

FREE REPORT

WHICH IS THE CORRECT BUSINESS ENTITY FOR YOUR BUSINESS? THE WRONG CHOICE COULD COST YOU THOUSANDS OF DOLLARS!!!!!!

Choosing an entity for your business can have a significant impact on the way you are protected under the law and the way you treated by the IRS. Each entity has its own **advantages** and **disadvantages**. In this report we will explain the differences between the four so you can make an educated decision on your particular situation. Working with a business advisor such as us can simplify this process. **Each entity is treated differently and can have significant impact on your tax liability and future growth.**

The four basic forms of business organizations are:

- 1) **Sole proprietorship**
- 2) **Partnership**
- 3) **Corporation**
- 4) **LLC's**

Sole Proprietorship

A sole proprietorship is usually a business owned and operated by an individual. A sole proprietorship is **not** considered to be a legal entity, but rather, an extension of the individual. The **owner is directly responsible** for the debts and liabilities incurred by the business.

If a person chooses to operate as a sole proprietorship he/she must register the business so they are identified as the owner. This is also known as a trade name, DBA (doing business as), or 3) fictitious name. (They all have the same meaning)

Some of the drawbacks of operating as a sole proprietorship are: The business income passes through to the individual owner and is taxed at individual rates. These rates can be **much higher** than other business identities thus **cutting into your cash flow and**

profits. You also usually pay **higher social security taxes and have unlimited liability.**

Partnerships

Partnerships are very similar to Sole Proprietorships and can take two legal forms: **General** or **Limited**. In a **general partnership**, two or more individuals join together to run the business enterprise. Just like a sole proprietorship a partnership should file a trade name, DBA, or fictitious business name.

In a partnership each partner is responsible for the debts and liabilities incurred by the business, just like a sole proprietorship. The drawbacks are the same as a sole proprietorship, high social security tax and unlimited liability to name a few.

It is strongly recommended that you have a partnership agreement. In this agreement **you can modified the way profits, losses and liabilities can be shared.** Partnership creditors typically have recourse to the personal assets of each of the partners for settlement of partnership debts. For this reason, the partnership form of business ownership is a **DANGEROUS** form unless you are extremely comfortable and trusting of all your partners.

A **limited partnership** is composed of at least one general partner who is personally liable for the debts of the business and at least one limited partner who contribute capital and share in the profits or losses of the business. It is important to remember that the **limited partners do not take a part in running the business and are not liable for the debts of the business.**

A partnership is also required to file both federal and state tax returns. The partnership typically does not pay income tax however; the information from the partnership tax return is passed on to each partner's personal tax return. It is possible that each partner may pay a different tax liability. For this reason **careful tax planning is essential.**

Corporations

A corporation is a separate legal entity, which is granted by the authority of state law. A corporation has substantially all of the legal rights of an individual and is responsible for its own debts. Corporations must file income tax returns and pay taxes on profits. **Typically, the owners or shareholders of a corporation are protected from the liabilities of the business.** However, when a corporation is small, **some creditors require personal guarantees** of the owners before they extending credit to the corporation.

The owner's liability is **limited** by his or her own personal investment unless a personal guarantee is given. This idea of "**limited liability**" makes the corporation a preferred form of business ownership. Many entrepreneurs consider a corporation an inexpensive form of liability insurance. However, it should be noted that you should still have a good Commercial General Liability Insurance policy to protect you and your business. If someone sues the corporation, and wins the suit, the owner's loss is

usually limited to his/her own investment unless criminal activity is involved; fraud, or a government agency is owed the money.

A corporation must obtain permission from the Secretary of State to use or do business under a fictitious name. They also must file annual income tax returns with the **IRS** and the **State Department of Revenue** and possibly other states where it does business. Elections made on a corporation's initial tax returns have a significant impact on how the business is taxed in the future.

Incorporating a business allows a number of the advantages such as the ease of bringing in additional capital through the sale of equity, or allowing an individual to sell or transfer his or her interest in the business. It also provides for business continuity if the original owners choose to retire or sell their interest.

C Corporation vs. S Corporation

A "**C**" Corporation is the most standard form of a corporation, with business income taxed at corporate rates. Under federal and state tax laws, regular C Corporations and their owners are treated as separate taxable entities. When earnings are distributed as dividends, they are taxable to the shareholders at **individual rates**. For this reason, income from a **C** Corporation is said to be "**DOUBLE**" tax. Another draw back is the need to draw a **full salary**, which can mean higher Social Security Taxes, and losses can't pass through to personal tax returns. **C** Corporations are often **not** intended for a small business.

Many small business owners avoid these issues by forming an **S** Corporation. This form of business ownership enjoys the limited liability feature of a **C** Corporation, but the **S** corporation itself **does not pay income taxes**. Rather, the income or losses pass through to each owner and is claimed on their personal tax return. He or she only pays their proportional share of any profit the business earns.

Some problems of running a S Corporation are overpayment of your Social Security Taxes, it can be hard to maximize the retirement plan, limited number of owners, and foreign or corporate ownership in **NOT** permitted.

An **S** Corporation may very well be your best business ownership choice. However, it is important to consult a competent and qualified professional to ensure that you get it set up correctly.

Limited Liability Companies

Generally, LLC's combine the "**limited liability**" feature of a corporation with the tax treatment of a partnership. The LLC's income is taxable to the LLC members (owners) at their **individual rates**, and separate corporate tax is assessed on the LLC. In most cases, members are not liable for debts and obligations of the business.

For state law purposes, LLC's generally are treated as separate legal entities, and must file articles of organization with the state.

LLC's have many of the characteristics of S Corporations, except that LLC's have **fewer eligibility requirements**. They offer more privacy, and allow for greater flexibility than corporations. Requirements like annual meetings are **not** required. LLC's may have wholly owned corporate subsidiaries, and a corporation or partnership may hold shares in the entity, while S Corporations cannot.

One of the most attractive characteristics of the LLC is the ability to make special allocation of income, gains, losses, and deductions among members. S Corporations are required to make such allocations on a per-share/per-day basis to all shareholders. LLC's, therefore, allow structuring allocations to benefit the individual tax situations of its members.

A disadvantage of a LLC is that the members must file personal tax returns in each state where the entity has taxable income (i.e., where it owns property or is engaged in at least some minimal business activity). The same holds true for S Corporations. **Without proper planning, members may be liable for higher Social Security Taxes** as well.

COMPARISON OF ENTITIES

CHARACTERISTIC	Sole Proprietorship	C Corporation	S Corporation	Partner-Ship	LLC
Limited Liability	No	Yes	Yes	No	Yes
Lower Audit Profit	No	Depends	Yes	Yes	Yes
Continuity of Life	No	Yes	Yes	No	Maybe
Centralized Management	No	Yes	Yes	Maybe	Maybe
Free Transfer of interest	No	Yes	Yes	No	Maybe
Number of Owners	1	1or more	1 to 35	2 or More	2 or More
Can save on FICA tax by Renting Property to Business	No	Maybe	Maybe	Maybe	Maybe
No Restrictions on Ownership	Yes	Yes	No	Yes	Yes
Can Easily Select a Fiscal Year End	No	Yes	No	No	No
Can Deduct 100% of Owners Health Insurance	No	Yes	No	No	No
Can Deduct Owner's Portion Of Group Term Life up to \$50000	No	Yes	No	No	No
Able to Use Lower Corporate ax Rate	No	Yes	No	No	No
Able to Deduct meals and Lodging Furnished for The Employer's Convenience	No	Yes	No	No	No
Able to Compensate Employee With Equity	No	Yes	Yes	Yes	Yes
Can Split Income Between Family Members	No	Yes	Yes	Yes	Yes

Double Tax					
Earnings	No	Yes	No	No	No
Liquidation	No	Yes	No	No	No
IRS Audit Adjustments	No	Yes	No	No	No
Able To Deduct Business Loss					
On Individual Return	Yes	No	Yes	Yes	Yes
Can Deduct Interest On Money					
Borrowed To Invest As Business					
Interest	Yes	No	Yes	Yes	Yes
Inexpensive To Form and					
Maintain	Yes	No	No	No	Maybe

If you are interested in considering any of the above entities, **it is vitally important to find a business advisor who is familiar with the requirements.** If a business entity is improperly formed, the owners may be at risk for higher tax obligations. This is perhaps the most important reason for selecting an advisor who is well versed on the requirements of correctly forming a business entity.

Still not sure which one is right for you? Request a **FREE** analysis of your business so you are sure you are **making the RIGHT choice for you and your business.**

Remember, the right selection can save you thousands and give you the protection you want!

Running a business entails a massive amount of decisions you have to make everyday. **The decisions you make today will have an impact on you and your business for years to come.** One of the most cost effective tools you can use is the experience of a **professional advisor**. When you hire an advisor make sure they are someone suited to fit your needs, someone you feel comfortable with, and someone you trust.

A word about us... When I started with Johnson, Johnson, & Associates Inc, it was a small company that worked in a basement. When I applied what I learned, well... little did I know that I was gonna **triple the business in less than 3 years**. I now have multiple locations, a staff of 7 full time employees, and a seasonal staff of 25. Now I know what some of you are saying: "Well, he is an accountant; he should be able to grow his business. Now I'll let you in on a little secret- **MOST ACCOUNTANTS ARE HORRIBLE BUSINESS PEOPLE!!!!** That's right, **HORRIBLE** at running and growing a business. I travel to seminars all over the country and meet hundreds if not thousands of accountants. I'll let you in on **another little secret....** They are having the **same problems** you are having: **too few clients, management problems, not enough income, and feelings of being overworked and overwhelmed.** But I'm not telling you anything you don't already know. Just listen to your accountant or look in his/her office. It is usually disorganized, with few if any employees, and desperate for referrals. Now I'm not saying that you can't get good information from them, but do you really think they can help you grow your business the way you want to when they are experiencing the same problems you are? **(YOU DECIDE)**

I have found that a large majority of business owners are **unhappy with their current accountant**. They are either **NOT** getting the services they need or don't understand the accounting lingo their accountant is speaking.

So what can my firm do for you? Well, first of all I will **customize** a program just for you. That way you **only pay for the services you need**. Listed below are just **some** of the ways I may be able to help you.

WHO ELSE WANTS AN ACCOUNTANT WHO WILL...

- Protect you from the IRS. Many small business owners are extremely vulnerable to **“Business-Ending” IRS Audits**. Most business owners don't have time to stay current with new tax laws such as sales tax, payroll taxes, estimated quarterly taxes, income taxes, property taxes, unemployment tax, and personal taxes. With us you have a **“Worry Free Accuracy Guarantee”**. You will know your tax forms are correct and filed on time. This means you have **no fear** of the IRS.
- Give you monthly consultation so you'll be **worry-free** and **able to sleep at night** knowing you have a professional working with you. No more sleepless nights or fear of making a wrong decision, which will have the IRS knocking on your door in the morning.
- Provide financial statements to help you manage and grow your business. With these you will see trends developing, so you **stay a step ahead of your competition**. They will also help you make **better business decisions and better plans for the future**.
- Keep you worry-free knowing your bookkeeping and tax forms were prepared accurately without giving too much of **YOUR “hard-earned”** money back to Uncle Sam! And you'll never have to think about possible problems with your accounting ever again, (or an IRS agent at your doorstep badgering you for your records). That's just **NOT** going to happen with professionals like us in your corner.
- Offers tax planning to **save you money..** Let me tell you a story about a company we work with. They are a fairly successful newer business that had a profit of \$46,060 and owed almost \$9,740 in taxes. Their previous accountant did the normal accounting stuff for them: you know P & L's, sales tax, quarterly forms, and tax preparation, but really gave them no guidance. There was no planning, no discussion on how to minimize their taxes, and no guidance on how to grow their business. After working with us, we were able to **save them over \$7,134.00 in taxes** through quarterly planning. Now that's what we call tax planning!
- Charge a flat fee to **fit your budget**. Not like other accounting firms that nickel and dime you to death for every little thing.

So what is the real story and why is your company such a good deal for my business?

Well, first, let me tell you what we are not! Our clients don't say any of the following about us:

1. “He is always late!”
2. “I can never reach him!”
3. “I do not understand him.”
4. “He does not understand my business.”
5. “I do not know what he does for me!”
6. “I think I should get more value for my money.”

7. "I pay too much!"
8. "He is too busy."
9. "I am too small for him!"

If you're like most business owners you probably have said one of these at one time or another-right?

Look, I'm **NOT** some "high-priced" CPA firm, so **I DON'T CHARGE AN ARM AND A LEG for my services!**

And I don't speak Annoying Tax Professional Lingo...Just Straight, Easy-To-Understand And Follow Expert Guidance and Advice!

But, don't take my word for it, read what others are saying about our services:

Since signing up with your company we have enjoyed timely accounting services and the best tax preparation ever. I have incorporated many of your ideas into the management of my business.

*Keep up the great work!
John-Upper Darby.*

I have been with these guys for over 5 years; I really appreciate their professionalism and their friendliness. I always walk away from the office and/or a phone conversation feeling completely satisfied. You guys are a God-send!!!

Theresa- Southern Inn-Philadelphia

I would like to thank you for the informative meeting we had on sales and marketing. I would also like to thank you for enlightening me on the other priceless strategies on growing my business and making me more productive. I'm looking forward to the next workshop!

Andrea-Collingswood

"You really kept your word when you said you would be in my corner if the IRS MAN CAME A KNOCKIN" Thanks for all those tax saving tips. We are here to stay!

Marcus-M & E electronics, Inc. Philadelphia

I also offer a GUARANTEE NO OTHER ACCOUNTANT HAS THE GUTS TO GIVE YOU! I am so sure that if, in the first three months you haven't found ways to decrease your taxes and increase your sales, simply cancel your service at anytime, tell me what went wrong and I will cheerfully refund your monthly fee. No questions asked!!!! GUARANTEED! (You have nothing to lose)

Now, if you would like to see how my firm might be able to help you, just pick up the phone and give me a call. I will be glad to set up a CONSULTATION either over the phone or at my location to answer any of your questions.

Ready to order? Please fill out the order form located in the back of this FREE REPORT and fax 610-284-3079.

PS: If you call within the next **10 days** I will waive the normal fee of **\$250.00** **But, Only if you act TODAY!!!**

PSS: Finally as an **added incentive** we will also apply for your tax ID number (EIN) and sales tax number if needed. This is a **\$200 value** but only good if you order now! That's a total savings of **\$450.00**

PSSS: Still need another incentive? If you act today we will include at **no additional charge** the book **"NEW BUSINESS SURVIVAL HAND-BOOK"** a **\$79.00 value**. This book is filled with useful information such as:

- Ten Common Errors That Can Spell Disaster For Any New Business (And How To Avoid Them)
- How To Register Your Business With The Tax Authorities
- A Short Note On Accounting and Bookkeeping
- What You Need To Know About Payroll Taxes
- How To Plan For A Positive Cash Flow
- How To Choose Professional Advisors
- How To Get Credit And Financing For Your Business

Remember, the wrong classification can COST you thousands and have the IRS knocking on your front door tomorrow morning!

Yes Mike, I want to be one of the first to respond. I am interested in a **FREE CONSULTATION** on **SAVING MONEY** and **GROWING MY BUSINESS**:

Please complete the information below and mail in the enclosed envelope or for a faster response fax me at **610-284-3079**. If you prefer you can contact me on the web at www.jjassociatesinc.net

Name _____

Address _____

City _____ State _____ Zip _____

Phone _____ (Cell) _____

Best time to call _____

Tax Planning Strategies

Tax Preparation

Bookkeeping

Help with QuickBooks

Business Advisory Service

Becoming a LLC/Corp

Free Analysis of Marketing Material

Easy ways to Increase My Sales

Fax 610-284-3079



10 W. Baltimore Ave Suite 306
Lansdowne, Pa. 19050
610-284-2157 FAX 610-284-3076
Info.request@jassociatesinc.net

LLC Order Form

Firm Contact Person:

The proposed names below were checked for availability _____ Yes _____ No

1. Proposed 1. _____
Names 2. _____
3. _____

2. County _____

3. LLC S-Selection Y N

4. LLC Address

5. Business Purpose

6. Payroll Y N Number of employees _____

7. EIN Number Y N Previous # and Name _____

8. Sales Tax Number Y N Previous # and Name _____

9. Name address and SSN of all owners:

1. _____
2. _____
3. _____

PAYMENT

Check or Credit Card in the amount of \$ **795.00** enclosed.

If credit card, name of card _____
Name appearing on card _____
Credit Card Number _____
Expiration Date _____

Signature _____

Date _____



Corporate Order Form

10 W. Baltimore Ave Suite 306
Lansdowne, Pa 19050
610-284-2157 FAX 610-284-3079

Firm Contact Person:

The proposed names below were checked for availability _____ Yes _____ No

1. Proposed 1. _____
Names 2. _____
4. _____

2. County _____

3. Stock 1000 No Par (if different, please set forth) _____
S-Corp _____ C-Corp _____

4. Corporate Address

5. Business Purpose

6. Payroll Y N Number of employees _____

7. EIN Number Y N Previous # and Name _____

8. Sales Tax Number Y N Previous # and Name _____

9. Name address and SSN of all owners:

1. _____
2. _____
3. _____

PAYMENT

Check or Credit Card in the amount of **\$795.00** enclosed.

If credit card, name of card _____
Name appearing on card _____
Credit Card Number _____
Expiration Date _____

Signature _____

Date _____