

The Law Office of
BRIAN P. SIMPSON

PH (760) 294-2378
Brian@CALegalneeds.com

OK, Now that I'm incorporated, what do I do now?

The Law Office of Brian P.Simpson is a CALIFORNIA law firm. Information contained herein is based on both federal I.R.C. code and California law. Anyone outside of California or working with a corporation not formed as a California Corporation should understand that laws regulating corporations change from state to state and therefore some information below might not be accurate in other states.

U.S. Treasury Circular 230 Notice: Any tax advice contained in this communication (including any attachments) was not intended or written to be used, and cannot be used, for the purpose of (a) avoiding penalties that may be imposed under the Internal Revenue Code or by any other applicable tax authority; or (b) promoting, marketing or recommending to another party any tax-related matter addressed herein. We provide this disclosure to assure compliance with new standards of professional practice, pursuant to which certain tax advice must satisfy requirements as to form and substance.

Congratulations, you have taken an important step in ensuring the success of your business, cutting your taxes and protecting your personal wealth.

1. Get your Federal Tax ID. Your attorney or tax professional may have already applied for one- if not you can obtain IRS form SS-4 from the IRS.
2. Get a new checking account for your corporation in the name of the corporation. This will require your articles of incorporation plus your Federal Tax ID. The sooner your business operates as a corporation, the more potential tax savings for the year; plus the business must operate as a corporation to obtain the legal benefits of incorporation.
3. While at the bank, we suggest you get a credit card in the corporation name. Please use it for business purposes and stop using your personal credit card for business expenses. Most commercial lenders and financial institutions will continue to make you personally guarantee business loans until the corporation has established its own credit.
4. Apply for a new Board of Equalization number, under the corporation name.
5. Notify the California EDD that the name of the business has changed for payroll purposes. Use Form DE-1 available on line or from your tax advisor.
6. Consider applying for "S" Corporation status. Your attorney and tax advisor can discuss the benefits of being an 'S-Corp' with you. This is done by filing IRS Form 2553. We recommend sending it via certified mail. Once it is approved,

- retain a copy in your corporate records and forward a copy of the approval to your attorney and tax professional.
7. You need to start paying yourself a salary if you will be performing services for the “S” corporation. We recommend that the salary be reasonable for the services rendered. This amount may, but is not required to cover all your personal expenses (see the next bullet for the balance). The exact amount is something to discuss with your tax professional- let them work their magic to ensure the best financial outcome for everyone involved.
 8. An “S” corporation shareholder may take distributions. For any month that distributions are taken, remember you need to track these distributions and discuss the potential taxability of the distributions with your tax advisor.
 9. Corporate minutes – in order to be treated as a corporation you must act like one. California law requires that every corporation has an annual meeting of its shareholders and directors and that the minutes from each meeting be recorded and filed with the secretary of the corporation. Put this on your calendar now, so you don’t forget at year’s end. Your attorney can assist with drafting the minutes and conducting the meeting.
 10. Petty cash – now is a good time to review how you track petty cash in the business. Ask your tax professional how to set up a petty cash drawer properly, so it can be expensed appropriately.
 11. Getting help. All of the above items may seem overwhelming. While your business plan cannot succeed without you, it is critical that you surround yourself with the right professionals in order to best insure your business’s success. Your business attorney and tax professional will be key to this time of learning and transition. They have helped other clients make this transition successfully. If you need help set up a counseling appointment with them so they can assist you in making this transition.
 12. Keep good records. While we all get wrapped up in our day to day business, it is crucial that you keep records. Speak to your tax professional or bookkeeper to know what records will be necessary to compile your year end corporate tax return. Most of these items surround the corporate balance sheet, which lists the corporate assets, liabilities and equity. While this could wait until the first tax return is completed, you will get more value out of your corporation if the balance sheet is developed at the time of incorporation and you develop a tax strategy with your tax professional. The logical time to discuss this would be at the counseling appointment mentioned above.
 13. If your corporation has a calendar year end, your first corporate tax return is due next March 15th. In order to produce the return in a timely fashion, you will need your December financial information and any other paperwork as early in January as possible. You should plan on a tax appointment to go over the first year’s tax return early in February.

14. You need to decide if you are going to transfer vehicle(s) into the corporation. Again, your tax advisor can discuss the benefits with you. If so, you need to notify the DMV and your insurance company. If you don't transfer your vehicle, you will want to establish an accountable reimbursement plan for yourself and other employees operating their own vehicles on behalf of the corporation. Again, look to your tax advisor to assist you in developing your plan. The current (2006) IRS mileage rate for business use of a vehicle is 44.5¢ per mile.
15. Regardless of your decision regarding transfer of your vehicle(s) you should notify your insurance carrier(s) of your incorporation.
16. For legal purposes, it is important that you let people you do business with (customers, clients and vendors) know that you are operating as a corporation. Your corporate name should be on your business cards, invoices and purchase orders.
17. You may have to file a d/b/a with the county if you will be operating under some other name than the corporation's legal name. In most circumstances your corporate name is your license to conduct business within the State of California (check with your attorney for the exceptions).
18. If you are going into business with a partner other than your spouse you need to consider a buy-sell agreement. This is a binding contract between you as business partners and is meant to stand on its own controlling the following business decisions:
 - how departing partners must be bought out
 - what price will be paid for the departing partner's interest in the corporation
 - who can buy the departing partner's share of the business, and
 - what other events may trigger a buyout.

If you have questions, please ask us. It is better to ask questions now than make a mistake that costs time and money. The Law Office of Brian P. Simpson is a California law firm serving clients throughout the State of California in the areas of Corporate formation and the business needs of small to mid-sized businesses.