

A blue-tinted photograph of two business professionals shaking hands over a laptop. The image is semi-transparent, serving as a background for the text.

Business Incorporation and Compliance - What to Know for Your Firm and Your Clients





Nellie Akalp, CorpNet CEO:

Nellie Akalp is an entrepreneur, business expert, professional speaker, published author, and mother to four amazing kids. Nellie has dedicated her entrepreneurial career to helping other entrepreneurs and business professionals succeed at business ownership.

As CEO and Co-Founder of CorpNet.com, she has helped more than half a million small businesses and licensed professionals get their businesses and clients off the ground. She has developed a strong following within the small business community and has been honored as a Small Business Influencer Champion and was named women entrepreneur of the year by NAWBO.



Importance of Business Incorporation

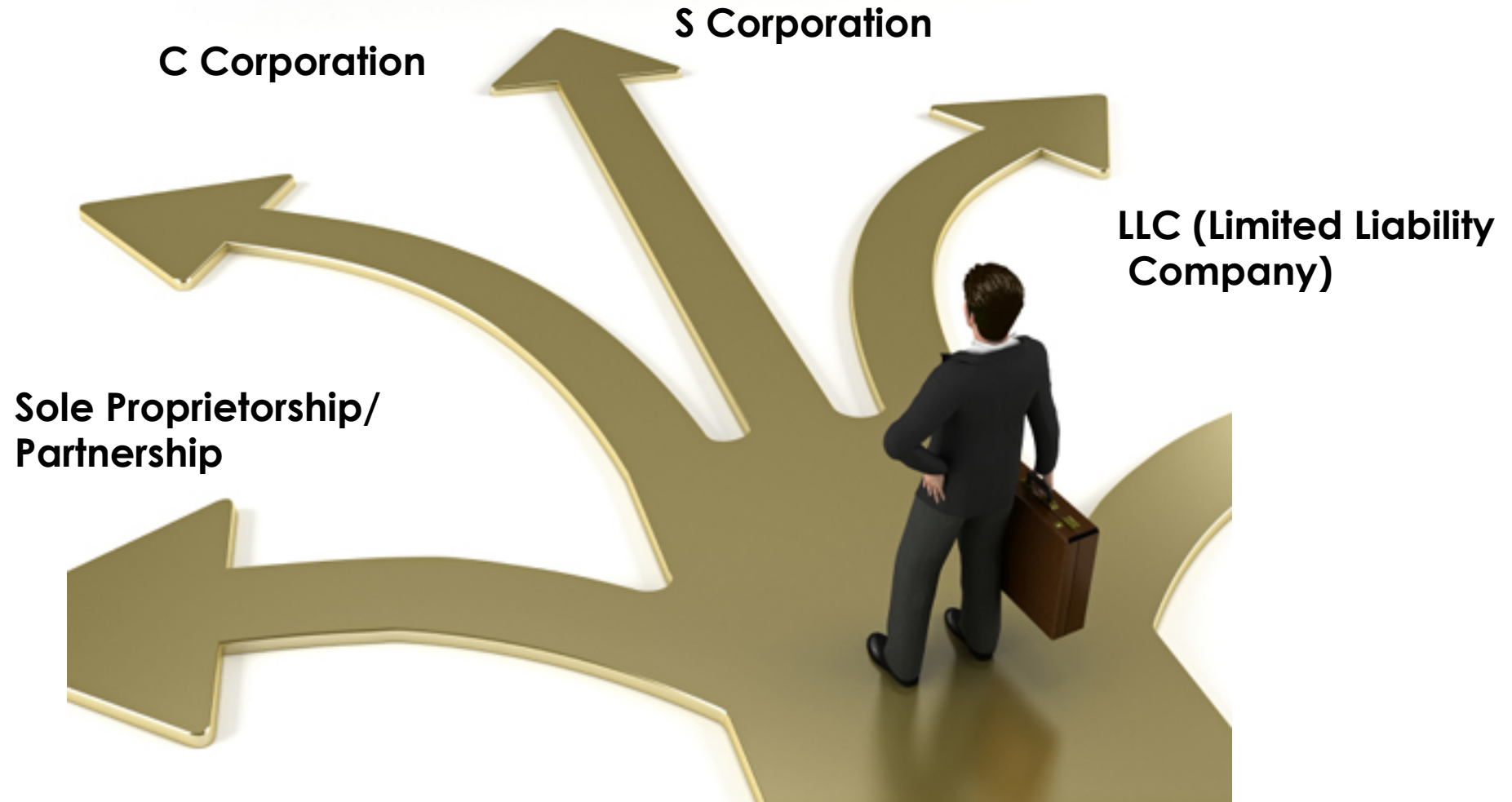
Why Your Business Clients Should Incorporate

- Separate Personal from Business
- Creates Asset Protection
- Prevent Misunderstanding Among Founders/Partners
- Allows Stock Options
- Allows Funding and Business Credit
- Provides Business Credibility
- Adds a Layer of Privacy
- Offers Potential Tax Benefits



Popular Legal Business Entity Refresher Course

Popular Entity Choices



A woman in a business suit is smiling and looking towards a man in a business suit who is partially visible on the left. They are sitting at a desk with a laptop and papers. The background is a blurred office setting.

Sole Proprietorship/Partnership

Copyright Corpnet, Incorporated. CorpNet® is a Registered Trademark. All Rights Reserved.
CorpNet is NOT A LAWFIRM and cannot provide you with legal advice. Use of our Site and/or our Services subjects you to our Terms of Use.

Sole Proprietorship/Partnership

Advantages

- Simple to Form
 - Register the business name via a DBA if using a name different than your own.
 - If business name is your own name, you don't need a DBA.
- Simple to Maintain
 - No financial statements or lengthy paperwork to stay compliant.
- Simple to Tax
 - Income earned by the business is considered income earned by owner.
 - Track income and expenses and report on Schedule C with personal tax return.

Disadvantages

- No Separation of Personal and Business Assets
 - Sole Proprietorship owners are personally liable for any debts of the business.
 - High risk of personal assets in the case of a lawsuit.
- Use of Personal Information
 - Sole Proprietorship owners generally have to sign contracts and paperwork in their own name because the business does not have a separate identity under the law.
- No Business Credit
 - Sole Proprietorships cannot gain business credit, take out business loans, or raise capital in other ways.



C Corporation

C Corporation

Advantages

- Asset Protection
 - A C Corporation provides the most personal liability protection for shareholders in a company.
- Growth Potential
 - A C Corporation has more potential to raise capital and grow. It can issue multiple classes of stock, and it may have an unlimited number of shareholders.
- Longevity
 - Unlike with a sole proprietorship (and in the case of some LLCs), a C Corporation will survive beyond its owners' life spans.

Disadvantages

- Cost and Complexity
 - A C Corporation has more compliance requirements and costs more to register than other business entity types.
- Double Taxation
 - Generally, C Corporations are subject to double taxation - when profits distributed to shareholders as dividends are taxed again at the individual tax rate on shareholders' tax returns.



S Corporation

Copyright Corpnet, Incorporated. CorpNet® is a Registered Trademark. All Rights Reserved.
CorpNet is NOT A LAW FIRM and cannot provide you with legal advice. Use of our Site and/or our Services subjects you to our Terms of Use.

S Corporation

Advantages

○ Tax Savings

- An LLC or a Corporation that chooses S Corp election will have its profits and losses flow through to its shareholders (owners), who then report them on their personal income tax returns. Not all income is subject to self-employment taxes—only owners' salaries are.

○ Asset Protection

- Because the S Corporation is an election of an LLC or C Corporation, it is considered a legal entity separate from its owners creating protection for personal assets.

Disadvantages

○ Limitations

- If your business is a C Corporation choosing to be treated as an S Corp, you may only have up to 100 shareholders, and you can issue just one class of stock.

○ Cost and Complexity

- If your business is an LLC choosing to be treated as an S Corp, you may experience higher formation costs and more compliance complexity.



LLC (Limited Liability Company)

Copyright Corpnet, Incorporated. CorpNet® is a Registered Trademark. All Rights Reserved.
CorpNet is NOT A LAWFIRM and cannot provide you with legal advice. Use of our Site and/or our Services subjects you to our Terms of Use.

Limited Liability Company

Advantages

- Easy to Form and Manage
 - Less formation paperwork and ongoing compliance requirements. No need to create a board of directors, create annual reports or hold annual shareholders meetings.
- Asset Protection
 - When you form an LLC, you legally separate your personal self from your business creating a level of protection for personal assets.
- Tax Flexibility
 - LLC's can opt to have taxes treated as an S-Corporation or have business profits pass through to personal federal income tax return which can lower your personal income tax obligation.
- Professional Credibility
 - Forming an LLC can help instill confidence and trust in the eyes of customers, prospects, vendors and the business community when they see the "LLC" following your company name.

Disadvantages

- Possible Confusion Over Roles
 - If your LLC has multiple members, you may clash over who should be doing what and who is authorized to make certain decisions.
- Self-employment Tax
 - If you don't select S-Corporation tax treatment, all LLC profits will flow to your personal income tax return and get hit with the social security and Medicare taxes. Depending on your situation, that could result in more tax than if you'd be taxed as a corporation.
- Challenge to Grow
 - LLCs don't sell stock. With no shareholders as a source for generating funds, you may find it challenging to grow your business as quickly or to the degree you'd like.



Steps After Incorporation: Business Compliance

Copyright Corpnet, Incorporated. CorpNet® is a Registered Trademark. All Rights Reserved.
CorpNet is NOT A LAW FIRM and cannot provide you with legal advice. Use of our Site and/or our Services subjects you to our Terms of Use.

Importance of Staying Compliant

- Avoid piercing the corporate veil
- Avoid late fees and penalties
- Avoid having business dissolution from state
- Keep company in good standing with the state

Small Business Compliance Checklist

Copyright Corpnet, Incorporated. CorpNet® is a Registered Trademark. All Rights Reserved.

CorpNet is NOT A LAW FIRM and cannot provide you with legal advice. Use of our Site and/or our Services subjects you to our Terms of Use.

Maintain a Registered Agent

- By law, a business needs to have a registered agent as soon as one forms an LLC or incorporates
- Requirements vary from state to state, but typically a registered agent must be a natural person resident of the state or an entity having a business office and authorization to do business in the state
- Failure to secure a registered agent or pay designated registered agent fee could result in the Secretary of State considering your or your clients' business defunct

File Annual Reports, Meeting Minutes and update Articles of Amendments

- Many states require LLCs and corporations to submit an annual report every year or every other year. Check with the Secretary of State office to find out rules as well as due dates as they vary per state
- S Corporations and C Corporations will need to hold corporate meetings and record minutes from the meeting
- If a company name or address changed, had members of the Board of Directors come or go, or need to authorize more shares of your corporation to be sold, an Articles of Amendment much be officially filed with the state.

Business Licenses and Permits

- Business licenses and permits are needed for an array of businesses. Check with federal, state, county or local offices to establish necessary business licenses and permits to avoid issues down the road
- Many licenses and permits need to be renewed after they are established

File for DBAs

- If you or a client are conducting business under a different name from the initial LLC or Corporation, a fictitious name registration needs to be filed. (Also known as trade name, assumed name or DBA (Doing Business As))
- A DBA makes it legal for you or your client to use that fictitious name when expanding into a new area of business focus

Foreign Qualification

- To legally conduct business in a state besides the state where the LLC or Corporation was initially formed, one needs to foreign qualify within the state that business is intended in
- The official form can be called a “Statement and Designation by Foreign Corporation” (as in California) or known by another name
- You or your client will need to file that documentation with the state’s Secretary of State office and may need to file for specific license and permits if needed

Don't Mix Personal and Business Finances & Pay Taxes

- Make sure you and your clients maintain separate checking and credit card accounts for business and personal use so revenue and expenses are distinguishable from personal money and transactions
- Keeping personal and business finances will help stay organized come tax time
- When tax season rolls around, be sure your clients do not slip up by not paying taxes applicable to their business. This includes income tax, sales tax, business tax or franchise tax



Offering Business Incorporation & Compliance Services To Your Clients

The Win/Win Approach

- You'll help provide clients with a professional identity.
- You'll keep your clients in compliance.
- You'll help clients select the best entity type for tax purposes.
- You'll help reduce their chance of a tax audit.
- You'll give them the right identity for raising future capital.
- You are more cost-effective than a lawyer.
- You'll provide true value and increase goodwill by advising them on best choice of entity and jurisdiction for purposes of reducing tax liability.
- You will grow your firm by adding additional services.

Avoiding Legal Advice

You may give advice about the effects a business structure will have on clients' tax obligations but may not give advice about liability ramifications of the various business entity types.

Example question you can answer:

- Will pass-through taxation, S Corporation tax treatment, or taxation as a corporation be most beneficial financially to a client who is forming an LLC?

Example question you can not answer:

- What are the personal liability advantages of changing from a sole proprietor to an LLC?

Services You Can Offer

Adding business formation and compliance monitoring services create both short and long-term services

- Business incorporation
- Name search
- Business name reservations
- Business name registrations
- Licenses and permits
- Federal tax IDs
- State revenue registration
- DBAs
- Articles of amendments
- Reinstatements
- Register Agent services
- Forming LLCs
- Bylaws
- Annual meetings
- Annual statements
- Trademarks
- Certificates of good standing
- Mergers
- Articles of dissolution
- Business closure
- Meeting minutes

CorpNet.com Partner Program

Private Label: Resell CorpNet Services

- Offer business formation and compliance.
- CorpNet is a silent, white labeled partner.
- CorpNet never contacts your client.
- All documents, alerts, and information are sent directly to you without labels.
- You will have a Dedicated Account Manager who knows your specific requirements and is available to you for whatever you need.

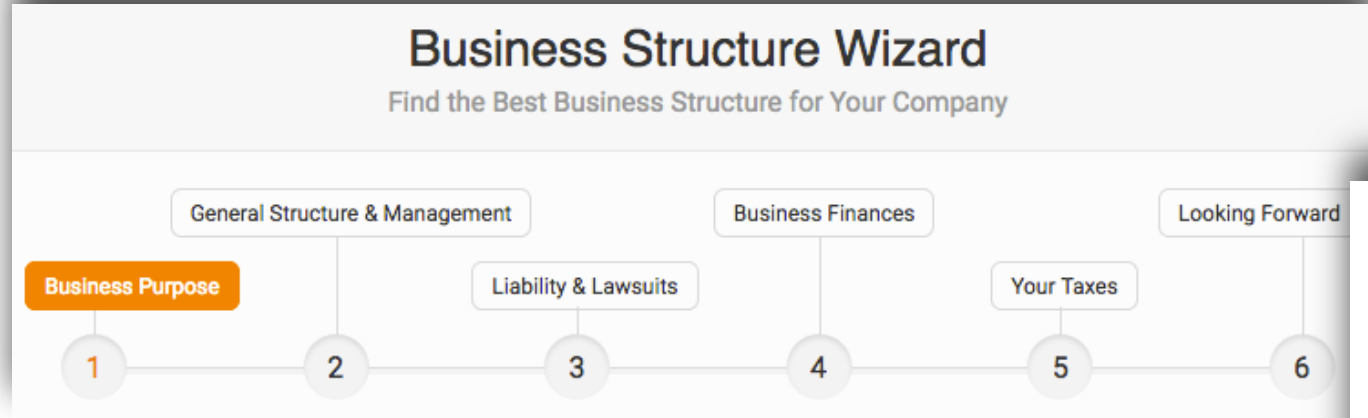
Referral Program: Refer Your Clients

- Refer your clients to CorpNet and they will receive white glove treatment.
- A dedicated account manager will work with your clients to ensure a personalized experience and a “hand-off” back to you when the process is complete.
- Earn commissions up to 25% or pass the savings to your client.

Participating in both our Reseller and Referral partner programs is ok!

[CorpNet.com/partners/](https://corpnet.com/partners/)

Our Tools Are Your Resources



Corporate Name Search

Every Great Business Starts with a Great Name

This starts with a corporate name search. Find out if your desired business name is available with FREE help from one of our specialists.

Welcome to B.I.Z.!

Your Business Information Zone

The secure, cloud based Corporate Compliance Tool available to EVERYONE... for FREE!



Meeting Minutes Templates



**Nellie Akalp, Presenter
Founder & CEO, CorpNet.com**

www.corpnet.com

info@CorpNet.com

(888)449-2638

Twitter.com/corpnet Facebook.com/corpnet/

Partner with us! Learn more here:

<https://www.corpnet.com/partners/>