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can be a confusing (and sometimes stressful) question for the new entrepreneur and small business owner. If you need to help your clients incorporate a new or ...

Nellie Akalp • Dec. 17, 2015

However, the most important reason to incorporate or form an LLC is to put some

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Choosing the right business structure is usually the trickiest part of incorporating.

We can't cover all the nuances of each business structure here, but generally speaking the two most popular types of legal business entities are the Limited Liability Company (LLC) and the corporation.

The LLC offers personal liability protection, without a lot of the formalities of a corporation. With an LLC, you don't need to appoint a board of directors, hold an annual shareholder's meeting, etc. This can be a great choice for small and solo business owners who want to keep their paperwork and administrative requirements to a minimum. A corporation structure is necessary for those companies that want to seek equity-based funding or provide stock incentives for their employees.

3. Where to Incorporate

Maybe your clients see other companies incorporating in Delaware. Or they're attracted to the state income tax policies of Wyoming or South Dakota.

Incorporating in these states can make a lot of sense for some businesses. However, my typical advice is that if you have a small business (less than five shareholders), it is generally best to form your business in whatever state you live in or operate your business from.

Why? A business is subject to the tax laws and corporate maintenance requirements for whichever states it operates in. If your business is located in California and operates there, you're going to need to pay state taxes to California. Incorporating in another state won't change this. In fact, when you incorporate in one state and operate in another, you'll need to register as a foreign entity in the new state. And, this typically adds complications with two sets of annual report filings and fees.

4. When to Incorporate

As you know, changing your business structure mid-year typically means you'll be

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case, there's no reason to wait.

5. How to Incorporate

As a CPA, you can offer your clients incorporation services by partnering with an online legal filing service. This allows you to keep formation costs down for your clients, while still ensuring their paperwork is done correctly and will be processed smoothly. An online service can provide expertise on the formation process, but isn't allowed to provide specific legal advice on your client's situation. If your clients are dealing with millions in startup capital or have particularly complex stock requirements, then you should enlist the help of an attorney.

No matter which method you choose, it's important to stress to your clients that incorporating is easy, affordable, and an essential step to laying a solid legal foundation for their business.

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Nellie Akalp is a passionate entrepreneur, business expert and mother of four. She is the CEO of [CorpNet.com](#), a trusted resource and service provider for business incorporation, LLC filings, and corporate compliance services in all 50 states. Nellie and her team recently launched a partner program for accountants, lawyers, and business professionals to help them streamline the business incorporation and compliance process for their clients.

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