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Three Basic Questions

1. Why should I incorporate?

All legal and tax professionals agree: if your business is not incorporated you may be throwing away thousands of dollars in tax savings and deductions. In addition, all of your personal assets such as your home, cars, boats, savings and investments are at risk and could be used to satisfy any law suits, debt or liability incurred by the business. Forming a Corporation can provide the protection and tax savings needed to give you peace of mind and make your business even more successful and profitable.

Some of the Benefits to Incorporating include:

Incorporation Provides Liability Protection:

Properly forming and maintaining a corporation will provide personal liability protection to the owners or shareholders of the corporation for any debt or liability incurred by the business. Personal liability of the shareholders is normally limited to the amount of money invested in the corporation.

Incorporation Provides Tax Benefits:

Another important advantage is that a corporation can be structured many ways to provide substantial tax savings. You can minimize self-employment taxes and increase the number of allowable deductions lowering the taxes you pay on the income of the business. Many corporations structure retirement and tax deferred savings plans for their owners and employees which can provide even greater tax savings.

Incorporation Helps In Raising Capital:

Sale of stock for the purposes of raising capital is often more attractive to investors than other forms of equity sales. Investors are attracted by the limited liability features of corporations and

LLCs. A corporation can also issue corporate bonds to raise capital for expenditures without compromising the ownership of the business.

Incorporation allows you to establish a separate business credit profile:

Your corporation can develop its own credit profile, separate from yours. This gives your corporation, over time, the ability to access trade credit and bank financing on it's own.

Incorporation provides an enduring structure for business:

Your corporation can continue on long after you are gone. It functions independent of officers, directors, or owners, so the business can continue in the event anything untimely happens to any of the individuals. The corporation has an unlimited lifespan, which gives you the opportunity to make a permanent mark on the business world.

Incorporation provides easy transfer of ownership:

Corporate stock can be transferred relatively simply, without disrupting the company operations or forcing an expensive or complicated reorganization when owners come or go.

Incorporation allows you to have centralized management:

The corporation's internal structure is centralized, which means that the shareholders do not have the authority to bind the company by their own acts or decisions. Instead, the decisions are made by the board of directors, and those decisions are put into practice by the corporate officers (which may be the same person, by the way).

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2. Why should I incorporate in Nevada?

Nevada has become well known as a US corporate haven among business planners, attorneys and accountants. Experts in the fields of asset protection, privacy, and tax strategies have come to know Nevada as **"AMERICA'S TAX HAVEN."** Nevada's liability protection features and tax-free status for corporations have made it the clear choice as the preferred state for incorporating closely-held businesses. That is why Nevada now ranks in the Top Ten of states with the largest number of incorporations. That is an impressive accomplishment for a state ranked 37th in total population. Nevada's pro-business attitude has resulted in both INC. Magazine and Money Magazine ranking it #1 among all states in recent years for its favorable business climate. Nevada has clearly established itself as the **"Corporation Capital of the West,"** and continues to set new incorporation records every year.
Here are a few more specific advantages to incorporating in Nevada:

- ### The Strongest Corporate Veil

  . In order to pierce the corporate veil in Nevada, the court has determine that keeping the corporate veil in place would promote fraud and injustice. Nevada statute prevents corporate veil piercing on the basis of failure to maintain corporate formalities, commingling funds, etc. The Nevada Supreme Court has pierced a corporate veil only two times in the last 25 years, and that was because of possible fraud resulting in harm to another party. There has never been a case in which a Nevada corporation’s veil has been pierced when the corporation has been properly run. Nevada courts have developed a strong record of case law that protects the corporate veil, making it one of the most difficult in the country to pierce.

- ### The Best Indemnification of Corporate Officers and Directors.

Nevada's indemnification laws are unique from those of other states. While other states only limit the personal liability of corporate officers if they prevail in a lawsuit, Nevada provides indemnification by *statute*. This is an important distinction: Other states provide indemnification based on the unpredictability of juries and the legal system, while Nevada provides indemnification as a matter of law.

- **The Only Charging Order Protection for Stockholders.**

  Nevada is the only state to provide "charging order" protection to stockholders of closely-held corporations. And, this protection is the only remedy of a creditor – by statute – which prevents a creditors foreclosure on corporate stock. This asset protection tool is unique only to Nevada.

- **Protect the Privacy of Owners from Frivolous Lawsuits.**

  Officers and directors are required to list only their names in public records, but owners are not on the public record. Nevada requires only minimal disclosure of personal information at the time of start-up and at the time of annual filings. Nevada requires that only a corporation's president, secretary, treasurer, and one director be listed on the Initial List of Officers, as well as on the Annual List to renew the corporation's filings with the State. This ensures the privacy of individuals.

- **No State Corporate Tax.**

  Nevada does not have a corporate tax, plain and simple. So, Nevada can provide opportunities for business to choose their state tax jurisdiction. Depending upon how the business operates, this can give a Nevada corporation a significant state tax advantage.

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3. Why should I incorporate with Corporate Service Center, Inc.?

Corporate Service Center, Inc. is one of Nevada's oldest, most experienced and trusted incorporation firms. Since 1989, Corporate Service Center has formed over 30,000 new Nevada businesses for clients from around the world. Corporate Service Center's founder, Derek Rowley, has represented the Nevada incorporation industry as the president of the Nevada Registered Agent Association since 2002, and is credited with developing many of Nevada's unique corporate laws, including the corporate charging order protection statute that the Nevada Legislature approved in 2007. Derek has also led the charge for the adoption of "Best Practice Standards" for the Nevada incorporation industry.

Corporate Service Center is more than just an incorporation firm, however. We offer a full-range of small business services to help you achieve success, including:

- Educational seminars and events
- Nevada office headquarters services
- Nevada phone services
- Compliance coaching
- Full-service bookkeeping
- Small business tax consulting
- Small business tax return preparation
- Estate planning for small business owners
- Corporate credit programs to build a separate business credit profile
- Assistance with finding business capital
- Affiliate programs

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Incorporating

What are "Articles of Incorporation"

"Articles of Incorporation" are filed with the Secretary of State, along with fees, in order to create a corporation. There are mandatory requirements for the contents of articles of incorporation that are outlined in state law. They contain the name of the corporation, the purpose for which the corporation is created, the number of authorized stock and their respective par value, the existence of any classes of stock, the name and address of the incorporator, the registered agent, and the principal office.

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What is an Incorporator?
The incorporator is the natural person that files the articles of incorporation to create the business entity. The duties of the incorporator are very limited, but must be of legal age to execute official documents.

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Can my Nevada corporation do business in my home state?
Absolutely! Although some people are able to use a Nevada corporation without doing business in another state, many of our clients incorporate in Nevada and then qualify the corporation to do business in their home state. If you need to do this (we call it "foreign filing" the corporation), our staff can assist you in taking care of all the paperwork.

Did this answer your question? If not, send us your question, or

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What are bylaws?
Bylaws are an internal document that outlines the rules for running the corporation. They may include such things as how many directors a company must have, how many must be present to vote, the rights of stockholders, and the responsibilities of officers.

Corporate bylaws are not filed with the state, but are maintained in the internal corporate records.

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Do I need a special ending on my business name?
When you incorporate, you are no longer conducting business in a manner in which you will have personal liability for legal business activities. Although Nevada law does not technically require the use of a corporate indicator (such as "Inc.", "Corp.", "Corporation", "Ltd.", etc.) most legal authorities recommend using such an indicator in the company name to convey to the public that the entity is a limited liability entity.

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Do I need an attorney to incorporate?
No. Corporate Service Center, Inc. has formed over 30,000 business entities, and provides all the basic requirements for business formation. We have probably formed a lot more corporations than your attorney has! In fact, many law firms use Corporate Service Center for their Nevada incorporation needs. Our incorporation service saves you time and money when compared with hiring an attorney.

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What is a Registered Agent?
Every business entity is required to have a registered agent in each state in which it conducts business or establishes nexus. The duties of the registered agent are to receive legal service of process and official notifications from government agencies on behalf of the entity and forward them to the appropriate party.

Additionally, the registered agent is required to maintain certain records related to the business entity, such as copies of the articles of incorporation, bylaws, stock ledger (or statement of location), etc.

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LLC Questions

What is an LLC?

A Limited Liability Company (LLC) is a type of business entity that has been available in the U.S. since Wyoming first adopted LLC laws in 1977. The LLC combines corporate-type liability protection for its owners (called "members") and managers, and provides partnership-type taxation. The LLC is the most popular type of new business entity being formed today, due to the many advantages that it offers, including:

1. **A single level of taxation**, which eliminates double-taxation associated with profit distributions from C corporations;

2. The ability to **pass-through losses** to investors, which may offset other income;

3. The ability to make **special allocations** of income, gain, deductions, credits and loss to specific members;

4. **No Personal Holding Tax**, even if all of the passive income is retained in the LLC;

5. Liabilities and debts of the LLC **increase the member's tax basis** in their ownership interest;

6. **An LLC can elect to step of the basis of its assets** upon the death of member or the sale of membership units under Section 754 of the Internal Revenue Code; and,

7. **Charging order** protection for members.

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Can an LLC formed in one state conduct business in another state?
Yes, as a general rule. The Interstate Commerce Clause of the U.S. Constitution entitles an LLC or corporation formed in one state to conduct interstate commerce in all other states.

Did this answer your question? If not, [send us your question](), or

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When should an LLC be used over another form of business?
An LLC is a good choice for many types of business activity, especially real estate investments, passive investments or joint ventures between existing businesses. They work best when:

1. There are not many owners

2. The owners want flow-through tax treatment

3. Owners and managers want limited liability

4. Employee fringe benefits are not crucial for employee/owners

5. Owners want to take an active role in managing the company

Did this answer your question? If not, [send us your question](), or

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Do all states recognize the LLC?
Yes. All 50 states and the District of Columbia have enacted LLC statutes. Vermont, Massachusetts and Hawaii were the last to do so.

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Is there any limit on the number of owners in an LLC?
No, there is no limit, although single-member LLCs have special considerations.

Did this answer your question? If not, [send us your question](), or

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What are the single-member issues?
A single-member LLC is a "disregarded entity" for federal tax purposes. This means that the LLC does not file a tax return, and the income will be reported on the personal tax return of the individual member.

Also, there is a question as to whether charging order protection will apply to a single-member LLC. A bankruptcy court in Colorado ruled that a single-member LLC could not rely on charging order protection, because that protection was intended to protect innocent, third-party members from the economic damages of having a partner's interest foreclosed.

Did this answer your question? If not, [send us your question](), or

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What is the terminology of an LLC?
Most LLC statutes use the following terminology:

Members are the owners of an interest in an LLC.

The responsibility to run the LLC is given to one or more *managers*, who may or may not also be members.

Articles of Organization are filed with the Secretary of State for form the LLC.

The *Operating Agreement* provides the details about the internal operations of the company and the relationship of the members.

The unit of ownership is referred to as an *interest*.

Did this answer your question? If not, send us your question, or

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Making the right decision

What questions do I need to answer to be able to make an intelligent decision about what entity to use?

This can be a complicated question, but here are 10 simple things you should know that will help steer you toward the best choice when incorporating:

1. Who will own the company? Will it be individuals? corporations? trusts? U.S. residents? foreign citizens?

2. How many owners will there be?

3. Where will the working capital come from?

4. Do owners want pass-through taxation?

5. Will the company incur startup losses?

6. Do the owners want to create different classes of ownership?

7. Do the owners want charging order protection?

8. Do owner/employees need employee benefits?

9. Is the business regulated, or does it require special licensing?

10 Will the business need to retain significant earnings at any point

in its life cycle?

Your answers to these questions will go a long way to directing your choice of business entity.

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What is a C corporation?

The "C" corporation is still the most common form of ownership. It is a separate and legal entity that offers the greatest flexibility with respect to ownership and the free transferability of ownership interest. Although a "C" corporation allows for many advantageous tax deductions and benefits, small business owners may be at a disadvantage due to the double taxation associated with a "C" corporation. Income is first taxed at the corporate level at corporate tax rates. Then, when the corporation issues dividends to its shareholders, the same money is taxed again at the shareholder level. The result is that the same income generated by the corporation is being taxed twice. Still, the popularity of the "C" corporation is largely due to its overall recognition and acceptance in our society.

Advantages

Limited liability protection, unlimited life, easy to raise capital, complete flexibility of ownership, may have various classes of stock, free transferability of ownership and tax benefits allowing for certain health and life insurance deductions.

Disadvantages

Governmental regulations, double taxation, must maintain corporate formalities such as annual meetings and other resolutions.

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What is an S corporation?

Subchapter S Corporation or "S" Corporation is similar to the "C" Corporation and operates primarily in the same manner. The main advantage associated with the "S" Corporation is that the income passes through to the shareholders, thus avoiding the double taxation of a "C" Corporation. However, the corporation must meet certain requirements to qualify for the "S" status under the current IRS rules. It also loses some of the tax deductions allowed to "C" Corporations.

Advantages

Limited liability protection avoids "double taxation" and has an unlimited life.

Disadvantages

No more than 75 shareholders, limited ownership (individuals, estates and certain trusts) limited to one class of stock, some tax deductions are lost as compared to "C" corporation, subject to governmental regulations, must maintain corporate formalities such as annual meetings and other resolutions

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