

Tax aspects of incorporation

Institute of Chartered Accountants in England and Wales - Incorporation Tax Tips

MIMI'S CUPCAKES

Your business tax client, Mimi Carpenter, operates a successful sole proprietorship which sells cupcakes to individuals and small businesses at three locations in Las Vegas. Mimi's Cupcakes does not carry any inventory of finished products, but maintains a large supply of raw ingredients and supplies in case the shop exists. One of the stores is slightly larger than the others; it is Mimi's original location, and it still sits across the street from the loading dock where the Cupcakes trucks daily pick up and deliver merchandise and supplies.

The work force of each store is the equivalent of 2.5 employees; the employees are paid reasonably well, and the low-pressure atmosphere of the typical bakery results in a very low turnover rate. Mimi has a plan to incorporate her business, and she has been advised to contribute \$10,000 to Health Savings Accounts for their medical costs, and Mimi's reimburses the employees for the out-of-pocket deductible amounts, to a \$2,500 maximum per employee per calendar year.

Mimi's attorney, Gloria Willis, has urged Mimi to incorporate the business, primarily because of the liability protection that comes with incorporation, and the flexibility of the corporation plan for the operation. After several years of discussions, Mimi has agreed to go ahead with the idea. She will sell 100% of the stock of the corporation to her son, who is a 21-year-old college student and a part-time employee of the company; twenty percent interests will be made available to the other two employees. Mimi will remain as president and CEO, and will be a minority shareholder of the business, who is not related to the other two shareholders.

Mimi has operated the business as a cash basis sole proprietorship since 2000, and she anticipates incorporating the business on July 1 of the current year. A summarized projected balance sheet for the business as of June 30 is attached. Today is April 20.

Willie practices general tax rules as they apply to individuals and corporations. In this process, Willis will advise Mimi on how to incorporate her business, and will help her to understand the tax consequences transferred from the proprietorship to the corporation, and the mechanics of creating and issuing shares to the new shareholders.

Mimi has come to you with various questions about how to set up her corporation. You will be able to answer many of these questions by referring to the instructions on Schedule M-1. Corporate gross receipts will allow the continued use of the same tax identification number, and the same Social Security number, as the sole proprietorship.

Your interview with the three shareholders, you discover that Mimi's life expectancy is about two years from the date of incorporation. Nancy recently graduated from community college in accounting, and is currently working as a bookkeeper for a local financial recordkeeping. Joan is about fifty years old, in good health, and planning to remain in charge of operating decisions for the three stores for the foreseeable future. Neither Mimi nor Joan expects that

Description: -

-Tax aspects of incorporation

-

Tax digest -- 87Tax aspects of incorporation

Notes: This digest updates and replaces Tax digest no.54.

This edition was published in 1990



Filesize: 53.74 MB

Tags: #Forming #a #Corporation

Tax aspects of adjustments in M&A transactions

C corporations are also double-taxed when they attempt to distribute property out of the company, Riess said.

5 Reasons Consultants Should Consider Incorporating

Will Kenton has 10 years of experience as a writer and editor. This means that if you want the original business entity to retain ownership of some of the business assets for example, you may not want to transfer to the company a motor vehicle you used in your business but also used for personal travel , you would apply rollover to each asset you transfer individually.

5 Reasons Consultants Should Consider Incorporating

A corporation can deduct tax preparation fees as a business operating expense. Reach him at or visit.

Incorporation Tax Tips

A sole proprietorship is often the entry point for novice entrepreneurs because it requires zero setup. There are also separate rollover relief provisions available for businesses who don't meet the requirements for the small business restructure rollover. It notes that each shareholder's personal liability is normally defined by the amount of his investment.

Tax aspects of incorporation (Book, 1983) [skynet2550.us.to]

From a practical standpoint, however, there are limited situations where an LLC would choose to be taxed as a corporation. The above article is intended to provide generalized financial information designed to educate a broad segment of the public; it does not give personalized tax, investment, legal, or other business and professional advice.

Forming a Corporation

The S corporation itself is unlikely to pay any direct income taxes. The choice of safeguards against tax risks will depend on the type of transaction

and the parties involved.

Tax Advantages to Incorporating

However, active shareholders must pay themselves a reasonable salary in addition to tax-free distributions. This product feature is only available after you finish and file in a self-employed product.

5 Reasons Consultants Should Consider Incorporating

Don writes ghost articles, blogs, SEO website copy, white papers, case studies, magazine articles, brochures, and corporate collateral.

Related Books

- [Medienkultur](#)
- [Nonlinear processes in physics - proceedings of the III Potsdam-V Kiev workshop at Clarkson University](#)
- [The No-Gym Workout](#)
- [Fantastic pulps](#)
- [Real presence of Jesus Christ in the Eucharist](#)