

The Zacher Firm

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How to Incorporate in California

Business owners form corporations to safeguard their personal assets from business debts and liabilities. A properly formed and managed corporation can give you the freedom to conduct your business without worrying that you might lose a home, a car, or any of your personal savings because of a business obligation.

3 Reasons to Form a California Corporation:

- Protection from personal liability for business debts.
- Perpetual existence, so the corporation continues even if an owner dies or leaves the business.
- No limit to the number of C Corporation shareholders, who need not be U.S. citizens or permanent residents.

STEPS

1. Make sure your company name choice is available according to California law.

Your company name must include the correct corporate or LLC identifier:

- Corporations: “Corporation”, “Incorporated” or an abbreviation.
- LLC’s: “Limited Liability Company” or an abbreviation.

California Name & Business Purpose Restrictions:

- May not contain the word “bank,” “trust,” “trustee,” and shall not contain the words “insurer” or “insurance company” or any other words suggesting that it is in the business of issuing policies of insurance and assuming insurance risks.
- Real estate firms or contractors cannot form a California LLC.
- The following businesses require the formation of a “Professional Corporation”: Accounting; Acupuncture; Architecture; Chiropractic; Clinical social work; Dentistry; Law; Marriage; family, and child counseling; Medicine; Nursing; Optometry; Osteopathy; Pharmacy; Physical therapy; Physician assistants; Podiatry; Psychology; Shorthand court reporters; Speech-language pathology and audiology.

2. File the correct paperwork with the California Secretary of State’s Filing Division.

For Corporations you must file California “Articles of Incorporation”, for LLC’s you must file California “Articles of Organization”. Note that as many as 2/3 of all filings submitted are rejected so it is important that these documents be error free and submitted in the proper format with correct cover letter, payment and filing instructions.

3. Hold the “Organizational Meeting” and adopt the company’s Bylaws [Corporation] or Operating Agreement [LLC].

The Organizational Meeting is how you determine the percentage of ownership for each shareholder [Corporation] or Member [LLC's] as well as resolve to do tasks like open a company bank account, pay back pre-incorporation expenses, elect S-Corporation status and management/election of officers.

4. Obtain a Federal Employer Identification Number (FEIN) for your company and open a company bank account.

4a. Optional: If you want your corporation to be an S-Corporation, submit IRS form 2553 to the IRS within 75 days of your date of incorporation and adopt the appropriate corporate resolution.

5. Get a local business license from the city or county where you will be doing business.

6. Submit the Corporation or LLC’s California “Statement of Information”.

This is a form that is due approximately 90 days after forming the California corporation or LLC. This form is the equivalent of an “Annual Report”.

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