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## IMPORTANT TAX MATTERS TO DISCUSS WITH THE COMPANY ACCOUNTANT

Coordinating with your accounting professional is critical to a successful business formation and later operations.

- ▶ The accountant's input often is required to make the initial business decision about whether to organize the business as a sole proprietorship, a partnership (general or limited), a corporation, or a limited liability company.
- ▶ Typically your accountant will handle obtaining your company's state and federal taxpayer identification numbers.
- ▶ Deciding on whether to be a "C corporation" or an "S corporation" usually requires an accountant's input and if "S corporation" status is selected, there is a form that must be filed within strictly enforced deadlines.
- ▶ Some companies may designate a fiscal year ending on other than December 31. This decision can have significant bookkeeping and tax impacts. You should make this decision with your accountant's input early in the formation process.
- ▶ If you are incorporating an existing business, then tax returns may be required for both your old business and your new corporation. Consult with your accountant as to the best date to incorporate. Similar issues can exist when reorganizing into other types of business entities.
- ▶ In order to issue stock for your corporation or membership units in you new limited liability company, KIRK & SIMAS must send in a form to the Commissioner of Corporations stating the amount of "*consideration*" paid for your shares or units. For an existing business that pays for the stock or units by contributing assets to the new company, calculating this figure sometimes can be confusing. You should ask your accountant to help you structure the business formation and report to KIRK & SIMAS what "*consideration*" will be used on the form so that we can properly complete it for filing with the Commissioner.
- ▶ For most corporations, limited partnerships and limited liability companies, the California Franchise Tax Board requires an \$800 minimum tax deposit against the current year's taxes. The first deposit is due on the 15<sup>th</sup> day of the fourth month of the taxable year. You should check with your accountant to determine precisely how this will affect your company's cash flow. Certain corporations may qualify for a lower minimum tax deposit of \$300.

### For more information:

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