenses and time charged for travel to and from any courts are additional.

NOTE: Detailed Legal Services definitions can be found in Section three (3) of the [Plan Guidebook](#).

Guaranteed Low Hourly Rates

Plan attorneys have contracted to charge 40% off their normal hourly rate, with a minimum of \$125 per hour, for legal care beyond the free and discounted services. In most cases, the attorneys will be able to estimate the amount of hours any given case may consume prior to beginning work on the case.

Retainers

In the case of extended legal care, plan attorneys may ask you for a retainer. Any retainer sought will be computed by multiplying the number of hours a plan attorney believes a case will take, by the appropriate discounted hourly plan rate. For instance, 10 hours x \$125.00 = a retainer of \$1,250. Any unused portion of the retainer will be returned to the member.

- NASE Gold Members, Silver Members, Premier Members and Platinum Plus Members, **No Charge for the Small Business Plan with Membership.**
- NASE Platinum Members can purchase the Small Business Plan for **\$99 per year.**
- NASE Annual Members, Monthly Members, Veteran Members, Access Members, and Bronze Members can purchase the Small Business Plan for the special price of **\$199 per year.**

To find out more about this exceptional program or to sign up, call Legal Club of America at **1-800-305-6816**. Be sure to mention that you are a NASE Member to receive the discounted price.



Legal Club Family Plan

Access to discounted attorney services for you and your family. Depending on membership level, special pricing of \$59.95 / \$79.95 per year has been negotiated.

Legal Club of America® is a discount legal referral service with a nationwide network of plan attorneys who provide discounted legal care. Membership includes you, your spouse or domestic partner, dependent children and any dependents that may be living with you such as a parent or grandparent.

Legal Services*

The following nine (9) services are available at no charge from your plan attorney.

1. Initial phone consultation for each new legal matter (no time limit)
2. Initial face-to-face consultation for each new legal matter (no time limit)
3. Review of independent legal documents (6 page maximum per document, no limit to the number of new independent documents)
4. Plan attorneys will prepare a free Simple Will for you and your family, as well as update the Will annually for free. (See definition of Simple Will in Section 3 of the [Plan Guidebook](#))
5. A state specific, web based, free **Living Will** form is available to Members. A Notary Public can notarize this form. Store this document in a safe location
6. Plan attorneys will help Members represent themselves in small claims court
7. Plan attorneys will provide assistance solving problems with government programs, such as INS and welfare
8. When deemed appropriate by your plan attorney, he or she will write letters on your behalf (one letter per legal matter, with no limit on the number of new legal matters)
9. When deemed appropriate by your plan attorney, he or she will make phone calls on your behalf (one phone call per legal matter, with no limit on the number of new legal matters)

*In certain situations, attorney liability may require plan attorneys to obtain a retainer from the member prior to providing some of the free member benefits.

Deeply Discounted Legal Services:**

The following are eight (8) commonly used legal services for which plan attorneys have agreed to charge a one-time, deeply discounted fee.

Legal Service	Discounted Fee
Traffic Ticket Defense	\$89
Name Change	\$155
Simple Will (w/ Minor's Trust)	\$250
Chapter 7 Bankruptcy	\$750
Non-Support (Spouse/Child)	\$275
Simple Divorce	\$275
Regular Incorporation	\$295
Personal Real Estate Closing	\$250

**Court costs, filing fees, administrative expenses and time charged for travel to and from any courts are additional.

NOTE: Detailed Legal Services definitions can be found in Section three (3) of the Legal Club™ [Plan Guidebook](#).

Guaranteed Low Hourly Rates:

Plan attorneys have contracted to charge 40% off their normal hourly rate, with a minimum of \$125 per hour, for legal care beyond the free and discounted services.

Retainers:

In the case of extended legal care, plan attorneys may ask you for a retainer. Any retainer sought will be computed by multiplying the number of hours a plan attorney believes a case will take, by the appropriate discounted hourly plan rate. For instance: 10 hours x \$125.00 = a retainer of \$1,250.00.

Contingency Fee Discounts:

The contingency fee discount will be a 10% reduction of the state maximum rate or the attorney's usual rate, whichever is lower.

Online Forms: Access to a wide-ranging selection of self-service forms that may be downloaded and completed to create legally valid documents. Forms are state specific and include:

- Last Will and Testament
- Bill of Sale
- Landlord/Tenant Agreements
- Leases
- Advance Health Care Directive/Living Will
- Power of Attorney

In addition to a comprehensive inventory of forms, you may purchase and download a vast array of self-service forms from our catalog at a substantially discounted price.

- Gold Members, Silver Members, Premier Members and Platinum Plus Members can purchase the Individual/Family Legal Plan for the special price of only **\$59.95 per year**.
- NASE Annual Members, Monthly Members, Veteran Members, Platinum Members, Access Members, and Bronze Members can purchase the Individual/ Family Legal Plan for the special price of **\$79.95 per year**.

To find out more about this exceptional program or to sign up, call Legal Club of America at **1-800-305-6816**. Be sure to mention that you are a NASE Member to receive the discounted price.



Member Benefits

Visit [NASE.org](https://www.nase.org) to learn more about the following benefits!

LEGALZOOM

Online legal document preparation services to help you START, GROW and RUN your business.

What does LLC formation mean?

When you form an LLC, you submit a specific set of business forms to the state where you wish to create a new business entity. Once it's approved, you can use this separate entity to record business expenses, take on business debts, file taxes, obtain business licenses, and more—and this is what gives you liability protection.

What's the difference between a C corporation and an S corporation?

The way you're taxed. C corporation income is taxed twice—the business pays taxes on its net income, and then the shareholders also pay taxes on the profits they receive. With S corporation income, only the shareholders pay taxes on profits received. The Secretary of State requires articles of incorporation to form a corporation.

What's the main difference between a sole proprietorship and an LLC?

Personal liability protection. An LLC protects owners from being personally on the hook for business liabilities or debts. A sole proprietorship doesn't.

LegalZoom Provides

- **Last Will** — A personalized legal document.
- **Legal Forms** — Save time and money with LegalZoom's online legal forms.
- **Power of Attorney** — A durable power of attorney allows someone to act on your behalf.
- **Living Trusts** — Create a living trust to protect your property and your beneficiaries.
- **Divorce Overview** — A uncontested divorce can help you divide property.
- **LLCs** — Forming an LLC can protect your assets.



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THE SENATE PROPOSES ITS OWN ONE BIG BEAUTIFUL BILL



In May 2025, the U.S. House passed the **One Big Beautiful Bill Act**—a sweeping \$3.8 trillion budget reconciliation measure designed to extend the 2017 Tax Cuts and Jobs Act, restructure Medicaid and SNAP, and roll back Biden-era clean-energy incentives. The bill also included increased military funding, a raised debt ceiling, tip income deductions, and a \$40,000 cap on state and local tax (SALT) deductions.

But when the legislation reached the Senate, lawmakers made significant revisions to align it with fiscal constraints and conservative priorities. Here's a section-by-section comparison of the House and Senate versions—and why the changes matter

State and Local Tax (SALT) Deduction

HOUSE: Raised the SALT cap from \$10,000 to **\$40,000** (for earners under \$500,000), a major boost for taxpayers in high tax states.

SENATE: Retained the current **\$10,000 cap**, acknowledging rural and progressive objections—but still signals flexibility.

🕒 **Implications:** The Senate's rollback disappoints beneficiaries in blue and high tax states but appeases fiscal conservatives. With SALT still under negotiation, a compromise may emerge before July.

Business Tax Breaks and Expensing

HOUSE: Extended 2017 business tax cuts, including full expensing and a 20% deduction for pass-through entities—potentially boosting investments.

SENATE: Took it further—**permanently** enshrined expensing and R&D deductions, offering long-term certainty for businesses.

🕒 **Implications:** Senators prioritized stability for businesses, supporting innovation and capital investment. Small and large firms stand to benefit from enhanced planning confidence.

Tip & Overtime Income Deductions

HOUSE: Created a broad deduction for tip and overtime income, without defined caps.

SENATE: Capped the deduction at **\$25,000**—preventing high-earners from abusing the benefit, and adjusting based on income thresholds.

- ☑ **Implications:** Offers relief to service workers, but confines windfalls. Balances wage support with fiscal responsibility.

Child Tax Credit

HOUSE: Expanded the credit to **\$2,500** per child.

SENATE: Moderated to **\$2,200**, but made permanent.

- ☑ **Implications:** A compromise aimed at aiding families while honoring fiscal discipline.

Medicaid and SNAP Work Requirements

HOUSE: Expanded work mandates and funding strictures across Medicaid and SNAP, causing coverage losses.

SENATE: Deepened Medicaid cuts—with tougher work rules and stricter provider tax caps, and rolled back SNAP savings slightly.

- ☑ **Implications:** Sparking backlash from rural hospital advocates and state governments, as millions lose coverage and providers face tighter revenue constraints.

Clean Energy & EV Tax Credits

HOUSE: Phased out Biden-era clean energy and electric vehicle incentives.

SENATE: Allowed more gradual phase downs—preserving credits through 2035 or 2029 for hydrogen, solar, and EV projects.

- ☑ **Implications:** Keeps investment in renewables viable and supports U.S. climate and energy objectives, balancing fiscal goals with innovation.

Debt Ceiling & Deficit Management

HOUSE: Raised the debt ceiling by **\$4 trillion**, matching the budget's \$3.8 trillion size.

SENATE: Increased that to **\$5 trillion**, signaling room for enhancement while managing future growth.

- ☑ **Implications:** Reduces risk of a default—but raises concerns from fiscal conservatives and rating agencies about debt sustainability.

What's Next?

- **Reconciliation Required:** Conflicting House and Senate versions must be reconciled by July 4.
- **Key Battlegrounds:** SALT, Medicaid, energy incentives, and fiscal offsets will drive negotiations.
- **Political Pressure:** With slim Republican majorities and Democratic opposition, any deviation might derail final passage.
- **Economic Significance:** The final version will influence investment patterns, energy development, student aid, and social safety net coverage.

The Senate's version of the One Big Beautiful Bill leans more fiscally cautious than the House's expansive version—trimming benefits in key areas while cementing business incentives and maintaining strategic priorities. For stakeholders—families, students, small businesses, hospitals, and climate advocates—the outcome hinges on final compromises made in the next legislative steps.

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