

## **What is a corporation?**

A corporation is a legal entity that exists separately from its owners. Creation of a corporation occurs when properly completed articles of incorporation are filed with correct state authority, and all fees are paid.

## **What is the difference between an "S" corporation and a "C" corporation?**

All corporations start as "C" corporations and are required to pay income tax on taxable income generated by the corporation. A C corporation becomes an S corporation by completing and filing federal form 2553 with the IRS. An S corporation's net income or loss is "passed-through" to the shareholders and are included to their personal return tax returns. Because income is NOT taxed at the corporate level, there is no double taxation as with C corporations. Subchapter S corporations, as they are also called, are restricted to having fewer than 75 shareholders, who must be individuals (S Corps cannot be owned by other corps) who are not nonresident aliens.

## **Do I need an attorney to incorporate?**

No! Having an attorney is not a legal requirement to incorporate, except in South Carolina (a signature by a SC attorney is required on articles of incorporation). In all other states, you can prepare and file the articles of incorporation yourself; however, you should be thoroughly versed in the laws of your state.

In spite of their seemingly high hourly fees, a good corporate attorney can be a valuable resource to your small biz. If you are unsure of what steps your business should take and you don't have the time to research the mater yourself, even the cost of one hour's consultation can pay off handsomely later. Just remember to bring lots of questions.

Once you have decided, [we can form](#) your corporation and save you money.

## **How do I know if my name is available?**

We will request your two top name choices. We will check these as part of your order. If neither of these is

available, we will contact you for other name choices.

## **How do I name my corporation?**

First and most important, we recommend that you spend some time coming up with a name for your corporation. Although each state has different rules concerning the naming of your corporation, the most common rule is that it must not be deceptively similar to another already formed company. The corporate name must include a suffix. Some examples are "Incorporated", "Inc.", "Company", "Corp." However, your state may have different suffix requirements.

## **Is my corporate name protected?**

Even if your corporate name is approved by the state, it does not protect you against infringing upon another's trademark or copyrights. Please consult legal counsel to discuss ways to protect your name and insure that you do not infringe upon another.

## **What are the benefits of incorporating?**

The primary advantage of incorporating is to limit your liability to

the assets of the corporation only. Usually, shareholders are not liable for the debts or obligations of the corporation. So if your corporation defaults on a loan, unless you haven't personally signed for it, your personal assets won't be in jeopardy. This is not the case with a sole proprietorship or partnership.

Corporations also offer many tax advantages that are not available to sole proprietors.

Some other advantages include:

- A corporation's life unlimited and is not dependent upon its members. If an owner dies or wishes to sell their interest the corporation will continue to exist and do business.
- Retirement funds, qualified retirement plans (like 401k) may be set up more easily with a corporation.
- Ownership of a corporation is easily transferable.
- Capital can be raised more easily through the sale of stock.
- A corporation possesses centralized management.

## **What is a Registered or Statutory Agent?**

Most every state requires a corporation have registered agent and that agent must have a physical location in the formation state. The registered agent can typically be any person (usually a resident of the state) or any properly registered company who is available during normal business hours to receive official state documents or service of process (law suit).

## **How many Directors/Shareholders do I need?**

Most states allow for one person to act as shareholder, director, and all officer roles.

## **How many shares of stock should I choose?**

The [online incorporation module](#) provides a default of 200 shares, although you can choose any amount you want on all orders. The more shares of stock your company is authorized to issue, the more shareholders you can have. For instance, if you were going to have just one shareholder, then 200 shares is more than enough. Your company

could issue as few as one or as many as all 200 to the one shareholder. However, if your corporation were to have 10 shareholders, with some shareholders owning as little as 1.25% of the stock, then 200 hundred shares wouldn't work, because there are not enough shares to divide out to 1.25%. So, in many cases, more authorized shares is better. However, some states assess more filing fees or more annual taxes on companies with large amounts of shares.

## **What par value should I choose?**

Your par value is not requested on all orders, and is usually expressed as "No Par Value" or some dollar amount per share such as "\$1.00" or "\$0.10." Some states require that you do not issue your stock for less than the par value. Some states also base their fees on the number of shares authorized multiplied by the par value.

## **What is a Federal Tax Identification Number or EIN?**

Your corporation is required to have an Employer Identification Number (EIN) also known as your Federal Tax Identification Number so that the IRS can track payroll and income taxes

