

Benefits of Incorporating in California

Why [Incorporate](#) in California? [Incorporating](#) in California gives your business many benefits.

The primary benefit of [incorporating](#) in California is to protect your personal assets from potential liabilities that could occur in your business. Without the protection provided by a corporation, creditors or other claimants of your business can attach personal assets including garnishment of personal salary, attachment of personal bank accounts, attachment of your home in most states, and seizure of other personal assets. If you are operating as a sole proprietorship or as a partnership your personal assets are vulnerable. By [incorporating](#) in California and following all corporate formalities, you insulate yourself from personal liability. At this point you only risk the property and investment that you put into the [corporation](#), not what you have personally built.

Another benefit of [incorporating](#) in California is that it offers continuity of existence. A [corporation](#) is a separate legal entity that has a separate "life" from its individual owners. Upon the death or retirement of an owner, the corporate entity can continue on. Shares of ownership may transfer upon death or by sale. But the business entity will continue in existence until it is dissolved.

If you are looking to grow your California business, you will need to [incorporate](#) to gain any attention from potential investors. This process would be very difficult if you are sole proprietorship or partnership. Investors tend to shy away from partnership investments because of a risk that their personal assets will be subject to the liabilities that may arise from the business in which they are investing.

The tax benefits of incorporating in California will not only help your personal taxes but your business taxes as well. Tax advantages of operating through a [corporation](#) include minimized self-employment taxes and increased the number of allowable deductions lowering the taxes you pay on the income of the business. Many [corporations](#) structure retirement and tax deferred savings plans for their owners and employees which can provide even greater tax savings.

Many years ago incorporating in California had a bad rap. Many businesses decided to move to friendlier states to do business. The State of California recognized this trend and since January 1, 2000, small businesses that [incorporate](#) in California or qualify to do business in the state do not have to pay the minimum [Franchise tax](#) for the first two years. Now, a business that incorporates in California pays taxes on its taxable income for the first two years. Prior to this legislation, all [corporations](#) also had to pay the minimum [Franchise tax](#) of \$800. Unfortunately this was required even if your [corporation](#) was at a loss.

One of the biggest benefits to incorporating in California is that any business in the state MUST pay a [franchise tax](#), so incorporating in a different state like Delaware or Nevada will not help. Also as a California [Corporation](#) you can use your business address as the [registered agent](#) address and save yourself annual fees to maintain an agent in a different state. Bottom line, any business in the state of California should [incorporate](#) in California. It will make every process from taxation to [corporate](#) law compliance easier.