

Advantages of Forming a Corporation

Article by: Jo Ann Joy

A corporation is a separate and distinct legal entity created under the laws of a state. The individuals who are part of the legal entity consist of shareholders, board of directors, and officers. A corporation can legally enter into contracts, file lawsuits, be a defendant in a lawsuit, pay taxes, and conduct its business. You should consult a legal profession before you decide whether or not to incorporate your business. The following are some of the advantages of operating your business as a corporation:

Limited Liability. This is one of the most important reasons to form a corporation. Because a corporation is considered a separate legal entity, the shareholders' personal assets are not at risk for satisfying corporate obligations.

Corporate Tax Treatment. A corporation pays taxes separately from its shareholders at the corporate rate. The shareholders pay personal income taxes on payments they receive from the corporation in salaries, bonuses, and dividends. Stock Incentives. Corporations can offer stock options or stock to their employees as an employee benefit that can make employees more loyal to the company.

Employee Benefits. A stockholder who is also an employee of the corporation may be eligible for reimbursement or a tax deduction for health and life insurance, travel, and other expenses.

Structure. Corporations consist of shareholders who are the owners of a corporation, and they elect the Board of Directors. The Board of Directors hires officers. The officers usually are CEO and/or president, vice president, treasurer, and a secretary. If the corporation is large, there may also be a Chief Financial Officer, a Chief Human Resources Officer, and other management officers. All officers are required to follow the standards and policies set by the Board of Directors. The officers manage the daily operations of the corporation.

Easy to Attract Investors. The corporation can sell its stock to investors which gives them an ownership interest in the corporation and makes it more attractive to investors. Uninterrupted Existence. A corporation still exists even if the shareholders, the Board, and the officers leave the business.

Transferable Shares. Corporate stock can generally be freely bought and sold, because the corporation is not affected by who the shareholders are. If shareholders die or sell their stock, the corporation continues to exist and is unchanged. Of course, the transfer of stock may be regulated or restricted by federal or state securities laws.

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Jo Ann Joy, Esq., MBA, CEO
www.IndigoBusinessSolutions.net
joannjoy@IndigoBusinessSolutions.net
Phone (602) 663-7007
Fax (602) 324-7582

Jo Ann Joy is the CEO and owner of Indigo Business Solutions, a legal and business consulting firm that differs from other business consulting firms, because it offers comprehensive legal and business counseling. Jo Ann has a law degree, an MBA, and a degree in Economics, but she is not a traditional attorney. Rather, she is a strategic business attorney who works closely with clients to create and implement strategies that will greatly improve their performance and success.

Jo Ann uses her talents, expertise, and education to inspire enterprising and imaginative people to make their goals a reality and enjoy professional and personal growth. Her background includes commercial and real estate law, accounting, financial planning, mortgages, marketing, product development, and business strategies. She ran a successful business for 10 years, and she has written and given presentations on many different legal and business subjects.