



BUSINESS AUTHORITY CORPORATION

INCORPORATION IN THE STATE OF FLORIDA

Business Authority Corporation (BAC) assists with the incorporation for group or individual organizations (for profit or non-profit purposes) with the Division of Corporations of the Florida Department of State in Tallahassee, capital of the State of Florida.

The most common organizations are:

- Corporations: They must include a suffix of “CORPORATION”, “CORP”, “INCORPORATED”, “INC”, “COMPANY”, “P.A”.
- LLC (Limited Liability Company): Must include a suffix of “LLC”, “LC”
- Fictitious Names: For sole Proprietorships or for creation of an additional name for a corporation.

It is recommended that the Articles of Incorporation must include Articles:

- To protect owners and directors.
- To establish well defined purposes. In most cases the purposes are ample except in some organizations such as P.A., non-profit.
- To establish directors and ownerships in different Articles.
- To establish the number of shares of stock and its value, or the capital contributions for LLC organizations.

Requisites to incorporate:

- Name of the organization. This name is checked on-line to determine if it is available.
- An address in Florida. Many organizations use home addresses initially.
- Name and addresses of the Directors. It is important to establish a President and a Secretary. However it is possible to have only one Director that functions as President and Secretary.
- Name and address of a registered agent. This person must be a resident of Florida. He is the liaison between the State and the corporation. In many instances one of the Directors could function as a registered agent. It is important to know that if the registered agent is not a Director or owner, this person is not legally responsible for the operations of the organization.



BUSINESS AUTHORITY CORPORATION

- Fees established by the Florida Department of State and the service corporation assisting in this job.

After the organization is incorporated in the State of Florida, the next step is to obtain a Federal Employer Identification Number.

Requisites to obtain a Federal Employer Identification Number: An IRS Form SS4 must be filled out with the following:

- Name and address of the organization.
- Name and address of the principal officer.
- Social security Number of the principal officer and its date of birth.
- How many employees it will have in the next 12 months.
- The principal purpose of the organization. If it has many, only one is needed.
- A telephone number.

After obtaining a Federal Employer Identification Number, an organization incorporated as a for-profit corporation (CORP or INC) is automatically a “C” corporation. It has the option to apply for an “S” status by filling out IRS form 2553. Both IRS status of “C” and “S” have the same legal protection and obligations in the State of Florida. The difference is only for reporting the net income or loss of the organization for tax purposes.

The “C” corporation:

- Must establish a fiscal year which could be different to the calendar year. However, it is recommended to end it in December even if the first year is a short year.
- Must establish an accounting method: cash or accrual. Consult an accountant for the best option. Basically, on cash basis there is no accounts receivable or payable.
- Must report the net income or loss of the organization for tax purposes on IRS form 1120.
- If it reflects income, it must pay a tax which is usually 15% of the first \$50,000 of net income. After paying this tax, the net income after tax could be distributed among its owners. But the owners will have to declare these earnings on their personal income tax returns, thus causing a “double” taxation.



BUSINESS AUTHORITY CORPORATION

- If it reflects a loss, it accumulates these losses to reduce gains in future years.
- Must also report the net income or loss of the organization for tax purposes on Florida form F1120. If it reflects income, it must pay a tax which is usually 5% of net income. However, the first \$5,000 of net income is exempted.

The “S” corporation (for US Citizens and residents):

- The fiscal year must be December.
- Must establish an accounting method: cash or accrual. Consult an accountant for the best option. Basically, on cash basis there is no accounts receivable or payable.
- Must report the net income or loss of the organization for tax purposes on IRS form 1120S.
- The corporation does not pay corporate taxes. The Income or Loss of the corporation is reported on IRS Schedule K1 forms. These forms are given to the owners of the corporation and reported on their personal income tax reports.
- It is not require filling out Florida State Income Tax (Form F1120).

The LLC organizations function similarly to the S corporations. LLC do not have owners but members. They are considered Partnerships; therefore they must have more than one member. Single LLC organizations are considered sole Proprietorships for tax purposes. Members of LLC organizations could include other organizations.

The next step for organizations is to open a commercial bank account and to check with local authorities for possible occupational licenses.

It is very important to know that all organizations must be renewed every year from January 1st to April 30th. If not, penalties are assessed.