

Starting a Homebased Business as a Teen

Entrepreneurs under the age of 18 have special legal issues to consider.

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Here are a few issues to be aware of if you're a teen starting a business:

Forming the business: People under age 18 cannot form legal business entities, and their parents should do so on their behalf. In some states, a child may be able to be a shareholder or serve on the board of directors of the corporation. But because this varies by state, you and your parents should consult with an attorney in your state to find out which rules apply there. In certain situations--such as when a child wishes no longer to be supported and legally dependent on his or her parents--a court will declare the minor emancipated, appoint a guardian for the child and allow the guardian to work separately with the child for business matters. Also, because the choice of legal entity (corporation, LLC, partnership and so on) will affect your parents and not you (assuming you are a taxable dependent of your parents and not emancipated), your parents should consult with a certified public accountant.

Contracts: In some states, minors may "disaffirm" the contracts they sign, particularly regarding a business. In other words, the other party can't always force you to uphold your end of the contract. Thus, in most cases, a parent who is an authorized signer for the business should execute contracts.

Torts: Parents are generally responsible for the actions of their children. If a child is negligent in performing an action, such as by damaging another person or property, the parents can be liable. This is under the legal theory of "vicarious liability," which means that the person in control is liable for the actions of the person he's in charge of. This same theory applies to employers and employee acts during employment. Thus, in running the business, if a child does something negligent, the parent are responsible.

Employment: In most states, special laws apply to employing children, so be sure to consult with an attorney regarding those applicable in your state.

Where you run the business: Where businesses can be located is determined by city and state regulations. Generally, there are restrictions on whether or not you can run a business from your home, depending on the type of business, whether or not customers visit you there and other matters. You will need to get a local license to do business; an attorney can help you with that as well as give you information about what kind of businesses are permitted in your area. The main point of these laws is to be sure that the traffic, noise and other factors created by businesses do not negatively affect the quiet and other characteristics of residential areas. If your parents do run the business from your home, they may be able to deduct some of your rent payment, so they should ask the accountant they consult about

this.

Note: The information in this column is provided by the author, not Entrepreneur.com. All answers are general in nature, not legal advice and not warranted or guaranteed. Readers are cautioned not to rely on this information. Because laws change over time and in different jurisdictions, it is imperative that you consult an attorney in your area regarding legal matters and an accountant regarding tax matters.

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