

# How To Make Your Business In Corporation

A corporation is a business structure that allows owners to establish their business as a separate legal entity. Incorporated companies enjoy “corporate personhood,” meaning that they have the right to enter into contracts, loan and borrow money, and so on. In these, owners and shareholders of a corporation are not held personally liable for its debts and obligations.

**There are two types of corporation level.**

The **first level** is the ownership in which shareholders are the ones who own a corporation. And in the **second level** is the management level, which features a board of directors and corporate officers.

**The upstairs of form corporations.**

- **Limited liability.**

The benefit of corporations is to offer personal liability protection to shareholders. Owners are only responsible for the amount they invest in the business.

- **Credibility**

Registering your business into a corporation can make your business appear more credible in front of customers, Employees, Partners, Vendors. Many investors are not comfortable to work with companies that do not have a corporation or Limited Liability Company status because the lack of liability protection puts the investors’ funds at greater risk. So registering your business as a corporation could make you more legitimate to investors as well.

- **Unlimited life and transferable ownership.**

In case, if an owner passes away or wishes to sell shares of the company, the business will still exist and can continue to do business in the market and ownership is transferable.

- **Taxes.**

Electing corporation status offers various tax advantages. Owners can also save their money from social security, medicare, and workers compensation taxes, to which corporate income is not subject to.

### **The downsides of forming a corporation.**

Although corporations can offer various benefits, there are a couple of disadvantages owners need to consider.

- **Cost**

The fees to register a corporation fluctuate from state to state. A sole proprietorship exists automatically without owners paying any filing fees. Filing of fees includes payment for things like business licenses that you'll have to do in every state, country, in which you operate.

- **Administrative duties**

There is too much paperwork involved in operating a corporation. Which may differ from state to state, but you may need to do things like file annual reports or documents to remain compliant. And even you have to be ready with the file which includes things like certificate of incorporation, corporate bylaws, certificate of good standing if operating in another state, corporate minutes. If there are two or more owners involved in your small business such as partnership then the administrative upkeep may not be worth it.

### **How to start a corporation.**

- **Select the name for your corporation.**

Select the name for your corporation which is not similar to

the existing corporation. Also go to your local secretary of state's office to see the availability of your proposed name, also check the domain name associated with your chosen business name is available. Perform a search of local directories to see if any local businesses are currently having the same or similar name.

- **Draft and file your certificates of incorporation**

Certificates or articles of incorporation are required to document the formation of a corporation. While some states may have different requirements, in general, the certification of incorporation outlines necessary company information such as the business's name, street address, and the amount and type of stock issued.

You also need to prepare all your articles of incorporation, and the articles should be signed by the incorporator and filed with the secretary of state in the state where you incorporate your business. While doing the registering, you need to pay a filing fees.

- **Create corporate bylaws**

Not every state requires corporations to draft corporate bylaws. Bylaws there are some of the most important documents for a corporation because they set the rights and duties of the shareholders, directors, and officers, as well as how the corporation should operate. Check with your local secretary of state's office that there are any corporate bylaws required in the state.

- **Draft a shareholders' agreement**

If desired, be sure to prepare a shareholders' agreement. A shareholders' agreement is for the corporation who wants to restrict who can become a new shareholder and set provisions for how existing shareholders can exit the corporation and sell their shares, among other requirements.

- **Maintain corporate minutes.**

A corporate minute is a document of the meetings of shareholders and the board of directors. They allow the corporation to formalize its appointment of board members, officers, and other relevant resolutions, such as the decision to open a corporate bank account, choose a tax status, and many other tasks. Minutes must be used to be recorded during all board and shareholder meetings.

- **Issue shares of stock**

Corporations should keep a track of how many shares they have issued, who owns them, and how many are outstanding. Prepare stock certificates, and update the corporation's shared ledger.

- **Obtain an Employer Identification Number.**

The Employer Identification Number is basically the corporation's social security number. This number is compulsory for opening a corporate bank account and filing taxes.

- **Obtain required licenses and permits**

Your corporation should determine whether it's required any permits or licenses to operate if yes, then you must apply for both likely with both state and local agencies.