Entity Formation & Compliance: What You CAN and CANNOT Do For Your Clients
Today’s Agenda

Goal: Learn how you can help your clients with entity formation and compliance services *without* providing legal advice.

- Accountants are Critical to Small Business Success
- Your Clients Depend on You
- Avoiding Legal Advice
- Acting as a Scribe
- Entity Formations
- Business Entity Refresher Course
- Services You Can Offer
- Resources
Accountants are Critical to Small Business Success
Businesses Rely on Accountants

Ranked professionals in order of importance to your business:

- Accountant
- Attorney
- Banker
- Insurance Agent
- Technology Firm
- Staffing Service
- Other

Your Clients Depend on You
What Can You Help With?

Clients come to you with a multitude of questions. What **CAN** and **CAN’T** you help with? Can you answer certain questions **without** providing legal advice?

- Why should I incorporate or form an LLC?
- What entity will save me tax dollars?
- What are the advantages of a C Corporation?
- Should I operate as an LLC or S Corp?
- What state should I register in?
- Do I need a registered agent?
- What should I expect after I incorporate or form an LLC?
- Do I need to hold an annual meeting if I am a small corporation or LLC?
Confusion About Legal Advice

Within the accounting industry, there is confusion on what is considered legal service and what is OK to add as a service.
Avoiding Legal Advice
Accountants **MAY NOT GIVE** advice about liability ramifications of the various business entity types, but they **MAY GIVE** advice about the effects a business structure will have on a clients’ tax obligations.

<table>
<thead>
<tr>
<th>Liability Ramifications</th>
<th>Tax Obligations</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Personal asset protection</td>
<td>● Self-employment taxes</td>
</tr>
<tr>
<td>● Separation of business and personal assets</td>
<td>● Pass-through taxation</td>
</tr>
<tr>
<td>● Legal protection of one state over another</td>
<td>● Double taxation</td>
</tr>
<tr>
<td>● Liability protection of one state over another</td>
<td>● Corporate income tax rate</td>
</tr>
<tr>
<td></td>
<td>● Tax advantage of one state over another</td>
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</tbody>
</table>
Types of Questions You Can Answer

- Will pass-through taxation, S Corporation tax treatment, or taxation as a corporation be most beneficial financially to a client who is forming an LLC?
- What options does a general partnership have if its owners want to lower their self-employment tax burden?
- Which states offer the most favorable tax rates for a corporation?
Types of Questions That Lead to Legal Advice

- What are the personal liability advantages of changing from a sole proprietor/partnership to a corporation or LLC?
- What should shareholders of a corporation include in a corporation’s bylaws and minutes?
- What should members of an LLC include in their operating agreement for an LLC?
- Which state will offer the most favorable legal environment for a corporation or LLC?
Acting as a Scribe
Filing Documents

Accountants, CPAs, enrolled agents, bookkeepers, and other professionals can take information from a client and transfer it to the state via the required business registration documents.

The task of preparing and filing the paperwork are something clients can do on their own or enlist your help as the professional to do it on their behalf. The person handling those activities is merely acting as a scribe.
Entity Formations
Simple vs Complicated

When it comes to helping clients incorporate a business or form an LLC, it all comes down to whether the business is *simple* or *complicated*. If simple, you can help. If complicated, you will need to outsource to legal counsel.

This information will determine complexity:

- Amount being invested
- What is being invested
- Mergers/Acquisitions
- Member/Manager roles and level of management
- Trust
An operating agreement states the rights, responsibilities, and obligations of each of the members of the LLC, as well as the distribution of income of an LLC. It is not required that an operating agreement be submitted for filing to the Secretary of States office to form an LLC, but it needs to be drafted and remain at the principal place of business to stay compliant with corporate formalities.

Can I help draft an operating agreement for my clients?
Operating Agreement

The operating agreement is a legal document that is created for each state and holds specific state statutes. If ‘simple’ LLC, there are templates readily available for each state to fill out. If ‘complicated’ an attorney will be needed to complete.

This information will determine complexity:

- Series LLC
- Specific partnership agreement
- Specific voting rights between the members
- Manager-Managed LLC where managers and members have different roles and responsibilities
Certain states require a **Notice of Publication** when a corporation or LLC is formed and filed within the state.

**Anyone** can draft a Notice of Publication as long as it is done properly and according to that states’ statutes and laws and for the duration required.

Generally speaking, most states require the Notice of Publication to be published within a newspaper within the county in the state where the LLC or corporation is formed.
Business Entity Refresher Course
Popular Entity Choices

- Sole Proprietorship/Partnership
- LLC (Limited Liability Company)
- C Corporation
- S Corporation
### Business Formation Options

<table>
<thead>
<tr>
<th>Business Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sole Proprietorship</strong></td>
<td>A Sole Proprietorship is easy to form, but it offers little liability protection, funding options, and opportunities for future growth.</td>
</tr>
<tr>
<td><strong>General Partnership</strong></td>
<td>A General Partnership is the most basic form of partnership. It is comparable to a sole proprietorship, but it must have at least two owners or partners.</td>
</tr>
<tr>
<td><strong>Limited Partnership</strong></td>
<td>Similar to a General Partnership, the Limited Partnership offers its “Limited” partners asset protection and a shielding from personal liability.</td>
</tr>
<tr>
<td><strong>C Corporation</strong></td>
<td>The C Corporation is the most common form of corporate entity. The C Corporation is owned by shareholders. The shareholders elect a board of directors to create and direct the high-level policies of the business.</td>
</tr>
<tr>
<td><strong>S Corporation</strong></td>
<td>A S Corporation is different from a C Corporation in two significant ways: (1) An S Corporation makes an election to be taxed as a “pass-through entity” and (2) An S Corporation has limitations on ownership.</td>
</tr>
<tr>
<td><strong>Limited Liability Company</strong></td>
<td>A Limited Liability Company is a popular business structure because it combines the liability protection offered by incorporation while retaining some of the tax advantages of a Partnership or Sole Proprietorship.</td>
</tr>
<tr>
<td><strong>Professional Corporation</strong></td>
<td>Individuals who provide a professional service can also benefit from forming a Professional Corporation. Where a business provides a professional service, most states have special filing requirements when incorporating.</td>
</tr>
</tbody>
</table>

Note: Most accounting firms, in fact, are registered as a Professional Corporation or Professional LLC/LLP (where available).
<table>
<thead>
<tr>
<th></th>
<th>Sole Proprietorship</th>
<th>General Partnership</th>
<th>C Corp</th>
<th>S Corp</th>
<th>Professional Corporation</th>
<th>LLC</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Formation</strong></td>
<td>None</td>
<td>None</td>
<td>State Filing Required</td>
<td>State Filing Required</td>
<td>State Filing Required</td>
<td>State Filing Required</td>
</tr>
<tr>
<td><strong>Limited Personal Liability</strong></td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes: Except for Own Malpractice</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Transferability of Interest</strong></td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Generally Limited</td>
<td>Generally Limited</td>
<td>Yes: Often Limited</td>
</tr>
<tr>
<td><strong>Duration</strong></td>
<td>Until Withdrawal or Owner Death</td>
<td>Unlimited</td>
<td>Unlimited</td>
<td>Unlimited</td>
<td>Unlimited</td>
<td>Unlimited</td>
</tr>
<tr>
<td><strong>Pass-through Taxation</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes: Upon Election</td>
</tr>
<tr>
<td><strong>Ability to Raise Capital</strong></td>
<td>Not as Separate Entity</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes: Shareholder Limits Exist</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Limitations on Number of Owners</strong></td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No: All Owners Must be in Same Profession</td>
<td>No</td>
</tr>
</tbody>
</table>
Utilize resources to help clients decide what entity is best for their business while still avoiding giving legal advice.

CorpNet’s Business Structure Wizard is free for anyone to use.

CorpNet.com/business-structure-wizard
Services You Can Offer
Services You Can Offer

Adding business formation and compliance monitoring services create an additional stream of revenue for your practice.

- Incorporation Filings (C-Corps, S-Corps, Non-Profit Corps, Professional Corps)
- Limited Liability Company Filings (LLC’s and PLLC’s)
- DBA/Fictitious Name Filings
- Business Licenses and Permits
- Name Checks & Reservations
- Amendments & Name Changes
- Dissolutions & Withdrawls
- Foreign Qualification Filings
- Certificates of Good Standing
- Corporate Kits & Supplies
- IRS Forms & Filings
- S Corporation Elections
- Annual Meeting Minutes & Compliance
- Initial & Annual Report Filings
- Registered Agent Services
- Trademark Search & Filings
<table>
<thead>
<tr>
<th>Entity</th>
<th>Initial Filing Requirements</th>
<th>Annual Compliance Requirements</th>
<th>Registered Agent Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sole Proprietorship</td>
<td>None</td>
<td>None</td>
<td>No</td>
</tr>
<tr>
<td>General Partnership</td>
<td>None</td>
<td>None</td>
<td>No</td>
</tr>
<tr>
<td>Limited Partnership</td>
<td>Initial Filing (Some States)</td>
<td>Annual Reports (Some States)</td>
<td>Yes (Some States)</td>
</tr>
<tr>
<td>C Corporation</td>
<td>Initial Filing</td>
<td>Annual Reports</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Initial Report</td>
<td>Annual Meetings</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Publication Fees</td>
<td>Meeting Minutes</td>
<td></td>
</tr>
<tr>
<td>S Corporation</td>
<td>Initial Filing</td>
<td>Annual Reports</td>
<td>Yes</td>
</tr>
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<td>Annual Meetings</td>
<td></td>
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<tr>
<td></td>
<td>Publication Fees</td>
<td>Meeting Minutes</td>
<td></td>
</tr>
<tr>
<td>Limited Liability Company</td>
<td>Initial Filing</td>
<td>Annual Reports</td>
<td>Yes</td>
</tr>
<tr>
<td>Professional Corporation</td>
<td>Initial Filing</td>
<td>Annual Reports</td>
<td>Yes</td>
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<td>Meeting Minutes</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Additional Licensing or Board Certification May Be Required</td>
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</table>
Our Tools Are Your Resources

Welcome to B.I.Z.! Your Business Information Zone
The secure, cloud based Corporate Compliance Tool available to EVERYONE... for FREE!

Corporate / LLC Kit
Meeting Minutes Templates
LLC Operating Agreement
CorpNet.com Partner Program

Private Label: Resell CorpNet Services
- Offer business formation and compliance.
- CorpNet is a silent, white labeled partner.
- CorpNet never contacts your client.
- All documents, alerts, and information are sent directly to you without labels.
- You will have a Dedicated Account Manager who knows your specific requirements and is available to you for whatever you need.

Referral Program: Refer Your Clients
- Refer your clients to CorpNet and they will receive white glove treatment.
- A dedicated account manager will work with your clients to ensure a personalized experience and a “hand-off” back to you when the process is complete.
- Earn commissions up to 25% or pass the savings to your client.

Participating in both our Reseller and Referral partner programs is ok!

CorpNet.com/partners/