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## USING CAUTION WHEN INCORPORATING IN CALIFORNIA

If you are a business owner, you of course want to do what will give it the best chance for success. That includes making it easier for you to operate your business. That is why many proprietors turn to business incorporation. Incorporating your business can be very beneficial to you and your business. However, if you are a business owner in California, you might want to think hard about the decision to incorporate there. Incorporating in California or incorporating in another state and operating your business in California can cause a business owner more headaches than need be.

Incorporation is a process that a business owner goes through in order to turn his business into a corporation. There are many federal legal benefits to doing this, including having your personal assets protected from seizure in the event of legal issues, the establishment of a credit rating separate from your personal credit rating, longevity of the business, lower federal taxation, and the ability to easily transfer ownership. And depending on which state you incorporate your business in, it can be a very simple process, requiring little to no paperwork and fees, or it can be a demanding process that requires filing paperwork and paying multiple fees and taxes. Such is the case when incorporating in California.

Incorporating in California can prove challenging due to its strict regulations and daunting taxation issues. Many businesses choose to incorporate in neighboring states where the regulations are more relaxed, in order to avoid this trouble. However, this can lead to a whole host of problems if care is not taken (and extra expense laid out) to make sure that the state of California is in the loop.

The state of California is notoriously strict when it comes to where your business is operating. If you are running your business with an office facility and you employ staff members (even if it is out of your home) in California, then the state of California considers your business a California business, no matter where you are incorporated. The state will claim jurisdiction (authority over your business), because the day-to-day operations are there. Even if you do incorporate your business someplace other than California, you are required to register with the state of California and pay the required taxes.

Therefore, the question might be, why not just look into incorporating in California, rather than getting hit with two sets of fees and taxes by incorporating in another state while operating out of California?

You might think that you can fly under the radar and conduct your business operations in California without going through the proper notification, while being incorporated in another state. You will eventually be caught, though, and you will be subject to steep fines, back fees and taxes, in addition to having your business audited (which will close down the shop temporarily). It won't be a good situation for you or your business to be in.

It is possible to get around incorporating in California. You can incorporate in another state, while operating business there AND in California. Because it is such a harsh atmosphere for business, incorporating in California and doing business there is not as easy as it is in other states. Unfortunately, unless you can move to another state to operate your business there, you will have to go through the rigors that businesses in California are subject to.

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