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# CKR Financial Services

## monthly journal

HELPING OUR CLIENTS GET THE LEG UP  
OVER THE COMPETITION

*We're winding down our series on the business entities. I hope this has been informative and that you have a better understanding of your options when it comes to registering and maintaining your business. This month we discuss...*

## C-Corporations

Over the past several months, we've been analyzing the different entities available for business creation, how they are formed, and the tax events they can create for both the business as well as the owners. My goal with this is to get business owners to review their current business model and determine if it is time for a change. You may have originally set your company up as an LLC but your business has expanded and you would do well to change to an S-Corp to reduce some of the taxes flowing through your personal tax return. Because we don't know what we don't know until we know it, I wanted to give businesses knowledge about these items so they can make informed decisions.

This month, we will look at the C-Corporation. Most of the businesses I work with are mid-sized businesses and would not

typically benefit from registering as a C-Corp, but there are several reasons one might since there aren't as many limitations on WHO may be an officer or shareholder. (If you recall, the S-Corp limits shareholders to 100 and none can be non-resident aliens. Those limitations don't apply to the C-Corp.)

**INTRO:** The C-Corporation is a legal business designation often referred to as a regular corporation. This structure is well suited for large businesses and those that have complex ownership. If you are planning on selling equity in your company or raising capital from investors, this may be the best business entity for you.

**SET UP:** C-Corporations are a bit more complex to set up. After registering your name, filing the articles of incorporation with the Secretary of State. In Nevada, SilverFlume, the website for



business from the NV SOS, delivers these steps quite efficiently. Next, C-Corps offer stock to shareholders, who become owners of the corporation. They must acquire a federal EIN and any state numbers necessary as C-Corps are required to submit state, income, payroll, unemployment, and disability taxes. Additionally, corporations must establish a board of directors to oversee management and operations. So, there's quite a bit more involved in initial set-up than some other business structures. Also, it is required to hold board meetings and keep accurate records of proceedings.

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## STAFF APPRECIATION!



Each year after the main tax season push, we hold a Staff Appreciation Day. It's a good time to let loose, get to know each other better, and have some fun. This year, we closed the office around 10am and got out our frustrations at Axe Monkeys. They also have a rage room, which was equally fun to watch as it was to participate. We had lunch and I sent them home around 2pm to get started on the weekend. Work Hard. Play Hard!



# C-Corp cont'd

*As we conclude our discussion of business entities, give some thought to the way your business has been registered. If you think you need to make changes, give me or Rick a call.*

ALONE WE CAN DO SO LITTLE; TOGETHER, WE CAN DO SO MUCH.

-Helen Keller

"Your work is going to fill a large part of your life, and the only way to be truly satisfied is to do what you believe is great work. And the only way to do great work is to love what you do."

-Steve Jobs

"Debt is like any other trap, easy to get into, but hard to get out of."

-Josh Billings

## REMINDERS:

**-NV MIN WAGE \$10.50/HR W/NO HEALTH BENEFITS \$9.50/HR W/HEALTH BENEFITS WILL CHANGE TO \$11.25/\$10.25 ON 7/1/2023**

**-WE'RE HALF-WAY THROUGH 2023. ARE YOU ON TARGET TO REACH YOUR GOALS?**

**-SELF-CARE ISN'T SELFISH; TAKE CARE OF YOURSELF!**

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It can also be significantly more costly to register a business as a C-Corp.

**PROS:** A C-Corporation limits the liability of its shareholders, directors, employees, and officers. This entity is also positioned to be more attractive to potential investors due to the ease of the buy-in (one can easily buy shares as opposed to negotiating percentages of the business in other entities).

**CONS:** Double Taxation: The profits of a C-Corp are taxed twice, first as corporate income and again as shareholder dividends. C-Corporations must register with the SEC upon reaching certain thresholds. They are subject to greater regulation than other business structures which can incur higher legal fees. Investors or shareholders cannot write off business losses on their personal income taxes.

**TAXES:** The C-Corporation files its own tax return and is taxed on the profits very much like an individual. This

differs from S-Corps or LLC's, where a tax return is prepared, but the company doesn't pay or get a refund as those items flow through to the owner/member personal returns. With C-Corps, shareholders are then taxed on the dividends on their personal returns. Investors cannot write off business losses on their personal returns. C-Corps must usually distribute their profits to the shareholders or explain why the monies were retained. If a C-Corp retains too much money, they may be subject to a tax on Accumulated Earnings. This is a tax on retained earnings that don't have an explanation of what the earnings are going to be used for. This threshold is usually \$250,000.

**FINAL THOUGHTS:** Each of the entities we've discussed over the past several months serves a purpose. In the instance of the C-Corporation, it is ideal for large companies. It can be quite cumbersome for small companies that would be better-served with a LLC or S-Corp designation. If you think the company is going to grow

quickly, you need additional investors, or you are thinking of selling the company within a short time, the C-Corporation designation would be good to utilize since it is ready-set for investors and stock transfer is relatively simple. If you are a small to medium-sized company, I would more likely recommend a different business entity unless there are extenuating circumstances.

I hope you have learned a great deal about business entities during these discussions. If you feel you need to transition your business from one designation to another, I recommend talking to an asset protection attorney like Rick Cunningham, who can give you expert counsel and help you develop new articles of incorporation. He can be reached at 702-706-3645. I am always happy to offer my advice but I'm also grateful to be able to recommend professionals like Rick whose expertise in these matters is invaluable.

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