

## C Corporations

“C corporation” (C corp) is the most common form of business incorporation. This is partially because C corp is the default type of incorporation, but also because C corps offer certain advantages, such as limited liability.

The business profits of a C corp are taxed separately from the income of C corp owners themselves. This is different from an “S corporation,” in which the corporate income, losses, deductions, and credits are passed to shareholders’ personal tax returns. C corps enjoy limited liability (meaning that if the business is sued, only the company’s assets are in danger, not the owner’s personal property), and perpetual existence (the company continues to exist, even if the owner leaves—this is not the case in all types of business formations). There is no limit to the number of shareholders a C corp may allow, and the potential for growth is unlimited (however, when the company achieves \$10 million in assets and 500 shareholders, it must register with the Securities and Exchange Commission). With a C corp, you can also reinvest profits in the company at a lower corporate tax rate than under some other types of incorporation.

There are a few potential downsides to C corps, though, too. C corps experience “double taxation.” Net income is taxed first at the company level, and then shareholders are taxed on the money they receive personally in the form of dividends. C corps can also be expensive to start. There are fees for filing the Articles of Incorporation and then additional fees that go to West Virginia. C corps must abide by complex tax regulations and government oversight, since the owners are protected from most liability to debts and lawsuits. Finally, C corp shareholders cannot deduct losses on their personal tax returns, unlike S corp shareholders.

## How to form a C corp

Choose a legal name for the corporation, and register it with the West Virginia Secretary of State.

You will also need to draft and file Articles of Incorporation with the WV Secretary of State.

Issue stock certificates to the initial shareholders

(Apply for a business license or other certifications, depending on your industry)

Obtain an Employer Identification Number. To do this, file Form SS-4 with the Internal Revenue Service. You can also apply online at the [www.IRS.gov](http://www.IRS.gov) website.

Apply for any other ID numbers required by West Virginia or local governments. Most businesses are required to pay into unemployment, disability, and payroll taxes, and you need a tax ID number for those, in addition to your Employer Identification Number.

## Do I need a lawyer?

The steps for incorporating your business may look simple, there are numerous technicalities that can be expensive to deal with if you are not prepared. A lawyer can help you decide first whether C corp is the right form of incorporation for your business. Then, your lawyer can help you draft Articles of Incorporation, issue stock certificates, obtain all necessary licensing and identification numbers.