

## 10 Steps to Closing Your Business

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Prospective business owners visit the RSU Innovation Center wanting to know the proper steps to take to start a new business. However, business owners seldom give thought to what steps need to be taken to close their business. During these troubled economic times we've seen a few businesses make the decision to close shop but aren't sure where to start. These steps will help you understand what you need to do to properly dissolve your business. Where there's a way in, there's a way out!

1. If your business is incorporated you will need to officially vote to close the business following the procedures set out in your organizational documents. If you are a sole proprietor you will not have to complete this step.
2. To officially dissolve your business you will need to contact the Oklahoma Secretary of State and file an Articles of Dissolution or similar document. Here is the link to the Secretary of State business filing department.  
[http://www.sos.state.ok.us/business/business\\_filing.htm](http://www.sos.state.ok.us/business/business_filing.htm)
3. Submit sales tax and forms that are due up to the date you plan to close. Some States require you to get a "tax clearance". While this is not necessary in Oklahoma, the Secretary of State will check to make sure your taxes have been paid before approving the dissolution of the business.
4. Plan to pay your employees their last check on the next scheduled payday. Under Oklahoma law, Title 40, Section 165.3(A): Whenever an employee's employment terminates, the employer shall pay the employee's wages in full, less offsets, at the next regular designated payday established for the pay period in which the work was performed. It's worth noting this also applies when you terminate an employee. Failure to pay employees on the next scheduled payday can result in penalties and fines.
  - A. Provide final wage and withholding information to employees.  
[Form W-2, Wage and Tax Statement](#)
5. You will also need to make your final state and federal payroll deposits and file your final employment-related tax forms. On each form listed make sure you check the box stating this is your final return.

- B. [IRS Form 940](#)
- C. [IRS Form 941](#)
- D. [Oklahoma Employers Withholding Tax Return](#)

Depending on your specific type of business there may be different forms you need to fill out. To view a complete checklist of forms for closing businesses visit the IRS at

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

If you have an EIN you may want to close your business account with the IRS. This does not cancel the EIN but does close the account. If you decide to restart your business later the same EIN will be there for you to use.

6. Just as you should have contacted your local County Assessor's office to let them know you started a business you need to let them know you are closing your business. In Oklahoma the Assessor's office will need you to fill out Form 901 (Business Personal Property Rendition). This must be done by March 15th to avoid penalties. If not filed by the deadline, the Assessor's office is required by state statutes to make an appraisal of your business property so it is to your financial advantage to make sure you meet the deadline.

When going out of business, most business owners will elect to sell the assets of the business. If you sell your business assets you will probably need to fill out one of two forms.

[IRS Form 4797](#)

[IRS Form 8594](#)

7. If you are leasing a facility make sure you give your landlord sufficient notice as outlined in your lease agreement.
8. Give customers notice you are going out of business and plan to fulfill any contractual obligations and return deposits or partial payments for products or services that can't be delivered. If you have customers that owe you money it would be wise to collect any accounts receivables before notifying them of your closure.
9. In addition to customers, you will also want to notify:
  - E. Suppliers: Suppliers will need to know when the last delivery should be made and how they will receive final payment. If you perceive a cash crunch you may not want to tell your supplier immediately because they may stop your credit line and require that all orders are paid in cash.

- F. Lenders: If you have outstanding business loans, your bank will want to know how you plan on paying them off. The lender may also want to take a look at any business collateral to make sure it's still in good condition.
  - G. Service Providers: Service providers include insurance, utilities, lawn service, bookkeeper, etc. They will want to know where to send final invoices.
10. If you are closing your business it's possible you may be planning to file bankruptcy. In this instance some of the above steps may not pertain to you. For more information on filing bankruptcy read the IRS Bankruptcy Tax Guide at <http://www.irs.gov/publications/p908/index.html>.

Just for reference, here is a brief explanation of the two types of bankruptcy filed by businesses.

Chapter 7 bankruptcy is the most common form of bankruptcy. The company's assets are completely liquidated in order to repay debts owed to qualified lenders. Non-exempt assets are sold and the proceeds are distributed to the creditors.

Chapter 11 bankruptcy is more of a business reorganization. Chapter 11 bankruptcy restructures the business and debt payments that will allow the business to meet its obligations from future earnings.

**This list is not intended to be a complete list, nor is it intended to provide financial or legal advice. Depending on your specific business there may be other steps or forms that need completed. You should consider retaining the services of a CPA and attorney to help you through the dissolution process.**