

Opening a New Office?

Before You Ever Open Your Door

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If “Location, Location, Location” is the byword for buying and selling real estate then “Timing, Timing, Timing” may be the byword for licensing your new real estate company. I’ve seen more than my share of potential new owners get hung-up in the licensing of their company and in doing so suffer many agonizing moments trying to get the office opened legally and in a timely fashion.

It is not a difficult process but it does have its steps and it does take time. At the present, the Licensing Division is taking about 6 to 8 weeks to produce licenses. Opening your door without being properly licensed puts your new company in immediate jeopardy. For real estate partnerships, corporations and LLCs, you must have the license in hand before you can open your door.

I’d like to think that the decision to open an office is the result of a well thought out plan and you have talked to an accountant and a lawyer. Although it sounds cliché, business plans do have value and should be done. If nothing else, a good business plan will make you think through the finances of your business. Remember, you will now have financial obligations that were previously covered by your broker.

An accountant and lawyer should help you decide on the structure of your business whether it be sole proprietor, corporation, LLC or partnership. There are legal and tax consequences for each.

Sole Proprietorship-Opening your office as a sole proprietor is the least legally protected but fastest and easiest way to open your office. **If you are going to open an office in your home, you must verify that your home is zoned for a real estate business.** Once your present broker has signed the termination line on your license and returned it to the Licensing Division you can then fill out a 45 Day Permit Sponsor Card (available at www.idfpr.com) showing you as self-sponsored. This sponsor card, along with a Consent to Audit form and the appropriate fee, can then be sent to the Licensing Division in Springfield. **Always make copies of anything you send and send it in a way that allows for verification of receipt.** If you plan to advertise your company under any name other than your own, you must acquire an Assumed Name Certificate from the County Clerk’s Office. You must have an assumed name for every county in which you will be doing business. Once you have received that Certificate, mail or fax

(1-217-389-3390) a copy to the Licensing Division. You must advertise under your own name until you have the Certificate.

Corporation and LLC's-The Secretary of State's Office Comes First

· If you are going to open as a real estate partnership, corporation or LLC, that entity must be legally formed first through the Secretary of State's Office. You can find these forms at www.cyberdriveillinois.com. Check with your lawyer to see about expediting the processing time with the Secretary of State's Office.

When forming your company keep the following in mind:

- All principals that are actively participating in the running of the real estate company must have an active broker's license.
- Non-licensed owners will need to send a signed notarized letter of Non-Participation to the Licensing Division when applying for the real estate company license.
- Salespersons cannot individually or collectively hold more than 49% ownership. Sales licensees cannot sign a letter of Non-Participation.
- You must also acquire a FEIN number. This can be done online at www.irs.gov.
- If you are going to use an Assumed Name with your partnership, corporation or LLC, you will again need an Assumed Name Certificate. Partnership assumed names are done through the County Clerk's office. Corporation and LLC's are done with the Secretary of State's Office. Again that form can be found at www.cyberdriveillinois.com.

Once you are a legal entity with the Secretary of States office and then the Licensing Division, you can open your doors. Signage must be visible and reflect your legal name registered with the Licensing Division.

Last, but not least, you need to make sure that the internal structure of your office is compliant - but that's a whole other story. Good Luck!