

10 Business Mistakes That Create Legal Liability

What small business owners wish they had known — Ament Law Group, P.C.

Most legal problems in small businesses are predictable and preventable. These are the ten mistakes we see most often — and what to do instead.

1 Mixing Personal and Business Money

What happens: Courts "pierce the corporate veil" and hold you personally liable for business debts. Your LLC or corporation stops protecting you the moment you treat business funds as personal funds.

Fix: Open a dedicated business checking account on Day 1. Never pay personal expenses from it. Never deposit business income into your personal account.

2 Operating on a Handshake

What happens: You have no enforceable agreement. When the other party remembers things differently — and they will — you have no proof of what was agreed. Even with friends and family.

Fix: Put every significant agreement in writing. A simple one-page contract is better than nothing. Verbal agreements are legal but nearly impossible to enforce.

3 No Buy-Sell Agreement with Your Co-Owner

What happens: Your co-owner dies, divorces, or wants out. Without a buy-sell agreement, their spouse, estate, or a stranger could become your new business partner. You can't force them out and they can't force you out — you're stuck.

Fix: Every multi-owner business needs a buy-sell agreement that covers death, disability, divorce, voluntary exit, and termination for cause. Fund it with life insurance.

4 Misclassifying Employees as Independent Contractors

What happens: The IRS and PA Department of Revenue audit this aggressively. If a contractor should have been an employee, you owe back payroll taxes, penalties, and interest — personally. The worker may also qualify for benefits you did not provide.

Fix: Classification is based on control and economic reality, not what you call them or what they prefer. Have your agreements reviewed before you hire.

5 No Operating Agreement — or One That Was Never Updated

What happens: Default PA LLC rules govern what happens to your business. Those rules were not written for your situation. Outdated agreements that do not reflect current ownership or management create disputes that are expensive to resolve.

Fix: Have a written operating agreement from the start. Update it every time ownership, management, or the business's purpose changes significantly.

6 Signing Contracts Personally Instead of as the Business

What happens: You intended the business to be liable. The contract says otherwise. Personal signature = personal liability, regardless of what the business structure says.

Fix: Always sign contracts as: "[Your Name], [Title], [Business Name]." Never just your name alone when the business is the contracting party.

7 Ignoring Intellectual Property Until It Is Too Late

What happens: You spend years building a brand, then discover someone else federally trademarked your name first. Or a departing employee walks out with your client list, process manual, or proprietary software — and there is nothing in writing stopping them.

Fix: Run a trademark search before naming your business. Have NDAs and IP assignment agreements with employees and contractors from Day 1.

8 Outdated or Missing Employment Policies

What happens: PA employment law changes frequently. A handbook from five years ago — or no handbook at all — exposes you to wage claims, discrimination suits, and disputes over what was promised.

Fix: Have a current, written employee handbook reviewed by counsel. Include at-will employment language, anti-harassment policies, and clear wage and hour policies.

9 No Plan for What Happens if You Cannot Run the Business

What happens: You become ill, disabled, or die. There is no succession plan, no power of attorney for the business, no buy-sell agreement. The business is frozen while your family and co-owners figure out what to do. Employees leave. Clients leave. Value evaporates.

Fix: Every business owner needs a personal power of attorney that covers the business, a buy-sell agreement, and a basic succession plan. Update your estate plan to address business interests.

10 Waiting Until There Is a Problem to Call an Attorney

What happens: By the time there is a lawsuit, a demand letter, or a government audit, your options are limited and expensive. Preventive legal work costs a fraction of what reactive legal work costs.

Fix: An annual business legal checkup, properly drafted contracts, and the right entity structure up front will save multiples of their cost in avoided problems.

One thing to do today: Schedule a free consultation to review your current structure, agreements, and any gaps. Most issues can be fixed quickly and inexpensively when caught early. Call (724) 733-3500 or visit ament.law.