

CORPORATION

Definition of a Corporation

A corporation is a separate and distinct legal entity. A corporation can open a bank account, own property and do business, all under its own name. The primary advantage of a corporation is that its owners, known as stockholders or shareholders, are not personally liable for the debts and liabilities of the corporation. For example, if a corporation gets sued and is forced into bankruptcy, the owners will not be required to pay the debt with their own money. If the assets of the corporation are not enough to cover the debts, the creditors cannot go after the stockholders, directors or officers of the corporation to recover any shortfall.

A corporation is managed by a board of directors, which is responsible for making major business decisions and overseeing the general affairs of the corporation. Directors are elected by the stockholders of the corporation. Officers, who run the day-to-day operations of the corporation, are appointed by the directors.

The major disadvantage of a traditional corporation is double taxation. A traditional corporation, known as a "C-corporation," pays a corporate tax on its corporate income (the first tax). Then, when the C-corporation distributes profits to its stockholders, the stockholders pay income tax on those dividends (the second tax).

To avoid double taxation, a corporation can make a special election to be taxed as a pass-through entity, like a partnership or a sole proprietorship. That way, there is only one level of taxation. The corporate profits "pass through" to the owners, who pay taxes on the profits at their individual tax rates. Corporations that make this tax election are known as "S-corporations."

Corporations v. Sole Proprietorships and Partnerships

Corporations enjoy many advantages over partnerships and sole proprietorships. But there are also disadvantages. The most important differences are:

Advantages:

1. Stockholders are not liable for corporate debts.

This is the most important attribute of a corporation. In a sole proprietorship and partnership, the owners are personally responsible for the debts of the business. If the assets of the sole proprietorship or partnership cannot satisfy the debt, creditors can go after each owner's personal bank account, house, etc. to make up the difference. On the other hand, if a corporation runs out of funds, its owners are usually not liable.

However under certain circumstances, an individual stockholder may be liable for corporate debts. This is sometimes referred to as "piercing the corporate veil." Some of these circumstances include:

- If a stockholder personally guarantees a debt.
- If personal funds are intermingled with corporate funds.
- If a corporation fails to have director and shareholder meetings.
- If the corporation has minimal capitalization or minimal insurance.
- If the corporation fails to pay state taxes or otherwise violates state law (like defrauding customers).

2. Self-Employment Tax Savings.

Earnings from a sole proprietorship are subject to self-employment taxes, which are currently a combined 15.3% on the first \$90,000 of income. With a corporation, only salaries (and not profits) are subject to such taxes. This can save you thousands of dollars per year.

For example, if a sole proprietorship earns \$80,000, a 15.3% tax would have to be paid on the entire \$80,000. Assume that a corporation also earns \$80,000, but \$40,000 of that amount is paid in salary, and \$40,000 is deemed as profit. In this case, the self-employment tax would not be paid on the \$40,000 profit. This saves you over \$5,000 per year, that you should pay yourself a reasonable salary.

3. Continuous life.

The life of a corporation, unlike that of a partnership or sole proprietorship, does not expire upon the death of its stockholders, directors or officers.

4. Easier to raise money.

A corporation has many avenues to raise capital. It can sell shares of stock, and it can create new types of stock, such as preferred stock, with different voting or profit characteristics. Plus, investors are assured that they are not personally liable for corporate debts.

5. Ease of transfer.

Ownership interests in a corporation may be sold to third parties without disturbing the continued operation of the business. The business of a sole proprietorship or partnership, on the other hand, cannot be sold whole; instead, each of its assets, licenses and permits must be individually transferred, and new bank accounts and tax identification numbers are required.

Disadvantages:

4. Higher cost.

Corporations cost more to set up and run than a sole proprietorship or partnership. For example, there are the initial formation fees, filing fees and annual state fees. These costs are partially offset by lower insurance costs.

5. Formal organization and corporate formalities.

A corporation can only be created by filing legal documents with the state. In addition, a corporation must adhere to technical formalities. These include holding director and shareholder meetings, recording minutes, having the board of directors approve major business transactions and corporate record-keeping. If these formalities are not kept, the stockholders risk losing their personal liability protection. While keeping corporate formalities is not difficult, it can be time-consuming. On the other hand, a sole proprietorship or partnership can commence and operate without any formal organizing or operating procedures - not even a handwritten agreement.

6. Unemployment tax.

A stockholder-employee of a corporation is required to pay unemployment insurance taxes on his or her salary, whereas a sole proprietor or partner is not. Currently, the federal unemployment tax is 6.2% of the first \$7,000 of wages paid, with a maximum of \$434 per employee.

If you pay any required state unemployment tax, you can receive an offset credit of 5.4%, effectively lowering the federal rate to 0.8%, for a maximum of \$56.00 per employee per year.

Corporations v. LLCs

Limited liability companies are a relatively new type of business entity that combines the personal liability protection of a corporation with the tax benefits and simplicity of a partnership. However, there are still other important differences. The following discusses the main advantages and disadvantages of corporations versus LLCs.

Advantages of Corporations:

Profits are not subject to social security and Medicare taxes. Like a sole proprietorship or a partnership, salaries and profits of an LLC are subject to self-employment taxes, currently equal to a combined 15.3%. With a corporation, only salaries, and not profits, are subject to such taxes.

1. Greater Acceptance.

Since limited liability companies are still relatively new, not everyone is familiar with them. In some cases, banks or vendors may be reluctant to extend credit to limited liability companies. Moreover, there are restrictions as to the type of business that an LLC may conduct in some states.

2. Greater variety of, and fewer taxes on, fringe benefits.

Corporations offer a greater variety of fringe benefit plans than any other type of business entity. Various retirements, stock option and employee stock purchase plans are available only for corporations. Plus, while sole proprietors, partners and employees owning more than 2% of an S-corporation must pay taxes on fringe benefits (such as group-term life insurance, medical reimbursement plans, medical insurance premiums and parking), stockholder-employees of a C-corporation do not have to pay taxes on these benefits.

3. Income Shifting.

Although C-corporations are subject to double taxation, they also offer greater tax flexibility. In a C-corporation, you can use income shifting to take advantage of lower income tax brackets.

For example, a company earns \$100,000. With a sole proprietorship, a business owner who is married (filing jointly) would be in the 25% income tax bracket. With a corporation, assume that the business owner takes \$50,000 in salary and leaves \$50,000 in the corporation as a corporate profit. The federal corporate tax rate is 15% on the first \$50,000. Furthermore, the business owner is now in the 15% tax bracket for his or her personal income tax. This can reduce your overall tax liability by over \$8,000.

Advantages of LLCs

1. Fewer corporate formalities.

Corporations must hold regular meetings of the board of directors and shareholders and keep written corporate minutes. Members and managers of an LLC need not hold regular meetings, which reduce complications and paperwork.

2. No ownership restrictions.

S-corporations cannot have more than 100 stockholders, and each stockholder must be an individual who is a resident or citizen of the United States. Also, it is difficult to place shares of an S-corporation into a living trust. None of these restrictions or difficulties applies to an LLC (or a C-Corporation).

3. Ability to deduct operating losses.

Members who are active participants in the business of an LLC are able to deduct operating losses of the LLC against their regular income to the extent permitted by law. Shareholders of an S-corporation are also able to deduct operating losses, but not shareholders of a C-corporation.

4. Tax flexibility.

By default, LLCs are treated as a "pass-through" entity for tax purposes, much like a sole proprietorship or partnership. However, an LLC can also elect to be treated like a corporation for tax purposes, whether as a C-corporation or an S-corporation.

Forming a Corporation

A corporation begins upon the filing of articles of incorporation with the designated state's office. Prior to filing the articles of incorporation, the following issues should be considered.

1. State for incorporation

Many people choose to incorporate in their home state. Doing so may save you money because corporations are required to register as a "foreign corporation" in each state where they do business outside of their state of incorporation, and there is often no need to pay another person to serve as the registered agent. For example, a Delaware corporation that has its main business office in Texas must register as a "foreign corporation" with the Texas Secretary of State and must have a registered agent in Delaware.

However, if your home state has a high corporate income tax or high state fee, and your corporation will not "do business" in the home state, it may be wise to incorporate elsewhere. "Doing business" means more than just selling products or making passive investments in that state. It usually requires occupying an office or otherwise having an active business presence.

Delaware is a popular choice because of its history, experience, recognition and pro-business climate. In fact, over half of the companies listed on the New York Stock Exchange are incorporated in Delaware. Recently, Nevada has also gained popularity due to its pro-business environment and lack of a formal information-sharing agreement with the IRS. Nevada does not have corporate income taxes (and Delaware does not tax out-of-state income), and business filings in these states can usually be performed more quickly than in other states.

2. Choosing a name

In general, the name of a corporation must end with "incorporated," "corporation," or an abbreviation of one of these. A name will not be accepted if it is likely to mislead the public or if it too closely resembles the name of another corporation formed in that state.

If the name of your corporation will be used in connection with goods or services, you may wish to consider obtaining federal trademark protection for the name. This ensures that no one else in the U.S. may use that name in connection with the same general type of goods or services (except in areas where someone else is already using that name).

3. The Board of Directors

A corporation is managed by its board of directors, which must approve major business decisions. A director can be, but is not required to be, either a shareholder or an officer. Directors are elected by the shareholders and typically serve for a limited term. Each corporation must have at least one director.

Typical procedures which must be approved by the board of directors include:

- Declaring a dividend
- Electing officers and setting the terms of their employment
- Amending bylaws or the articles of incorporation
- Any corporate merger, reorganization or other significant corporate transaction

Directors of a corporation owe duties of loyalty and care to the corporation. Generally, means that directors must act in good faith, with reasonable care, and in the best interest of the corporation. If a director stands to personally gain from a transaction with the corporation, he or she must disclose this fact and refrain from voting on the matter, if possible.

4. Officers

Officers are appointed by the board of directors to run the day-to-day operations of the corporation. A corporation must have at least three officers: (1) a president, (2) a treasurer or chief financial officer and (3) a secretary. Officers do not have to be stockholders or directors, but they can be. There is no limit on the maximum number of officers, and no limit on the number of offices that a person may hold. In fact, the same person may hold all offices.

5. Registered Agent

Each corporation must have a registered agent, the person designated to receive official state correspondence and notice if the corporation is "served" with a lawsuit. The registered agent must be either (1) an adult living in the state of formation with a street address (P.O. boxes are not acceptable) or (2) a corporation with a business office in the state of formation which provides registered agent services.

One of the advantages of forming a corporation in your home state is that any officer or director can act as the registered agent. However, there are some advantages to having another person or company act as your registered agent. First, this adds an extra layer of privacy, since the name and address of the registered agent is publicly available. Second, this ensures that if your corporation is named in a lawsuit, no one will surprise you at home on a Sunday night with court papers.

Stock and Stockholders

Stockholders are the ultimate owners of a corporation. They have the right to elect directors, vote on major corporate actions (such as mergers) and share in the profits of the corporation. However, stockholders do not have the right to direct the day-to-day operations of the corporation.

A corporation is required to hold annual meetings of shareholders to elect directors. The minutes of these meetings must be carefully maintained by the corporation. If the corporation has only one or a few stockholders, it may make sense to hold the meetings by conference call or simply by having the stockholders sign a statement indicating what actions are approved.

The most basic level of stock is called "common stock." Sometimes, there is another level of stock, known as "preferred stock." The preferred stock generally has greater rights over the common stock when it comes to receiving dividends and/or assets from the corporation (in case the corporation is liquidated). Preferred stock can also have special voting characteristics, the ability to convert into common stock, the right to require that the company repurchase the stock at a later date (redemption), and other features allowed by state law.

The articles of incorporation must state the maximum number of shares that can be issued by the corporation. There is no need to actually issue the maximum number of shares – you can issue a lesser number. For example, if a corporation has two stockholders, you can authorize a maximum of 1,000 shares, but give each stockholder only 250 shares. This way, you have the flexibility to add more stockholders. Otherwise, if additional shares were needed, the articles of incorporation would have to be amended. There is no maximum on the number of shares that can be authorized, but be advised that some states base their annual corporation fee on the number of shares authorized.

In some states, an archaic feature of stock, known as the "par value," must be stated. This value is simply for accounting and tax purposes, since stock can be sold at whatever price a buyer is willing to pay. The corporation, however, cannot sell stock for less than its par value. And since some states base their annual corporation fee on the total par value of the stock, it is advisable to choose a low par value, such as \$.01 or even \$.001 per share.

The sale of stock is subject to federal and state securities laws. Generally though, if you are not advertising the sale and are dealing only with a small number (less than 35) of knowledgeable and sophisticated investors or people you know personally, then you will be exempt from the regulations. If, however, you are seeking to raise a significant amount of money from a large number of investors, you should consult with a lawyer.

Operating a Corporation

The most important thing to know about operating a corporation is to leave a paper trail of the important business activities. Below are some of the most common issues to consider when maintaining your corporation.

1. Keep things separate

As previously mentioned, it's important to keep the business and affairs of the corporation separate from the personal affairs of the stockholders, directors and officers. This means setting up a separate bank account, maintaining separate records, and keeping separate books for accounting purposes.

2. Meetings

Directors need to hold periodic meetings, and shareholders must meet once per year to elect directors. Meetings can take place in person or by telephone. Either way, you need to make a written record of the items discussed and actions approved at the meetings. Alternatively, you can just get all the directors (or a majority of the stockholders) to sign a statement approving corporate actions. This is known as "written consent."

3. Transfer of ownership interests

Generally, as long as all applicable laws are followed, a stockholder is free to sell or transfer shares to anyone. However, with small corporations in which the stockholders act more like partners and each is integral to the success of the company, you may wish to consider placing restrictions on the transfer of shares.

Stockholders sometimes enter into a buy-sell agreement which sets the terms for when shares can be transferred or sold. A typical buy-sell agreement would state that if one stockholder seeks to sell shares to any third party, the other stockholders have a right of first refusal; that is, the other stockholders may purchase those shares at the same price. Only if the other stockholders do not purchase those shares can a stockholder sell to a third party.

Additionally, certain professional corporations can only have shareholders that are licensed professionals, limiting the transferability of shares.

4. Tax forms and licenses

Every corporation must obtain a federal tax identification number, which is similar to an individual's social security number. Some states also require a separate state tax number. In addition, state, county and city business licenses may be required.

S Corporations

A traditional corporation, known as a C-corporation, is taxed as a separate entity, leading to double taxation of corporate income and dividends to shareholders. An S-corporation, on the other hand, is a corporation that elects to be treated as a pass-through entity (such as a sole proprietorship or partnership) for tax purposes. Since all corporate income is "passed through" directly to the shareholders who include the income on their individual tax returns, S-corporations

are not subject to double taxation. Moreover, the accounting for an S-corporation is generally easier than for a C-corporation. There are, however, certain restrictions placed on S-corporations:

- The S-corporation must not have more than 100 stockholders, and each of them must consent. (A married couple is treated as one stockholder).
- Each stockholder must be an individual who is a citizen or resident of the United States, or an estate or qualifying trust of such person.
- The corporation must have only one class of stock. (However, voting differences within a class of stock are permissible). Preferred stock is not allowed.
- The corporation must use the calendar year as its fiscal year unless it can demonstrate to the IRS that another fiscal year satisfies a business purpose.
- Corporations wishing to become an S-corporation must file Form 2553 with the IRS, and each stockholder of the corporation must sign the form.

Tax Reporting

As a separate legal entity, a corporation must submit a tax return each year with the IRS. For corporations with a fiscal year ending December 31, tax returns are due on March 15. A corporation must file a tax return even if it does not have income or no tax is due. C-corporations file tax returns on Form 1120 or 1120A.

Although S-corporations do not pay federal taxes at the corporate level, they still must prepare a separate tax return. S-corporations file their returns on Form 1120S.

For 2005, the federal income tax rate for a C-corporation is as follows:

Income:

Tax Rate:

Up to \$50,000:	15%
From \$50,000 to \$75,000:	25%
From \$75,000 to \$100,000:	34%
From \$100,000 to \$335,000:	39%
From \$335,000 to \$10,000,000:	34%
From \$10,000,000 to \$15,000,000:	35%
From \$15,000,000 to \$18,333,333:	38%
Over \$18,333,333:	35%

Some states, including California, also have a state corporate income tax. Corporations that anticipate a tax liability of \$500 or more must estimate their taxes and make quarterly estimated tax payments. Corporations with employees are required to pay federal (and sometimes state) payroll and unemployment taxes.

Maryland Incorporation Information

Incorporating in Maryland

Corporate Name:

Choosing a business name is one of the first steps in forming your Maryland Corporation. The name that you choose:

- Must be distinguishable from any other registered Maryland business entity and any reserved names on record, subject to certain exceptions under state law
- May not contain language stating or implying that the Maryland corporation is organized for a purpose other than that permitted by state law and its articles of incorporation.

- In addition, the name must contain one of (or an abbreviation of) the following words:
 - “Incorporated”
 - “Corporation”
 - “Company” (NOTE: The word “company” may not be preceded by the word “and” or a symbol denoting it, such as “&”)
 - “Limited”

Articles of Incorporation:

In order to incorporate in Maryland, articles of incorporation must be filed with the Maryland Secretary of State. Maryland law requires that certain information be included in your articles of incorporation. The following is a summary of those requirements:

- Incorporators:
 - Minimum Number of Incorporators – One or more.
 - Eligibility Requirements – An incorporator must be an adult individual who is at least 18 years old.
 - Duties – Sign, acknowledge and file articles of incorporation to the Secretary of State for filing.
 - Listing Requirements - The name and address of each person incorporating in Maryland must be listed, along with a statement by each incorporator that he or she is (1) at least 18 years old and (2) forming a corporation under Maryland law.
 - Corporate Purpose(s): Maryland allows a corporation to be formed for any lawful business activity
 - Listing Requirements – The corporate purpose(s), or a statement that the corporation may engage in any lawful activity, must be listed.
- Director Information:
 - Minimum Number of Directors – One or more, to be listed in the bylaws or fixed in accordance with them.
 - Eligibility Requirements – None. However, the articles of incorporation or bylaws may prescribe qualifications for directors.
 - Listing Requirements – The number of directors and the name of all initial directors must be listed.
- Stock Information, the Articles of Incorporation must contain:
 - The total number of shares itemized by class and par value, that the corporation is authorized to issue.
 - The aggregate par value of all the shares.
 - Any preferences, conversions or other share rights.
- Other Required Information:
 - The name and address of the resident agent of the corporation
 - The address of the corporation’s principal office.
- Optional Provisions, Maryland permits additional provisions to be included in the articles of incorporation, such as:
 - Transferability of stock.
 - Purposes whose authorization requires a greater proportion of share or class votes, or a lesser proportion of share or class votes subject to certain state requirements.
 - The division of directors into classes, including the term of office for each class.
 - The establishment and terms of cumulative voting in the election of directors for the purpose of minority representation.
 - Regulating the powers of the corporation, its board of directors, and shareholders.
 - Consideration by the board of directors regarding the effects of a potential acquisition of control on particular parties.
 - Limitation of director and officer liability to the corporation or its shareholders for money damages in certain situations.

Bylaws

Bylaws govern a Maryland corporation's business and affairs. A corporation maintains its bylaws at its principal executive office and is not required to file them with the government. The board of directors of a corporation may adopt, amend or repeal bylaws, unless the articles reserve this right for the shareholders.

Officer Information:

Officers must be listed in the bylaws or elected by the board. A corporation must have at least a president, a secretary and a treasurer. Unless provided otherwise in the bylaws, an officer serves for one year and until a successor is elected and qualifies.

Resident agent:

Every Maryland Corporation must have a resident agent -- the person or office designated to receive official state correspondence and notice if the corporation is "served" with a lawsuit.

The resident agent must be either

- (1) A resident individual of this state or
- (2) A Maryland corporation.

Professional Corporations:

Under Maryland law, a professional corporation is formed in order to render services within one specific profession. Professional corporations generally may not offer any other unrelated services and must comply with particular conventions in its choice of corporate name.

Annual Report:

A report and in most cases, a fee, must be filed with the Maryland State Department of Assessments and Taxation each year with the corporate business personal property return.

Corporate Statement of Affairs:

The president, or other officer specified in the bylaws, must report to the shareholders a statement of affairs which includes the corporation's balance sheet and financial statement of operations. This statement must be submitted at each annual stockholder's meeting and filed at the principal office within 120 days after the end of the fiscal year.

Income Tax Rate:

For information on the Maryland state income tax rate, visit:

<http://www.marylandtaxes.com/default.asp>

S Corporations:

S corporation status is recognized by the State of Maryland

Virginia Incorporation Information

Incorporating in Virginia

Corporate Name:

Choosing a business name is one of the first steps in the process of forming your Virginia Corporation. The name that you choose:

- Must be distinguishable from any other registered Virginia business entity and any reserved names on record, subject to certain exceptions under Virginia law.
- May not contain language stating or implying that it is organized for a purpose other than that permitted by Virginia law and its articles of incorporation.
- In addition, the name must contain one (or an abbreviation of) the following words:
 - "Incorporated"
 - "Corporation"

- "Company"
- "Limited"

Articles of Incorporation:

In order to incorporate in Virginia, articles of incorporation must be filed with the Virginia State Corporation Commission. The Virginia Stock Corporation Act (Title 13.1, Chapter 9 of the Virginia Code) requires that certain information be included in your articles of incorporation. The following is a summary of those requirements:

Incorporators:

- Minimum Number of Incorporators – One or more.
- Eligibility Requirements – An incorporator must be a person.
- Duties – Signing and filing articles of incorporation with the Corporation Commission.

Corporate Purpose(s):

Incorporating in Virginia can occur for any lawful business activity, subject to Virginia regulations regarding certain industries. There is no need to state the corporate purpose in the articles of incorporation.

Director Information:

- Minimum Number of Directors – One or more.
- Eligibility Requirements – None. The articles of incorporation or bylaws may prescribe qualifications for directors.
- Listing Requirements – Directors are not required to be listed in the articles.

Other Required Listing Information:

- The number of shares the corporation is authorized to issue.
- If more than one class of shares is authorized, the number of authorized shares of each class and a distinguishing designation for each class.
- The street address and county of the corporation's initial registered office and the name and signature of its initial registered agent at that office.
- Whether the corporation's registered agent is (i) a resident individual and either a director of the corporation or a member of the Virginia State Bar or (ii) a domestic or foreign stock or nonstock corporation, limited liability company, or registered limited liability partnership authorized to transact business in the state

Optional Provisions:

Virginia permits optional provisions to be integrated into the articles of incorporation, such as:

- The names and addresses of the initial directors.
- Any shareholder preemptive rights.
- The purpose(s) of the corporation.
- Provisions managing the business and regulating the affairs of the corporation.
- Personal liability of shareholders for corporate debts in certain situations.
- A par value for authorized shares or classes of shares.

Bylaws:

The incorporators or board of directors must adopt initial bylaws for the corporation. The bylaws of a corporation may contain any provision for managing the business and regulating the affairs of the corporation that is not inconsistent with law or the articles of incorporation.

Officer Information:

Virginia corporations shall have officers with such titles and duties as shall be stated in the bylaws or in a resolution of the board of directors. The secretary or any other officer as designated in the bylaws or by resolution of the board shall have the responsibility for preparing and maintaining custody of minutes of the directors' and shareholders' meetings and for authenticating records of the corporation.

Registered agent:

Every Virginia Corporation must have a registered agent in Virginia -- the person or office designated to receive official correspondence and notice if the corporation is "served" with a lawsuit.

The registered agent must have a business office identical to the registered office and must be either: (1) an individual residing in the state and either an officer or director of the corporation or a member of the Virginia State Bar, or (2) a domestic or foreign stock or nonstock corporation, limited liability company or registered limited liability partnership authorized to transact business in the state

Registered office:

Virginia requires that every corporation maintain a registered office in the state, which may be the same as any of its places of business.

Professional Corporations:

Under Virginia law, a professional corporation is formed in order to render services within one specific profession, subject to certain exceptions. Professional corporations generally may not provide any other non-ancillary services and must comply with particular conventions in its choice of corporate name.

The following professions are required to be a professional corporation: pharmacists, optometrists, practitioners of the healing arts, acupuncturists, chiropractors, nurse practitioners, practitioners of the behavioral science professions, veterinarians, surgeons, dentists, architects, professional engineers, land surveyors, certified landscape architects, certified interior designers, public accountants, certified public accountants, attorneys-at-law, insurance consultants, audiologists or speech pathologists, and clinical nurse specialists.

Annual Report:

An annual report must be filed with the Virginia Commission in the last 3 months of the calendar year following its date of incorporation (subject to any extensions allowed by the Commission). This report must be current as of the date of the report and must indicate:

- The corporation's name and its state or country of incorporation.
- The street address and county of its registered office and the name of its registered agent at that office.
- The address of its principal office.
- The names and post-office addresses of the directors and the principal officers of the corporation.
- A statement of the aggregate number of shares which the corporation has authority to issue, itemized by class.

Dissolution

A Virginia corporation may voluntarily elect to wind up and dissolve. A corporation must file an Articles of Dissolution when it wishes to dissolve with the Virginia Corporation Commission for dissolving your corporation.

Income Tax Rate:

For information on the Virginia income tax rate, visit: <http://www.tax.state.va.us/>

S Corporations:

S corporation status is recognized by the Commonwealth of Virginia

District of Columbia Incorporation Information

Incorporating in District of Columbia

Corporate Name:

The name that you choose for your D.C. Corporation must be distinguishable from any other registered or authorized D.C. business entity and any reserved names on record, subject to certain exceptions under D.C. law.

In addition, the name must contain one of (or an abbreviation of) the following words:

- “Incorporated”
- “Corporation”
- “Limited”
- “Company”

D.C. law restricts the use of certain words and phrases in business names. When you form your D.C. Corporation, your business name choices are reviewed for compliance with applicable district laws.

Articles of Incorporation:

When incorporating in Washington D. C., Articles of Incorporation must be filed with the Mayor. D.C. law requires that certain information be included in your articles of incorporation. The following is a summary of those requirements:

- Incorporators:
 - Minimum Number of Incorporators – One or more natural persons.
 - Eligibility Requirements – An incorporator must be at least eighteen years old.
 - Duties – Signing and filing in duplicate articles of incorporation in the Mayor’s office. Those incorporating in DC may adopt initial bylaws if not already done so by the board of directors.
 - Listing Requirements – Incorporators are not required to be listed in the articles of incorporation.
- Director Information:
 - Minimum Number of Directors – One or more
 - Eligibility Requirements – A director must be a natural person at least eighteen years old. The bylaws may prescribe other qualifications.
 - Listing Requirements –Not required in the articles.
 - Stock Information:
 - The number, classes and par value of shares that the corporation is authorized to issue, along with a statement of share attributes, must be listed in the Articles.
- Other Required Listing Information:
 - Name and address of initial registered agent
 - Number of initial directors
 - Names and addresses of initial directors
 - Names and addresses of incorporators
 - Period of duration, which may be perpetual
 - A statement that the minimum amount of capital with which the corporation shall commence business shall be not less than \$1,000
 - Any shareholder preemptive rights
 - Any incorporator-elected regulations of internal affairs

Bylaws

Bylaws govern a DC corporation’s business and affairs. A corporation maintains its bylaws at its principal executive office and is not required to file them with the government. The board of directors of a corporation may adopt, amend or repeal bylaws, unless the articles reserve this right for the shareholders. Officers may either be listed in the bylaws or elected by the board in compliance with the bylaws.

- Registered Agent:

Every D.C. corporation must have a registered agent in Washington D.C.-- the person or office designated to receive official state correspondence and notice if the corporation is "served" with a lawsuit.

The registered agent must either be

(1) an individual resident of the state or

(2) a corporation authorized to transact business in D.C. whose business office is the same as the registered office. The corporation must obtain written consent for the individual or corporation to act as registered agent.

- Registered Office:

D.C. requires that every corporation maintain a registered office, which may be the same as its place of business.

- Professional Corporations:

Under D.C. law, a professional corporation is formed in order to render services within a single, state-licensed profession. Professional corporations may not engage in any other business, and must comply with particular conventions in its choice of corporate name.

- Annual Reports:

A report must be filed with the D.C. Mayor by the end of the second calendar month following delivery of the corporation's original articles, and every year thereafter in the applicable filing period. This report must include the corporation's name, jurisdiction of incorporation and any information listed in its articles that has since changed.

- Other Reports:

A corporation must send its most recent annual report and most recent published report, if so requested by a shareholder.

- Income Tax Rate:

For information on the D.C. income tax rate, visit: <http://cfo.dc.gov/etsc/main.shtm>

- S Corporations:

S corporation status is recognized by the District of Columbia