A corporation is a separate legal entity owned by one or more shareholders. To form a corporation the requirements of state law must be met. Internal rules for the corporation, known as buy/laws, must be established and followed.

-The shareholders elect a board of directors who are responsible for the management and control of the corporation.

-A corporation is liable for the debts and obligations of the business. **Most often the shareholders are protected from personal liability for claims against the corporation. This feature of limited liability is one of the advantages of a corporation.**

-If an owner performs services for the corporation he/she is considered to be an employee.

-A corporation is also a separate tax entity, being taxed either as a C-corporation or S-corporation.

-A C-corporation reports its income and expenses on a corporation income tax return and is taxed on its profits at corporation income tax rates. Profits are taxed before dividends are paid out and taxed to the shareholders, resulting in double taxation. Small businesses normally do not want to be formed as a C-corporation because of this double tax problem.

-If the corporation meets statutory requirements for S-corporation status, shareholders may elect to be taxed as a S-corporation. The S-corporation is taxed much like a partnership. The S-corporation files an information return to report its income and expenses, and generally is not separately taxed. The income and expenses pass through to the shareholders in proportion to his/her shareholdings, and profits are allocated and taxed to the shareholders at their individual tax rate. **Small businesses that choose to use a corporate structure normally choose to incorporate as an S-corporation to take advantage of "flow through profits and losses" and at the same time maintain limited liability protection.**

-The profits and losses belong to the corporation, and profits may be distributed to shareholders via dividends, they may be reinvested or retained by the corporation.

-A corporation may authorize any number of shares of stock. The articles of incorporation require the total number of shares authorized, however, the board of directors decide how many shares to issue and when to do so.

-Ownership is transferred by the sale of stock. Change of ownership does not affect the existence of the corporation entity.

-Small businesses with multiple shareholders normally enter into a buy/sell agreement which puts restrictions on subsequent transfers of stock.

One or more persons may form a Minnesota business corporation for any lawful purpose. The corporation does not exist until the Secretary of State reviews, approves and files the articles of incorporation. Unless the articles of incorporation state otherwise, the corporation has general business purposes and the corporation has unlimited power to engage in any lawful act. There is a fee for incorporation of $135.00 as of the writing of this article. Filing fees for subsequent amendments are $35.00 per filing, except for mergers, which are $60.00.

An annual renewal is required once each calendar year. There is no charge for filing the renewal unless the corporation is statutorily dissolved, in which case there is a $25.00 reinstatement fee.