**Pros and Cons of the Popular Business Entities: Sole Proprietorship, LLC, S Corp and C Corp**

Thank you. Good morning, everyone. Good afternoon to those of you who are on Eastern time. My name is Nellie Akalp , CEO and founder of CorpNet.com. I will be presenting today the Pros and Cons of the Popular Business Entities: Sole Proprietorship, LLC, S Corp and C Corp . Without further ado, let's get right into it. A little bit about me. Thanks to Alexa and the SCORE team , they did a brief presentation about me. I am an entrepreneur, business expert, published author, professional speaker, and mother to four amazing kids. I also happen to run my business and all of my previous businesses with my husband of over 21 years. The main reason I do this for a living is I love helping entrepreneurs, and, frankly, back in 2005, I sold my last company, which was acquired by Intuit and I could have retired for the rest of my life. Unfortunately, I am too determined, and I was to board, and I really did not want to take an early retirement. In 2009, I decided to start over with CorpNet.com. Here at CorpNet we help entrepreneurs, small business owners, and professionals, such as accountants, CPAs, and anybody who represents clients with business incorporation compliance and businesses. Really, my main reason in doing this is that I love creating something out of nothing. I love seeing people get successful and see people succeed. I hope that you take away something from my webinar today. Let's get into it.

Before I start, one of the main reasons I decided to pick this topic is the type of business entity you choose has so many legal, financial, and administrative implications. So you don't want to start out on the wrong foot. One of the reasons why this particular topic is so important is because when you choose the right business structure from the get-go, it really sets you off on the right roadmap

in running and growing your small business. So considerations when selecting the right entity structure has to do obviously with asset protection and the question you want to ask yourself is how many assets do you have? Do you own a house or car or savings account? Do you want those assets to be protected so that, God forbid, if you do own a business and start a business and you end up on the wrong end of a lawsuit, they are not coming after your personal assets. There are also tax implications to consider when deciding what type of entity structure is right for you.'s a really choosing a business structure determines what kind of taxes your company is subject to Qaeda personal liability, and what kinds of compliance requirements you need to satisfy going forward. It also affects your ability to get credit and funding. You also want to determine as to how much privacy you want. Do you want that credibility with your clients and vendors you are dealing with. It is really, really important to have a discussion, whether it is with a business to Scott -- associate, your lawyer, or your accountant at the get go before you start your business.

So pros and cons of popular legal business entities. There are a lot of structures up there, and we will go ahead and break them down for you. Typically, you have the area of cell proprietorships and partnerships that do not offer you any type of limited liability protection colleague protection or asset protection. And then you enter into the world of shielding yourself from any type of liability and getting asset protection. Those are popular business entities, such as the C Corporation and the S Corporation and the limited liability company . In the case of somebody wanting to start a nonprofit organization, there is an organization for that which is designated for people who are starting a business and not-for-profit. And then for those of you who are professionals and hold a professional license provided to you by the state board, there is the professional corporation. We will go ahead and discuss all of these in order. Let's start with the sole proprietorship. I have gone ahead and lumped the sole proprietorship and partnership together because the sole proprietorship is basically one person doing business either under their own legal name or under a fictitious business name. Similarly, a partnership offers no liability protection whatsoever , like a sole proprietorship. It is basically two or more people doing business under their own legal name or under a fake business name. Let's talk about the pros of a sole proprietorship or partnership and the advantages of operating your business as a sole proprietorship or partnership. First and foremost advantage is it is a very simple business entity, simple to form. Generally speaking, whether you are a sole owner of a business or two or more people running a partnership and starting a business, you basically don't even have to file any paperwork with your county office. However, if you are operating the business using a different business name than your own, then you have to register what is called a doing business as filing also referred to as a fictitious business name with your county. In most states, this filing has to be done within the county where your business is located. In most states, DBAs also referred to again as a doing business as filing or a fictitious business name filing, are filed at the County recorder's office within the county where your business is located. So whether you are a sole proprietorship running this, as a sole business owner, or whether you are two or more people running a business, under a different name, you have to file what is called a fictitious business offer -- operating as a full proprietorship or a partnership. Another advantage is the fact that it is very simple to maintain. There is no financial statements or paperwork to stay compliant with. However, again, keep in mind, and I will discuss this later, there is no asset or liability protection when you are operating your business as a sole proprietorship or partnership. The other advantage with the sole proprietorship or partnership is that it is very simple to tax. Income armed -- earned by the business is considered income earned by the owner and to track business expenses, at the end of the day you are reporting it on your schedule C with your personal tax returns. For those of you starting out and don't have any assets, are not really afraid of liability, and your business is one that really is not in a phase where you expose yourself to a lot of liability, the sole proprietorship if you are a single business owner or a partnership in the case of you operating your business with another person it may be a business structure that you may want to consider.

Let's talk about the disadvantages of operating your business as a sole proprietorship or partnership. Again, as I said to you, the sole proprietorship or the partnership offers no liability for asset protection. There is no separation of your personal and business assets. Basically, you as the business owner are operating your business under your own legal name or under a fictitious business name I filing what is called a doing business as filing or fictitious filing with the County recorder's office or in some states at the state level with your secretary of state's office. However, sole proprietorship owners are personally liable for any depth of the business. Your personal assets and business assets are not separate from each other. God forbid, if somebody comes and sues you as a business owner when you are running your business, all of your personal assets, whether it is your house or car, your retirement, your savings account, they are all up for grabs if you are on the end of a potential lawsuit. Also, there is really no layer of privacy. Use of personal information, basically, with a sole proprietorship, the owner has to sign contracts and paperwork. In some cases they have to sign a personal guaranty in their own name because the business does not have a separate identity under the law, even though, as a sole proprietor, you may be conducting business under a fake business name, also referred to as a fictitious business name. Also, it is much harder when you are operating your business as a sole prop or partnership to establish business credit because there is no separation between you and the business. So proprietorships can't gain business credit or take up business loans or raise capital in other ways. Also, if you are a partnership in conducting your business, with another person, it is just like a marriage. God forbid if somewhere down the line your partner and you have a falling out, guess what, whatever he does or she does, you are liable for. Again, be very leery of considering a sole prop as your particular choice of business structure. And, again, in light of all the text changes in tax cuts these days, more and more people who would have otherwise opted for a sole proprietorship are now considering taking the route of becoming a C Corp or S Corp, especially for those of you considering going into business with another person, a partner, you may definitely want to consider that route unlike opting for this basically filing for a partnership because again a partnership is just like a marriage. Let's talk about the LLC.

The next few slides, we are going to be talking about business entities that are offering you liability protection and asset protection and really creating a corporate shield around you as the business owner. We will go ahead and start with the LLC because that is one of the most popular business structures that not only offers access -- asset and liability protection, but I refer to this entity as you get to have your cake and eat it too because with the LLC you are not only receiving liability protection and asset protection but it is a business structure that anyone can become a member of and form an LLC. In addition to that there is flexibility with profit allocation and profit and losses and in addition, it is a very very popular business structure when it comes to dealing with formalities because there are fewer formalities within the LLC then with the S corporation or C Corporation . Think about the LLC as a business entity on its own, separate from its business owner. Think about the business owners being inside a bubble. The LLC has been created by state statute. It also refers to as the limited liability company and some of the advantages of operating your business as a limited liability company, it is easy to form and manage. Obviously, the way you form an LLC is by filing what is referred to as articles of organization within your Secretary of State's office within the state that the business is being conducted or is located. Again, questions that come up as to where to form an LLC and popular states such as Delaware and Nevada and Wyoming, for purposes of this webinar, I am just going to let you know that the most recommended state to form the business entity is where the business is being conducted, where the physical location of the businesses and where the employees are located regardless of whether you are a LLC corporation or an S corporation. Again with the LLC it is easy to manage and you don't have to create a Board of Directors and there are minimal formalities required typically. With the LLC, the operating agreement can tell -- controls the LLC and controls the responsibilities of each member of the LLC. In most states, the LLC will require you to file what is called an annual statement of information within your state. Also, in other states, there may be requirements that once the LLC is formed, you may also need to file an initial statement of information immediately after the LLC has been filed with the secretary of state. However, unlike a C corporation or an S corporation, with an LLC, there is no requirements when it comes to annual meeting minutes and holding annual shareholder meetings or meetings for the Board of Directors. It is a very simple entity to form and also to manage. Just like the C corporation and S corporation, when you form an LLC, it is a legally separate entity and it separates you and your business and your personal assets from the business assets of the LLC. So with an LLC, you are protecting your personal assets, creating that shield, that bubble around you as a business owner so that, God forbid, if the LLC business structure is being sued, then if they get a judgment against you, only the assets and whatever is within the business is up for grabs. They can't come after you personally

and go after your personal assets. In addition, another advantage of operating a business as an LLC is the text flexibility. They can opt to have taxes treated as an S corporation. You can also have an LLC treated as a C corporation or have business process passed through the personal federal income tax return which can lower your personal income tax obligations. Again, the LLC we refer to it as a pass-through tax entity. That is one of the popular reasons why most people want to form an LLC. Because, for those of you who want to be protected and want to have that limited liability and have your assets be protected but you don't want to have those formalities, the LLC may be a popular business structure that you may want to consider opting in for, because you get the asset protection and liability protection without all the formalities. In addition, with the LLC, you have that flexibility to elect to have your LLC treated as an S corporation, as a disregarded entity, as a partnership or a C corporation. Obviously, when you talk with your accountant or financial advisor, they can advise you as to which way is the best to go to give you the best tax implications. The last advantage that I wanted to discuss with the LLC, in addition to this also applying to S corporations and C corporations, when you form a separate possess entity such as an LLC, it will offer you that professional credibility. We also find that when a business owner formalizes their business entity into a legal business entity such as an LLC S corporation or C Corporation, oftentimes there are clients, customers, that you are dealing with who will view you as a more credible and established business because they see that you have taken the time as a business owner to legitimize your business and to establish a business. In the eyes of anybody that you are conducting business with, they will view you as a more professional and credible source. Some of the disadvantages of operating a business as a limited liability company, there are possible confusions over roles that could be self-employment tax issues and LLC members can be subject to higher self-employment taxes and last but not least is challenge to grow. In addition, with the LLC, sometimes as a business owner, if you are considering to put yourself on payroll the LLC would not allow you to do that because members of an LLC cannot be employees of an LLC so let's go into more detail as far as the possibility -- the possible confusion over roles.

You may clash over who should be doing what and who is authorized to make certain decisions. Hence, that is why the LLC operating agreement controls, and it is very important when you are doing the LLC to make sure that your LLC operating agreement clearly defines each of the roles and obligations of each member of the LLC. Keep in mind, a lot of you, as I am talking about the LLC and I have questions that there are different types of LLCs. There is member managed and manager managed. You are absolutely right there are different types. You can have members manage or you can have manager managed where you have a manager who manages the LLC with other members having limited roles. If you have specific questions, you can email me or at the end of the session, we can go ahead and answer your questions. There is also LLCs for professionals. If a professional does not want to set up a professional Corporation, they may opt for a professional LLC, also referred to as a P LLC.

I wanted to bring that up. Going back to the disadvantages let's talk about self-employment tax for a moment. If you don't select S corporation tax treatment, which I have not really gone over S corporation with you yet. I will be covering it after the slide. Typically, why we bring and S corporations is because it is very similar to the LLC in the S corporation is also a pass-through tax entity. In a nutshell, people who cannot qualify and meet the requirements of the S corporation, typically opt for the LLC because, as I mentioned before, and LLC is available to anyone, and almost anyone can be a member of an LLC so they can get the benefits of that tax through tax treatment. However, with all that said, with an LLC, there may be a higher self-employment tax rate imposed on the members of the LLC. If you don't select S corporation tax treatment, all LLC profits will flow to your personal income tax return and get hit with that Social Security and Medicare tax. For those who are an LLC, and who don't want this to happen, if you can qualify for having the LLC elected as an S corporation, then you can prevent this higher self-employment tax rate. However, for those who can't qualify for the LLC to be taxed as an S corporation because they don't meet the requirements of the S corporation election, depending on your situation, that could result in more tax than if you would be taxed as an S corporation. Also, another disadvantage of the limited liability companies, you are challenged to grow. LLCs don't sell stocks. With no shareholders or generating funds, you may find it challenging to grow your business as quickly or to the degree you would like. If from the get-go, you have a plan to grow or attract venture capitalists or you have an exit strategy, you may consider a different business structure than the LLC. Although the LLC may have other benefits for you.

Moving onto the S corporation. The S corporation starts off as a C corporation. I really want to hit home with this because this is an area where so many of you have a question on it. An S Corporation is a tax designation given to the C corporation by the IRS under subchapter S statute. So typically an S Corporation is a Corporation with many formalities . It has shareholders who own the corporation who are the owners of the corporation. Shareholders of the S corporation elect a Board of Directors who in turn elect officers to run the corporation. Keep in mind, and S corporation starts off as a C corporation. For those who want to elect S corporation status, it is an election and designation that has to be requested by the IRS by filing what is called form 2553, which is an IRS form. It has to be filed with the art -- IRS. If it is approved and filed timely, then your C corporation have S corporation designation for tax purposes. It will be viewed as a pass-through tax entity. Let's talk about the S corporation and its advantages of operating your business as an S corporation. First and foremost, and S corporation, just like a C Corporation, is a formal entity. The only difference is that now as an S corporation, it is viewed as a pass-through tax entity. So you get tax savings. On like a C corporation, where you are getting tax at the corporate level and then once the corporation pays out dividends to its shareholders, you are getting taxed again on the individual level, the S corporation offers what is called the pass-through tax entity and avoids this double taxation that you would otherwise be dealing with as a C corporation. So there are tax savings, like forming your business as an S corporation. An LLC or corporation that chooses that will have its profits and losses flow through its shareholders, which are the owners of the S Corp. then report them on their personal income tax return. Not all income is subject to self-employment taxes, only owner salaries are. With an S corporation, another benefit is that if you are an owner of an S corporation and a shareholder of an S corporation, you can be on the payroll within an S corporation, where with an LLC, not the case. Members of the LLC cannot risk themselves on payroll and can't take a salary out of an LLC. Obviously the first and foremost benefit if you can get it is is asset protection and liability protection because it is an election and the designated with the IRS and it starts off as a C corporation and Jessica C corporation or LLC, it provides you with limited liability, and it limits your liability as a business owner. You are only liable to the extent of what is within the S corporation as assets and income within the business. So, God forbid, if they so you're corporation is an S corporation, they can't come after your personal assets, your car, your house, your savings account. They can only go after what is in the S corporation. Some of the disadvantages of operating your business as an S corporation, first and foremost there are strict requirements as to who can be an S corporation.

As I mentioned to you, the S corporation is a designation that you have to elect with the IRS by filing form 2553 to elect to be treated as an S corporation for tax purposes. With an S corporation you file articles of incorporation with the Secretary of State's office within the state that you conduct your business and and then you have to make an election with the IRS to be designated as an S corporation to get that pass-through treatment. There are strict requirements that the IRS places as to who can qualify to become an S Corp. First, you can only have up to 100 shareholders within the corporation. Second requirement is that you can only have one stock and third requirement, very strict, you can only elect S corporations status if you reside within the United States and are a resident or citizen of the United States. You cannot elect to be an S corporation if you are not a U.S. resident or citizen. The last requirement is you have to make the election within 75 business days of when the corporation is filed within the Secretary of State's office or when you conduct business or issue out shares, whichever happens earlier. If you missed this deadline, don't worry. You can still elect S corporation status by March 15 of the following year but your designation will obviously come into effect the following tax year. Again, if you're a newly formed corporation and want that tax status to become effective immediately, you can have that tax status come effective immediately as long as you file the election within 75 days of when the corporation comes into existence. Another disadvantage of operating a business as an S corporation is the cost and complexity.

As a reminder, it is a corporation. With a corporation, even though it is designated as an S corporation in the eyes of the IRS, there is formalities that need to be complied with. If your business is an LLC choosing to be treated as an S corporation, you may have more compliance complexities. For example, with a corporation, even if it is conducted as an S corporation, for tax purposes, you are going to have compliance requirements having to maintain bylaws and minute and having to file an annual statement of information with your Secretary of State making sure if there is a requirement to pay tax fees such as the state of California. You may have to pay those fees to your tax board within your state. In addition with any type of corporation, you have to have and hold annual meetings, even if you're a single member corporation. If you're a sole owner of a corporation, matter what, you have to hold annual meetings for your shareholders and if you are on the end , the wrong end, of a lawsuit, they may have a cause of action that you are not properly maintaining the corporation and they may have a cause of action for piercing the corporate veil. And that case you may lose your corporate shield for your corporation.

Moving onto the C corporation . If you want to visualize this in a graph, it starts off as a C corporation and then an S corporation and then we get into the LLC. How I did this, I went reverse because of the fact that really the LLC is one of the most popular structures followed by the S corporation and then the C corporation and also a C corporation because most of our audience is small business owners. We don't really recommend a C corporation as a business structure for business owner. Most small business owners, we want to try to save taxes for you guys. We want to recommend the most popular business entities that are most popular for a small business owner just starting out. However, moving on to the C Corporation, a C corporation is your most formal type of business structure and it is a corporation, which obviously has double taxation and a C corporation, again, picture a business owner inside of a balloon. There are corporate shields. There is a shield around you. It offers asset protection and limited liability for all of its shareholders and for a C Corp. if you are planning on growing your business and if you are starting your business to attract [Indiscernible] investors, if you want to grow the business whereby from the get go you want to save venture capital. The most popular type of corporation for you to opt for is the C corporation. Again, the C corporation is the most formal type of business structure. Obviously it has double taxation because when the corporation reports profits and it pays out dividends to its shareholders who are the owners of the corporation, the corporation gets taxed once at the corporate level and again, the shareholders of the corporation would get taxed again on the individual level. So loss of formality, there is that idea of double taxation and however, you do get the asset protection and the limited liability protection with the C corporation. In addition to that, obviously, in light of the new tax reforms, C corporations, especially the tax rate for C Corp. has dropped from 35% to 21%. I will be going over this at the end of the slides. I have a few slides for those of you who are interested in knowing as to how the new tax cut has affected see corpse -- C corporations and S corporations. For a new business starter -- owner starting out, we don't recommend that because you will get hit with that double taxation and for those of you who want that minimal formality, the C corporation is not the way to go because you will have a lot of formality to deal with including meeting minutes and your bylaws and the annual filings with the states office. This -- disadvantages of a C corporation . There is a cost of setting up a C corporation and there are some complexities. It is a formal business structure. A C corporation has more compliance requirements and cost to register than other businesses such as a cell prop partnership -- soul proprietorship. One of those is holding annual meetings with your shareholders and Board of Directors and maintaining bylaws and minutes and there also may be some compliance requirements that have to be filed with the Secretary of State's office. The other disadvantage of running your business SAC corporation, as I mentioned to you, is the idea of double taxation.

C corporations are subject to double taxation's. When profits are distributed to the shareholders as dividends, shareholders are taxed again at the individual tax rate on the shareholders tax return. So what I want to do now, and I know I have inundated you with a lot of information. What I have done is a want to do a recap for choosing a business structure for your business. Again, you want to ask ourselves, first and foremost, are you worried about personal liability and limiting your personal liability. And really go down the tree here and obviously liability is important to you and the objective would probably be for you to form and consider choosing a business entity that will provide you with asset protection and liability protection. If it is not, then you may want to consider opting for a sole proprietorship or partnership. The other questions that you may want to ask yourself are how many members or owners will be part of the business, what is the is the strategy or objective for the business, am I going to be worried or concerned with taxes, do I want to go public, do I want to avoid double taxation, if I am conducting my business with a partner, am I worried about my partner's actions? For example, giving you a personal background with myself, one of my biggest rules in life is I never partnered with anybody other than my husband. I am married to my husband. Therefore, for me, to want to do business with my husband, it is a no-brainer because either way, I will be on the hook with him because I am married to him, and California is a community property law state. Whether he does something positive or negative, I will be affected by it. So these are definitely questions you want to ask yourself and also you may want to consider tax implications of businesses. So definitely we urge you to talk to a business consultant and get a business consultation. If you don't have a lot of resources or funds and you can't afford a lawyer or accountant or financial advisor, there are companies such as my company out there that can provide you with free business consultation and put you on the right track and guide you as to what the proper business structure is. We also have an amazing tool that we have created called the business structure wizard that can also take you through a series of questions that can ask you and provide you with a suggested answer as to what the recommended business structure is for you. Moving on to the 2000 -- 2019 tax reform. With attack -- passage of this new bill, small business and entrepreneurs are scrambling to know how the changes will affect them. Much of 2018 has been and will be spent figuring out all of these implications. But obviously that doesn't stop anxious entrepreneurs from turning to financial advisors and accountants and their legal advisors and financial advisor to figure out how to make the most of these changes are coming to a reputable company like ours to determine what the best business structure is. Kind of a recap for you. So with the S corporation, there is a tax reduction for pastor entities and for taxable years beginning after December 31, 2017 and before January 1, 2000 [Indiscernible] and individuals can generally deduct 20% of their qualified business income also referred to as their QB I such as an S Corp. or partnership. As corporations is S corporations there are still advantages. Some risky. Particularly in some situations such as rental real estate income, rental property or any type of real estate. Let's talk about the C corporation. This is the real exciting part for me and 2017. Individual tax rates ranged from 10% to 39.6%. A corporate tax rate range from 15% to 39%. Under the new tax laws, C corporations will be taxed at a flat rate of 21%. That is really good news from C corporations and for those of you who are considering becoming a C corporation because this is a really big cut from that 39 and 35% all the way down to that 21%. To avoid the complexity of these new rules about pastor taxation, many business owners might be swayed to reorganize and change to a seek status so they can take advantage of the flat 21% corporate tax rate and those of you who are cell proprietors or partnerships and can qualify for that provision, with a C corporation, maybe the way to go for you now that it is at a flat 21%. What I can tell you is that more and more business owners are opting away from a sole proprietorship in partnership and considering becoming a C Corp. or S Corp. or LLC. The bottom line is all of these new tax laws is that there are still advantages in many situations and though they are becoming increasingly risky and others. And if you are holding real estate are planning on purchasing real estate and you may want to opt for the LLC and in addition C corporations shouldn't necessarily look to elect to corporation status just because of the tax bill, especially if your corporation is not contemplating a closure in the foreseeable future. While the corporate tax rate is permanent, the deduction, based on that is set to expire at the end of 2025 and Congress is planning and considering to eliminate it by 2020. So be careful. It is still up in the air and we are still researching this area and as and as I get more info I will be more than happy to share it with you and in addition, business owners should really continue to think about their business structure in terms of their specific needs and practices. Remember, what may be good for one business may not be good for another. So I do urge you to either talk to your accountant or financial planner and come to a reputable resource such as our company and read my content on my blog. Again, just because your friend has an S corporation, that may not be the best business structure for you. It is also smart to wait for the IRS to release additional guidance on these situations and as far as the tax rate. And you have to ask yourself if you have a lot of assets and if your business is one where you are worried about exposing yourself when it comes to liability, again whether it is a C corporation or S corporation or opting for the limited liability company it may be the best way to go for you as a business owner because again, one of the main advantages in forming an

-- a corporation or LLC, remains the ability to minimize the personal liability of the business owner and protecting your personal assets. With that all said, as I mentioned to you, I do have an application, a really neat app on our website which can help those of you who have questions as to which business structure is best for your business. It is called our business structure wizard. It can definitely help you decide which type of business structure is best for you. It has been created by attorneys and accountants, legal and financial planners. For those of you who don't have the funds or resources to retain an accountant as far as what type of business structure will give you the best tax implication or what kind of business structure is going to give you the best liability protection, common check out the business structure wizard. It is right on our home page of our website which can be found at www.dot Corp. that.com. I want to thank all of you who listen to my presentation. I will turn it now to Alexa for our Q&A session.

Thank you so much, Nellie. We will go ahead and begin the QA portion of the webinar. While we do our best to address as many questions as possible in the time remaining, we typically have more questions asked then time allows us to answer. So if we don't get a chance to address your questions today, I will encourage you to connect with a mentor after today's webinar who can assist you further with your business needs. With that, we will jump into these questions. Our first question comes to us from Jerry who would like to know if you could have retained earnings and an S corporation?

Thank you for listening into my webinar. As far as the S corporation, it is very strict as far as whether you can have retained earnings or not.

If your question is specifically -- I am not clear. However, but I can tell you is with an S corporation, they are very strict as to whether you can hold the income within the S corporation and just from personal experience question is I believe yes you can retain earnings within an S Corporation. And just because I have returned earnings and I conduct my own corporation is an S corporation. So it is a great question.

If members of an LLC can't take a salary, how do they get paid?

Excellent question. Thank you for listening and joining into my webinar. Members of an LLC can take a draw from the LLC. They can't list themselves as an employee of the LLC. So the way they take money out of the LLC is in the form of a draw and hence, the reason why they may be subject to higher self-employment taxes. >> Is it possible to change structure after some time?

Absolutely. The question that you are really asking is if I have formed a sole proprietorship or partnership or if I have formed a corporation or LLC, can I convert the type of business structure I am and into another business structure. The answer to that is yes. Generally, in most states, this will happen I what is called a conversion, converting your business entity from one type into another and obviously there are things involved in doing this but it can happen and those, the method with doing this would be to dissolve the original business entity and then file a new business entity. In the case of a sole proprietorship or partnership, typically, what would happen is that you would wind down the sole proprietorship or partnership by filing a notice of cancellation within your county recorder's office and then starting a corporation or an LLC or S corporation within the state office.

Our next question comes from Bill, who asks if a nonprofit can be organized as an LLC.

No, it cannot. Great question. A nonprofit corporation is a corporation that is set up for the business of not creating a profit. Generally speaking a nonprofit corporation is set up for a charitable purpose, a religious purpose, a public purpose. As such, because the purpose of a nonprofit is a business created to conduct business for charitable purposes or for benevolent purposes and not for the purpose of creating profit, LLCs can't be structured for nonprofit purposes and nonprofit corporations can't be conducted as an LLC. I hope I answered that question clearly.

Melanie has a brick and mortar business in Pennsylvania. She would like to know if she travels and provide services in other states, such as workshops and trainings, does she have to file in the states that she is traveling to?

Excellent question. It is a case by case. Generally speaking, it really depends on where she is being paid and where she is depositing the funds for her services. For example, again, I love using myself as an example. I do a lot of speaking presentations and workshops and I get paid for them as well. The physical location of our business is in California and then we are California account -- corporation and an S corporation. So it really depends on just the fact that you are traveling and conducting workshops and other states, that is not the determining factor. It is really where are you getting paid for these and where you depositing the funds as a consideration for your services. If the funds are being deposited in the state where you are living and your business is physically located, then the answer is probably not, you don't need to qualify your business in those other states. However, if you are conducting business in state X and all of the sudden you are starting to conduct business in other states having transactions and those other states, maybe it is time for you to consider setting up the business entity in the main state and then opening up and qualifying as a corporation or LLC in the other states that you are expanding it to.

Our next question is from Kate, who says she is a sole proprietorship. Would her home that is in her husband's name, be at risk?

Again, you can email me directly and I can go into more detail with this. Again, I want to make a caveat here that the information that some of you may be asking, it may be hard for me to give legal advice and I can't. I will be answering these questions generally as I can't provide legal or tax or financial advice. It depends on what state you are located in and whether that state recognizes marriages is a community property state, and this is a question that may be best answered by your [Indiscernible].

This comes to us from Stephen who has a parent company that he would like to classify as an LLC but he is not sure how to classify the four other companies that he is developing under this company. Do you have any suggestions or advice.

The best thing for him to do is to contact the business consultant at our company and Amanda Baron or one of our other business experts can advise him as what is the best way to structure. Generally speaking, the way he is explaining it to us and maybe that he might want to set up a parent company as a holding company and have that holding company have these other four companies underneath it, however, if these companies really don't have anything to do with each other and they are separate businesses conducting really different businesses,

and they don't really have any rhyme or reason with each other, and it may be best to just create separate entities for each business structure. So there are a lot of questions that you could go into and a lot of thought as to what the purpose of these businesses are and to minimize filing requirements and managing multiple business structures , it may be best for him and wise for him to create a holding company and put everything under one holding company. However, if there are different business owners or partners within each of the different businesses, to limit his liability, it may be wise for him to separate each out on its own.

Okay. Thank you so much , Nellie. Those are all the questions we have time for today. If we didn't have a chance to address your questions, we would also like to encourage you to connect with a SCORE mentor. They can be found online or in a local chapter near you and they can help you apply these strategies that have been shared today. Also, if you're interested in becoming a score mentor, you can get information and apply online with these links that are being displayed in front of you they are clickable. You can access further information. As a reminder, a link to the recording of this session, and the presentation slide deck, will be sent in a post event email. We will send that out here in a little bit, later on today, so be on the lookout. On behalf of SCORE, I would like to thank you all for taking the time out of your day to attend this session. I would like to give a very big thank you to Nellie Akalp for presenting with us today. Inc. you so very much, Nellie.

It is my absolute pleasure. Thank you for having me on this webinar.

All right. Our next webinar, August 7, is how to strategically build a successful business with family and friends. We will cover the top ways to work with family and friends successfully. If this applies to you, we hope that you will register and join us. Thank you again everyone. We hope you have a great rest of your day and take care. >>

[Event concluded]