

Title:

How to Incorporate Your Small Business

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Summary:

Learn the step-by-step process to incorporate your small business...

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Article Body:

If your small business is growing rapidly, you might consider incorporating the business to help it reach its full potential. To incorporate business is not difficult, but there is a process to follow. This step-by-step guide will help you get on the right track.

Prepare for Incorporation

To prepare for incorporation, first choose your primary business location. If your business operates in only one state, you will need to incorporate in that state. If your business operates in multiple states, then you have the option to choose which state to incorporate in, usually the state that's more business friendly when it comes to taxes and laws pertaining to business.

Next, select a name for your corporation. Check with your Secretary of State to make sure the name you choose is not already taken by another company. Also, do research online to be sure the name is not taken by another business and doesn't have a patent by another company or individual. Once you're sure the name is free to use, you can register your company name. The name will likely need to be registered as "Doing Business As" or "DBA."

Choose a Filing Agent

The next step is to decide who will register your corporation, receive forms for incorporation, and file your paperwork. The least expensive route is to do all paperwork yourself, but if you're completely new to incorporation, you'll benefit tremendously by hiring an agent. The agent must live in the state where you will incorporate the business. The agent may be an attorney who provides

incorporation services or the agent can be a service that specializes in incorporation. Hiring a service is usually far less expensive than hiring an attorney.

Develop a Corporate Structure

Whether you're the only member or shareholder of your company or you already have multiple shareholders, you should determine a corporate structure before registering the corporation. To structure the company means to determine how the stock will be spread among shareholders along with other rights such as voting rights and finances. Be sure everyone is in agreement with the structure and put everything in writing before filing your paperwork to incorporate the company.

Next, put together your corporate by-laws, or a set of rules that determine how board members will be elected, their duties, how and when board meetings are to be held, and other important details of how the corporation will be operated.

Ready to File

Now you're ready to obtain an Employee Identification Number (EIN) and select a board of directors for your company. Once these two tasks are accomplished, check to be sure you have all necessary paperwork and check the company name availability once again to be on the safe side. Now, you're ready to file your corporate paperwork for registration.

Forming an LLC - Know the Difference

Keep in mind that forming a corporation differs from forming an LLC (Limited-Liability Company). When you form an LLC, your business will be treated as a sole proprietorship or partnership under federal and state tax laws. You will be required to report profits and losses, income, credits, and deductions on your individual tax return.

Corporations, on the other hand, pay taxes on the company's profits. The shareholders are treated as individual employees, and each receive their own salaries and file their personal tax returns separately. LLC formation requires less paperwork and has fewer legal issues than a corporation.

If you're pressed for time and want to get things moving quickly with your company's incorporation, there are websites available to help you incorporate online. These sites provide printable paperwork, state-by-state instructions, and other helpful items to make it easier than ever to incorporate your business.