



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



A photograph of a woman in a business suit sitting at a table with a laptop and papers, smiling at a man whose back is to the camera. The image has a blue overlay.

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.

March 19 at 9:45 AM

What do you guys charge to form an LLC for a client and request the EIN?

3 38 Comments

Like Comment

You should not be doing LLC formations. It is a legal service.

Ok, so I think I'm actually legally prohibited from doing it...

Like · Reply · 1w

Smart move! Plus, in NY, you have to do a Publication. Not worth the time/effort/exposure.

I've heard that. I've also heard that a simple LLC filing is nothing but "form filling" and nothing wrong with it. Especially for a single member LLC. Same with EIN application. However, for multi-member LLC there should be an organizational agreement and I'm not touching that. Clearly a legal service.

Forming an LLC isn't a legal service, preparing legal forms is. You can set up an LLC on the SOS of website's in most states and file for an EIN on [irs.gov](https://www.irs.gov). We charge \$500 plus any applicable filing fees. Then, have the attorney draft the LLC agreement and save the client money not having to pay an attorney to log in to a website and fill in info.

IRS.GOV
Internal Revenue Service | An official website of the United...



Avoiding Legal Advice

Liability vs Tax Obligations

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.

Liability Ramifications

- Personal asset protection
- Separation of business and personal assets
- Legal protection of one state over another
- Liability protection of one state over another

Tax Obligations

- Self-employment taxes
- Pass-through taxation
- Double taxation
- Corporate income tax rate
- Tax advantage of one state over another

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?



A person is writing on a check with a pen. The check has the words "PAY TO THE ORDER OF" and "MEMO" visible. A calculator and a pair of glasses are also visible in the background. The entire image has a blue tint.

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**.



A photograph of three business professionals in a meeting, overlaid with a semi-transparent blue filter. A woman on the left is gesturing with her hands while speaking. A man in the center, wearing glasses and a suit, is smiling and listening. A woman on the right is also listening. They are seated at a table with papers and a laptop. The text 'Entity Formations' is centered in white over the image.

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 council.

This information will determine complexity:

- Amount being invested
- What is being invested
- Mergers/Acquisitions
- Member/Manager roles and level of management
- Trust

Operating Agreement

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.

 In CA the articles of organization, operating agreement and informational statement that are required are fill in the box forms on CA website. You just download the form and it's super easy. Oh well...

Like · Reply · 1w

 The actual formation with the CA Secretary of State is in fact easy. However, what is often missed is a quality LLC operating agreement. That 50 page sucker needs to be well thought out and signed by the LLC members.

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

Publication

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.

Smart move! Plus, in NY, you have to do a Publication. Not worth the time/effort/exposure.

Like · Reply · 1w

What kind of publication?

Like · Reply · 1w

<https://www.dos.ny.gov/corps/lccorp.html>



DOS.NY.GOV

Division of Corporations, State Records and Uniform...

Like · Reply · 1w

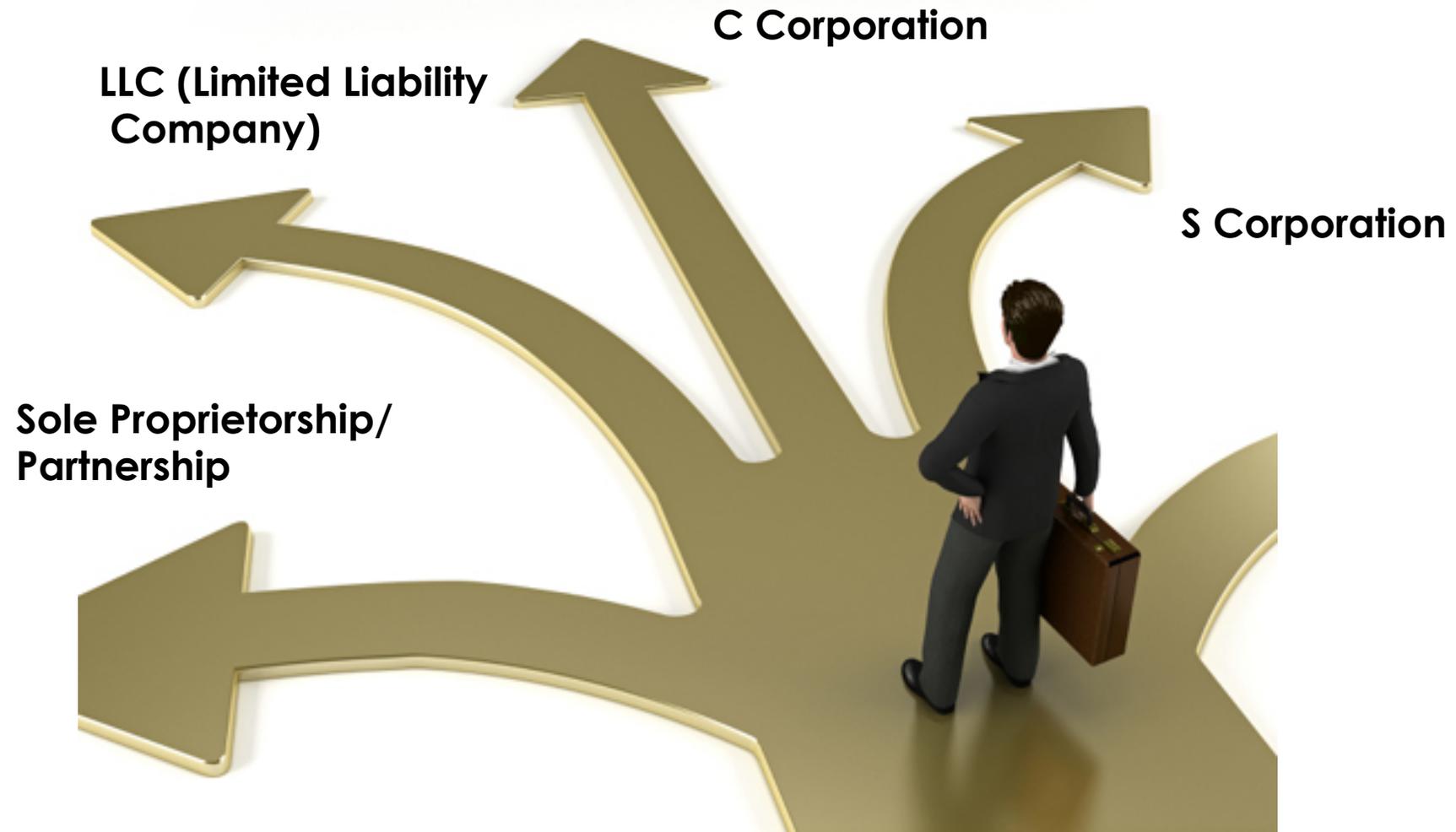
Certificate of Publication Domestic Limited Liability Companies

Section 206 of the New York State Limited Liability Company Law requires that within 120 days after the effectiveness of the initial articles of organization, a limited liability company (LLC) must publish in two newspapers a copy of the articles of organization or a notice related to the formation of the LLC. The newspapers must be designated by the county clerk of the county in which the office of the LLC is located, as stated in the articles of organization. After publication, the printer or publisher of each newspaper will provide you with an affidavit of publication. A Certificate of Publication, with the affidavits of publication of the newspapers attached, must be submitted to the New York Department of State, Division of Corporations, One Commerce Plaza, 99 Washington Avenue, Albany, NY 12231. The fee for filing the Certificate of Publication is \$50.

A modern office interior with a desk, chair, and bookshelves, overlaid with a semi-transparent blue filter. The desk is in the foreground, with a chair in front of it. Behind the desk are bookshelves filled with books and binders. A potted plant is visible on the right side of the desk.

Business Entity Refresher Course

Popular Entity Choices



Business Formation Options

Sole Proprietorship	A Sole Proprietorship is easy to form, but it offers little liability protection, funding options, and opportunities for future growth.
General Partnership	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.
Limited Partnership	Similar to a General Partnership, the Limited Partnership offers its “Limited” partners asset protection and a shielding from personal liability.
C Corporation	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.
S Corporation	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.
Limited Liability Company	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.
Professional Corporation	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.

Note: Most accounting firms, in fact, are registered as a Professional Corporation or Professional LLC/LLP (where available).

	Sole Proprietorship	General Partnership	C Corp	S Corp	Professional Corporation	LLC
Formation	None	None	State Filing Required	State Filing Required	State Filing Required	State Filing Required
Limited Personal Liability	No	No	Yes	Yes	Yes: Except for Own Malpractice	Yes
Transferability of Interest	No	No	Yes	Generally Limited	Generally Limited	Yes: Often Limited
Duration	Until Withdrawal or Owner Death	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
Pass-through Taxation	Yes	Yes	No	Yes	No	Yes: Upon Election
Ability to Raise Capital	Not as Separate Entity	Yes	Yes	Yes: Shareholder Limits Exist	Yes	Yes
Limitations on Number of Owners	Yes	No	No	Yes	No: All Owners Must be in Same Profession	No

Business Structure Wizard

Business Structure Wizard
Find the Best Business Structure for Your Company

General Structure & Management Business Finances Looking Forward

Business Purpose Liability & Lawsuits Your Taxes

1 — 2 — 3 — 4 — 5 — 6

Is your organization designed for educational or charitable reasons?

Yes No Not Sure

Next > Skip To Results > Restart

Results
Here are the best choices based on your answers

- Limited Liability Company (LLC) 0%
- S-Corporation 0%
- C-Corporation 0%
- Sole Proprietorship 0%
- Partnership 0%
- Limited Liability Partnership (LLP) 0%
- Non Profit Corporation 0%

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](https://corpnet.com/business-structure-wizard)

A young woman with long brown hair, wearing a black polka-dot shirt, is smiling and leaning on a desk. She is holding a stack of three white binders. In the background, there is a computer monitor, a keyboard, and some papers on the desk. The entire image has a blue tint.

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 & Withdrawals
- 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

	Initial Filing Requirements	Annual Compliance Requirements	Registered Agent Required
Sole Proprietorship	None	None	No
General Partnership	None	None	No
Limited Partnership	Initial Filing (Some States)	Annual Reports (Some States)	Yes (Some States)
C Corporation	Initial Filing Initial Report Publication Fees	Annual Reports Annual Meetings Meeting Minutes	Yes
S Corporation	Initial Filing Initial Report Publication Fees	Annual Reports Annual Meetings Meeting Minutes	Yes
Limited Liability Company	Initial Filing	Annual Reports	Yes
Professional Corporation	Initial Filing Initial Report Publication Fees	Annual Reports Annual Meetings Meeting Minutes Additional Licensing or Board Certification May Be Required	Yes

A woman with long dark hair and glasses is shown from the chest up, shrugging her shoulders with her hands held out. She has a neutral expression. The background is a solid teal color with numerous white question marks scattered throughout. The word "Resources" is centered over her chest in a white, bold, sans-serif font.

Resources

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

CorpNet Business Information Zone | Dashboard | Companies | Orders | Hi Corpnet-Inn

Home / B.I.Z. Dashboard

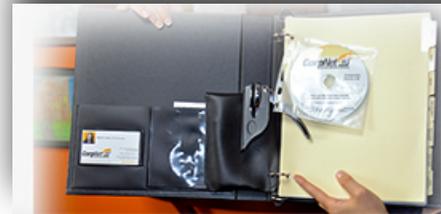
- Place an Order for New Business
- Place an Order for Existing Business
- Monitor Company / Add New Company
- Check Order Status
- Update Your Profile

536 Total Companies Add New Company	160 Total Orders Start New Business	3 Total Documents Manage Documents	46 Total Alerts View Alerts
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Recent Alerts [View All](#)

Drag a column header and drop it here to group by that column.

Company Name	Event	Due Date	
Azzi 3 LLC	Initial Report Filing Due for California, USA	Past Due	Order Now Dismiss
Amanda Test Inc.	DBA / Tradenames Due for California, USA	Past Due	Renewal in process Dismiss
Fake Burgers, Inc.	Annual Report Filing Due for Connecticut, USA	Past Due	Dismiss



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/](https://corpnet.com/partners/)