

Why Incorporate - Seven Basic Reasons

1. Protect yourself from personal liability

- Corporation signs lease - you're not personally liable.
- Corporation borrows money - you're not personally liable.
- Corporation buys goods and services on credit - you're not personally liable.
- Employees or Independent Contractors of the Corporation injure someone while working - you're not personally liable.

2. Tax Advantages

- Take what would otherwise be non-deductible personal expenses and turn them into deductible business expenses.
- Personal liabilities relating to the business that might not otherwise be reimbursed by the Corporation can be reimbursed by the Corporation and become deductible business expenses of the Corporation through corporate indemnification.
- Use of motor vehicle by Corporation.
- Use of part of your residence by the Corporation with the utilization of a lease not considered a home office.
- Annual meeting of shareholders and directors in far away or resort city and deduct for taxes.
- The goal is to convert as many non-deductible personal expenses into legitimate deductible business expenses, in this area, there is no limit to what the mind can conceive.
- IRS Form 1040, Schedule C (Profit or Loss from a Business) is the target of many IRS audits, however, compare this to the audit rates of similar businesses that have incorporated and the audit rate is almost NIL.

3. Privacy

- The Corporation can be established in such a way so that shareholder/owners remain anonymous; many times the same anonymity can be accomplished for officers and directors.

4. Avoid Probate

- By owning shares jointly with your spouse you can avoid probate of the shares upon the death of either spouse.

5. Use of a Marketing framework

- Hold the business out to all as a corporation but yet still maintain centralized management.
- Give appearance of being much bigger than it is.
- Attract investors more easily.
- Appear more stable, established and permanent due to the perpetual nature and continuity of life of the corporation, unlike a sole proprietorship, a corporation continues even after the death of an owner.

6. Raising capital

- Because of the ease of transfer of ownership and the separate entity concept of the Corporation, it is much easier to attract investors than otherwise.

7. Easy control and transfer of ownership and assets

- Put real estate in Corporation and transfer through private agreement, i.e. stock transfer rather than formal closing.
- Re-title asset in a Corporation yet continue to maintain control.
- Ease of transfer of ownership in the Corporation.
- Management and control of a corporation may be influenced by a stock option.

If you have any questions, please call a Spiegel & Utrera office listed below:

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