

Incorporating Checklist

<input type="checkbox"/>	Determine State of Incorporation	<p>First step is to determine in which state you want to incorporate your business. For many ESD professionals, this will be the state in which you live and/or work. For ESD professionals who are teaching and conducting trainings in a state other than the one in which you live, you may want to do a quick analysis of best states in which to incorporate based on corporate regulations, taxes, and other expenses. Delaware is well known as an inexpensive state in which to incorporate a for-profit business, for instance, but there are others. In addition, you may want to consider whether one state or another might appeal to your future clients and students.</p>
<input type="checkbox"/>	Name Your ESD Corporation	<p>Check to see if the name you have chosen is already being used. See, state secretary of state website for your state (i.e., California Secretary of State Business Search) or some states use other agencies to oversee matters relating to corporations (i.e., Virginia State Corporation Commission Name Search). We also recommend choosing a website address at the same time—you can search your preferred URL on website's like GoDaddy.</p>
<input type="checkbox"/>	Determine Number of Shares	<p>You will have to decide on the number of shares of stock your corporation will be authorized to issue. Whatever number you choose, you can always add more in the future, though there will be some paperwork associated with doing that. For startup companies planning on growing quickly, especially those who will be starting with a staff, and for those who hope to take their company stock public one day, you might want to create as many as 5-15 million shares. For companies starting out with one shareholder and not planning on growing big or quickly, you might want to issue just 100 shares. See this blog for pointers on this. Remember, however, that as an S corp, your company will be limited to 100 shareholders.</p>
<input type="checkbox"/>	Choose a Registered Agent	<p>Corporations are required to appoint a registered agent. The registered agent receives legal notices on behalf of your company (which is helpful in general and in case your company's address can't be found). This ensures that your company will always be notified when named or otherwise involved in a lawsuit, for instance. There are many registered agents in each state and several larger companies that operate in all or most U.S. states. Companies such as Northwest Registered Agent also provide additional services, such as help and tips for incorporating, mail forwarding, and other services.</p>
<input type="checkbox"/>	Create Articles of Incorporation	<p>The Articles serve several functions, one of which is to record the maximum number of shares the corporation is authorized to issue. Other purposes are to indicate the name and address of the company, the purpose for which the company has been formed, the powers of the company, and the identity of your registered agent. If you are opening your business with partners, hold an Organizational Meeting to create and execute (sign) the Article of Incorporation. Finding samples and templates of Articles of Incorporation and other incorporation documents on the web is pretty easy — Northwest Registered Agent's website is one such place. Note that some states, such as Delaware, instead use the term Certificates of Incorporation. Once you complete the Articles, you will need to file them with the state (whichever department oversees corporations, such as the secretary of state office or corporation commission), and most states have options for filing them on line, via fax or US mail, or in person. Each state charges a different fee for filing the Articles, but none of them are too prohibitive.</p>
<input type="checkbox"/>	Form Board of Directors	<p>You will choose the members of your board of directors. In many states, there is no minimum number, so you can be the sole member of your board. Some states, however, require a minimum of 3 board members. Board members usually volunteer their time, however they can be reimbursed for meeting expenses, if there are any. The board does not run the day-to-day of the business, but it does oversee matters including mission and vision, and it approves and makes changes to the bylaws. Usually the board can meet virtually, but some states may require in-person meetings.</p>

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<input type="checkbox"/>	Draft Bylaws	<p><u>Corporate Bylaws</u> are required by 35 of our 50 states (check here to see if your state requires them)—surprisingly, California, the state famous for its robust body of rules, does not require them) plus Washington, DC (but not Puerto Rico). Even if they are not required, they are helpful because they lay out the structure and basic rules by which your business will operate, including the structure and rules of your Board. Once you have completed your bylaws, you simply need to file them in your own corporate binder. Note that states that do require bylaws require you to have them but do not require you to file them with the state.</p>
<input type="checkbox"/>	Issue Stock and Name Shareholders	<p>Let's assume that it is just you starting your new business. You will need to issue shares of stock to your shareholders, even if you are the only shareholder. To do that, you can use a <u>Stock Bill of Sale</u>. You do not need to issue all the shares of stock. In fact, if you plan on growing your business, it is a good idea to issue some of the shares to yourself and to hold the rest back to sell to future investors and/or to offer to future employees as shares or stock options (stock options are a promise to sell stock to the person owning the stock option for a set price, something that can be incredibly valuable if the value of the company stock grows significantly). Startup companies with big, big plans, who may want to take their stock public one day, should issue as many as 5-15 million shares (each share can be priced as low as a fraction of a cent). For companies starting out with one shareholder and not planning on growing quite so big, you might want to issue just 100 shares at 1¢ each and pay \$1.00 for them. And remember, with an S corporation, there will be only one class of stock.</p>
<input type="checkbox"/>	Open Bank Account	<p>Open a bank account for your business. We recommend opening a business checking account and credit card. To protect your personal finances from business debts and lawsuits, you will need to keep your personal and corporate finances separate, so this step is very important.</p>
<input type="checkbox"/>	First Shareholder Meeting	<p>The law requires that corporations hold at least one shareholder meeting per year and produce minutes (notes) of the meeting. For the first meeting, this template for <u>Meeting Minutes</u> can be helpful for recording the minutes of your first meeting and can be used as a guide for drafting an agenda. Even though you may be the only shareholder, you still have to hold the meeting (record in the minutes that all your i's have been dotted and t's crossed).</p>
<input type="checkbox"/>	Waive Notice of First Shareholder Meeting	<p>Corporations are required to provide notice of the first shareholder meeting. If you anticipate there won't be time to do this or if you are the only shareholder and notice is pointless, you (and any shareholders) can sign a waiver so that you don't have to provide notice of this meeting. Northwest Registered Agent has a good sample of a <u>Waiver of Notice</u> here.</p>
<input type="checkbox"/>	Define Fiscal Year	<p>This is pretty basic, but you do need to define your fiscal year. The <u>simplest way to go</u> is to choose the calendar year (January 1 to December 31) as your fiscal year. You'll need this for your EIN (see below) form and other IRS tax filings.</p>
<input type="checkbox"/>	Apply for EIN	<p>Every business, including corporations, needs an IRS employer identification number (EIN). The form is short and sweet and can be <u>filed online</u>.</p>
<input type="checkbox"/>	Apply for S Corp Status	<p>After you have formed your business with the state (registering it as a C corp or LLC), then apply to the IRS for S corp status. File Form 2553 with the IRS. Some states also require that you file a form with them to elect S corp status. Note that California treats S corps differently than do other states, making them potentially more expensive there.</p>