

Steven J Roy Management & Tax

Entity Formation Checklist and Responsibilities

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<p>Preliminary Discussion How to use this Checklist:</p> <ul style="list-style-type: none">• This checklist is a generic guide to the procedures and processes necessary to form a business entity.• We assume, in most of this discussion: incorporation of an entity that will operate in a single jurisdiction.• The Checklist is<ul style="list-style-type: none">○ Directly applicable to incorporation processes, but adaptable to other organizational forms as well. This sometimes involves simple word substitutions. Many of the procedures we discuss are independent of entity choice. If you're unsure – Ask!○ Arranged in approximate chronological order. Sequence variations are not only possible, but common, possibly ubiquitous.○ Far from comprehensive. Each jurisdiction has its own rules; often they are different for different types of businesses operating in the same jurisdiction. Follow the advice of knowledgeable local counsel.○ “A bit much” in some cases. By trying to achieve generality we sometimes introduce ambiguity, redundancy, or even “obscurity.”○ Not adequate for entities that have or will have passive investors (money investors who are not directly involved in the business) or those that offer “business opportunities” (Franchises). In addition to these suggested procedures, those entities must comply with a number of Federal, state, and local requirements that are beyond the scope of this discussion. You must comply with those requirements even if your passive investors are all 4Fs.¹• The devil is often in the details: some of the things we cavalierly describe as “procedure” or “filing” involve a great number of conceptual and procedural steps. By and large, if you don't know what we mean, ask!• Apropos the preceding comment: This is not a DIY guide. We strongly recommend that you delegate oversight for most of this process to someone who has done it before... Like your legal counsel.• Your legal counsels' opinion trumps ours. If your legal counsel's advice or recommendation differ from ours, follow theirs (If you know for certain that theirs is wrong... Seek other counsel).		

¹ Friends, Family, Fans, and Fools. The most common sources of equity startup capital.

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<i>Pre-Formation Considerations:</i>		
<ul style="list-style-type: none"> • Purpose and limitations of the entity: <ul style="list-style-type: none"> ○ What activities fall within the entity’s scope and what activities do not? ○ Are all similar activities the participants engage in exclusive to the entity? Or, only some activities? • Choice of entity: <ul style="list-style-type: none"> ○ What limits the choice of entity now or in the future. (Usually a question of identifying the potential stakeholders and applying legal ownership limitations or interpreting tax/securities restrictions.) ○ Which form of organization best fits the owners’ parameters and characteristics? Now? In Future? • Initial Capital Agreement: <ul style="list-style-type: none"> ○ Who will fund the initial research, syndication, and organization expense? ○ Will they be reimbursed? • Contribution agreement. <ul style="list-style-type: none"> ○ How much (and what kind of) capital and/or other assets will each stakeholder contribute? ○ What will they get for it? • Participation agreement. <ul style="list-style-type: none"> ○ Will all the stakeholders be active? ○ How Active? ○ What will active stakeholders get for their participation (salary, benefits, preferred shares or options)? ○ How (and when) will passive investors receive their payout? • Licenses. <ul style="list-style-type: none"> ○ Will critical technology or other licenses and rights be transferred to the entity? ○ How will they be paid for? ○ N.B. If the licenses are truly critical, we suggest they be negotiated and approved before forming the entity. “I want to keep all my intellectual property rights. I am <u>not</u> assigning <u>any</u> of my rights in this script to your production company;” is a real show-stopper when uttered at the last minute. (Don’t laugh. We have seen this one – more than once!) 		

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<i>Name Clearance:</i>		
Consider: <ul style="list-style-type: none"> • Your Name’s Market impact. (Marketing mavens suggest your entity name reflect what you do. For the most part, we agree.) • Is your acronym memorable? • Is your acronym appropriate-acceptable? – University Station Underwater Camera Kit? Acronym = USUCK. Really? 		
Check For: <ul style="list-style-type: none"> • Name Conflicts in State of Formation² • Name Conflicts in every State of Operation • Trademarked, copyrighted, patented uses of the name or close variants by other entities • URL availability (Often the deciding factor these days.) • Names on any restriction list (terror or state sponsors of terror, no fly) that are close to yours? This becomes an issue when you apply to the bank for an account and they do their due diligence, if it isn’t addressed before then.³ 		
File: <ul style="list-style-type: none"> • State name reservations as appropriate⁴ 		

² Most states have a search engine similar to California Secretary of State’s [Business Name Search](#)

³ We have only seen this once but thought it worth mentioning. Unfortunately, when it happened the client was an ITAR registrant. Repercussions continued for months!

⁴ While CA piously maintains that you must do things on-line, they can’t be bothered to develop appropriate systems for some functions: [Name Reservation](#) is one instance... You must apply by snail mail.

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<ul style="list-style-type: none"> • “Similar name” permissions as appropriate • Purchase the URL name/address and its variants before somebody else does!! 		
<i>Draft and File your Articles of Incorporation (or other foundational documents) in the entity’s State of Formation</i>		
<p>In most states, foundation documents are filed with the Secretary of State. Use filing services to avoid long lines, back-up, and tedium during the process. Some states (not many yet, and CA isn’t one of them), allow electronic document filing.</p> <ul style="list-style-type: none"> • State of Formation depends (mostly) on the scope and purpose of the entity. <ul style="list-style-type: none"> ○ Inter-state entities, and those that anticipate public or private offers, should choose an “offeror friendly” jurisdiction (e.g. Delaware). ○ Intra-state entities (whose activities are confined to a single state) should generally form in the state in which most of their activity takes place. ○ As noted below – tax incorporation is usually an inefficient and wasteful idea, if you plan to play by the rules. • The State of Formation’s rules determine what should be (or cannot be) in the organization document and how they will be interpreted. Consult qualified counsel! • If you will do business in multiple jurisdictions, Request Certificates of Good Standing from the state of Formation. (You need them to qualify for business in other states.) • Receive Endorsed Copy(s) of formation documents and store them in a safe place (e.g. your minute book). 		

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<p>For each Foreign⁵ jurisdiction in which your entity will have or has nexus:⁶</p> <ul style="list-style-type: none"> • File a Statement and Declaration by Foreign Corporation (or equivalent) in each state where corporation has nexus. • Note – In CA, there are at least four different forms, make sure you use the right one • Attach – Statement of Good Standing for State of Formation, filing fees, and all other required documentation. 		
<p>A Quick note about taxation and nexus:</p> <ul style="list-style-type: none"> • State of Formation does not determine tax jurisdiction or exposure (payment of fees, taxes, and filing returns) – nexus does. Incorporating in “tax free” Nevada” does not prevent California from getting its pound of flesh when you do business there. • You have “nexus” in a state if you carry on significant sales activities in that state, have personnel there, or have fixed assets in the state. The “Wayfair” decision may alter this concept significantly – stay tuned for more developments. • State of Formation does not determine federal jurisdiction; US state law corporations are subject to US tax jurisdiction regardless of state of Formation. (US jurisdiction over non-US law entities and Native American law entities is too complex for this context. Ask your tax representative if it applies.) 		

⁵ Foreign, in this context, means any state other than the state of Formation..

⁶ Generally, nexus confers jurisdiction for taxation and most other legal processes. In most states, nexus is unequivocally established if the company has assets, rents property, or has personnel (temporarily or permanently) in the state. Revenue from clients in the state may-or-may-not establish nexus, depending on how it is earned and the level of involvement in revenue generating activities within the state.

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<i>Consider whether time constraints or legal requirements that may require you to begin application procedures for professional licenses, registrations, or business permits early in the entity formation process.</i>		
<p>Licensing/Registration requirements (and the time required to complete them) vary depending on the nature, location, and scope of the business.</p> <ul style="list-style-type: none"> • Some licenses/registrations (e.g. Realty licenses or SEC and state securities advisor registrations) must be in place before you commence business. • Licensing/registration takes much longer than you think it will. • Consider beginning the licensing process as soon as you are able to – usually as soon as you have formed a legal entity, recognized by any state. 		
<i>Request Federal EIN</i>		
<p>A federal ID application can be submitted on-line in about five minutes. (Or, you can wait six weeks for it to be delivered by snail-nail.)</p> <ul style="list-style-type: none"> • Does not require sophisticated knowledge. • Documentation (the CP575 letter) can be delivered on-line or mailed – always have it delivered on-line. • Each submitter (including your professional) is limited to one on-line application per day. • Make multiple copies of the document – everybody and their brother will want one. 		

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<i>Prepare documents and agreements that must be ratified in the initial stakeholder meeting</i>		
<p>Standard procedure:</p> <ul style="list-style-type: none"> • Draft • Review • Adopt/execute • Copy and Store • File or record (as appropriate) • Suggestion: use a particular file folder color (we use fire-engine-red) for these documents and store them in a separate part of your files. They remain relevant for the life of the company. Or, keep the original in your minute book. 		
<p>Documents most newly formed entities need to prepare:</p> <ul style="list-style-type: none"> • Bylaws and Shareholder Agreements (Some states require recordation or filing, CA does not – yet.) • Shareholder certificates (with all necessary restrictive captioning) • Buy/Sell Agreements and-or Succession Plans • Plan documents, summary plan documents for pension and/or benefit plans (IRS requires some, but not all, of these documents to be filed) • IP Licenses; royalty, rental and lease agreements; employment agreements; contractor agreements; and myriad other third party agreements 		

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<i>Hold the initial shareholder meeting. (Usually done under Waivers of Notice – talk to counsel!)</i>		
<p>The purpose of the initial shareholder meeting is to ratify and approve prior actions, authorize future actions and attend to corporate governance issues.</p> <p>Suggestion – draft minutes of the meeting, assignments and licenses, etc. and gain consensus before holding the meeting – this:</p> <ul style="list-style-type: none"> • Avoids lengthy harangues during the meeting (which can be divisive and tedious at the same time), and • Provides a structured agenda for the meeting so it doesn't get off-track 		
<p>Things that <u>may</u> get dealt with in the initial meeting: (order may vary)⁷</p> <p>Acknowledge and Ratify:</p> <ul style="list-style-type: none"> • Attendees and Waivers of Notice • Filing-recording the Articles or foundational documents • Resignation of initial incorporator and appointment of board (procedurally, should be done early in the meeting. Otherwise there is no one around who can make binding decisions.) <p>Ratify and Adopt (attach copies to the minutes):</p> <ul style="list-style-type: none"> • Bylaws • Shareholder Agreements • Buy/Sell/Succession Agreement • Plan documents, summary plan documents for pension and/or benefit plans (IRS requires some, but not all, of these documents to be filed) • IP Licenses; royalty, rental and lease agreements; employment agreements; contractor agreements; and myriad other third party agreements 		

⁷ Not every entity will need to do all of these things. Further, almost every entity counsel we have worked with (now numbering in the high hundreds of firms or counsel) would take exception to something on this list. Some they would defer to subsequent board meetings, some they would delegate to officers, and some they wouldn't bother with at all. Some counsel might even come up with a few we haven't thought of or encountered. Entity formation is a legal process (governed by state law). When in doubt, follow counsel's advice, not ours.

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<p>Elect, Adopt, Replace, or Waive:</p> <ul style="list-style-type: none"> • Agent for service (all jurisdictions require a resident agent for service) (In CA, this is done by filing your initial “Statement by Domestic <Entity Type>” or “Statement of Information” electronically. • Corporate office and mailing address • Corporate officers • Minute book and corporate formalities⁸ • Share certificate (ratify issuance any additional legends they require)⁹ • Corporate Seal (Not <u>required</u> in CA – But makes you feel like a real corporation and is fun to play with) • Fiscal or calendar year • Accounting method (for both tax and book purposes) • Payroll service and worker’s compensation insurance placement <p>Housekeeping, Elections and Corporate Governance</p> <ul style="list-style-type: none"> • Banking Resolution (Many banks require that you use theirs) • Issuance of Shares (and approval of the capitalization plan) • Authorize someone to File <ul style="list-style-type: none"> ○ Notice of Issuance in appropriate jurisdictions and ○ Statement of Domestic (or Foreign) Corporation (or Officer and Agent Statement) in appropriate jurisdictions • Authorize reimbursement of Formation/organization expense (or not) • Authorize someone to file Tax and Procedural Elections <ul style="list-style-type: none"> ○ Tax Elections (S-Corp Election IRC 1372, IRC 1202, IRC 1244, as appropriate) ○ Water’s Edge Elections as indicated or needed. • Other procedural items depending on jurisdiction, the nature of the business and counsel recommendations 		

⁸ Some states allow you to waive corporate formalities like annual meetings. In our opinion, this is never a good idea. (Corporate minutes are one of the first things opposing counsel or compliance examiners request and review when you are sued or audited) Your counsel may have a contrary opinion – but you will never know unless you ask.

⁹ Consider legends for Restrictions on Sale (SEC and state blue sky notices) and notations that indicate that shares qualify for special tax treatment – e.g. IRC §§1202, 1244, and 1372.

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<i>Open Your Bank Accounts</i>		
<p>Open as many accounts as are appropriate. We recommend (at least) some or all of the following:</p> <ul style="list-style-type: none"> • Deposits Account: Make all deposits to this account, no exceptions. Never issue checks from this account. This helps prevent malevolent, leprotic Estonian teenagers equipped with high powered computers from transferring your cash balances without permission. • Payments Account: Make all “expense” payments (except for payroll) from this account, no exceptions. Maintain the account on an imprest basis (deposit only enough to cover the checks you issue or the payments you make via Debit card. Ideally, fund the account via internal electronic transfers from the deposits account). This helps establish internal control over disbursements, and limit losses if the account is compromised. • Payroll Account: Make all payroll related payments from this account, no exceptions. Maintain the account on an imprest basis (deposit only enough to cover the checks you issue or the payments you make via Debit card. Ideally, fund the account via internal electronic transfers from the deposits account). More a convenience than a necessity – this helps establish (possibly by separation of duties) internal control over payroll, makes it easier to reconcile disbursements if you have a large number of employees, and limits losses if the account is compromised. • Sweep Account: An interest bearing account that receives the “sweep” from all other accounts (usually daily). Usually doesn’t pay much interest, but something is better than nothing. Don’t bother with this if you are not going to keep cash in the company accounts or your deposit account is interest bearing. <p>You will need to take a number of items with you to open the bank accounts:</p> <ul style="list-style-type: none"> • Proof of Formation or good standing in the state the account is located in. • Proof of your TIN – The IRS CP575 letter is best, but some banks will accept other things as well. • Your Statement of Domestic (or Foreign) Corporation (or Officer and Agent Statement) and/or Statement of Good Standing. • Banking Resolution – Usually done during the initial shareholder meeting. Banks usually have their own form they expect you to use. That form should be referenced in your initial meeting resolution. 		

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<ul style="list-style-type: none"> • Proof of identity for the person tasked with completing the bank’s application. • Proof of that person’s authority to transact with the bank. (Ideally, verbiage included in the resolution AND a copy of the officer statement.) <p>A few other wrinkles:</p> <ul style="list-style-type: none"> • These days, banks often require all account signatories to appear in person and present acceptable ID. • Banks do almost no signature checking on deposits made through ATMs. Multiple signature requirements may be an effective deterrent and managerial technique, but the requirement no longer serves much of an internal control purpose. 		
<i>File Required State Notices</i>		
<p>These items may have been ratified during the initial shareholder meeting or responsibility for filing them may have been delegated to someone specific:</p> <ul style="list-style-type: none"> • Officer Statement (CA – Statement of Domestic (or foreign) Corporation) (May be required in every state that has jurisdiction) • Agent Appointment (Appointment of a resident agent for service of process in the states you will do business. CA includes this in the Officer Statement) • Notice of Issuance of Shares (Probably required in all nexus states. Always required in home state of the entity or any of its investors.) <ul style="list-style-type: none"> ○ CA Form -- Notice of Issuance of Shares Pursuant to §25102 ... Filed with Secretary of State w/i 15 days of sale or transfer of securities ○ N.B. CA Code §25102(f) provides exemption from securities registration in some circumstances, but does not eliminate the notice requirement. ○ N.B. CA (for one) does not consider the entity to have been formed until the notice of issuance is filed. That can be a problem if you discover the omission 15-20 years later – when someone sues you and your corporation is deemed not to exist or to be unqualified to transact business. 		

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<ul style="list-style-type: none"> • “Customer Authorizations” in jurisdictions that require them. (This is a polite euphemism for the appointment of the state as agent for service, examiner, and collection agent in securities matters. It usually takes the form of a GPOA with prescribed content. Not all states require them – and some states include similar language in other documents.) 		
<i>File and Pay initial Franchise Tax and Estimated Income Tax</i>		
<p>Different states, different requirements; Ask someone who knows!</p> <ul style="list-style-type: none"> • Usually due 60-120 days after incorporation, qualification or issuance of shares. • Usually required in state of Formation and all states in which the entity qualifies. • CA Rule 1: 1st year corporation <u>franchise tax</u> is waived. (<u>Income tax</u>, if due, is not waived.) (Franchise Tax Waiver does not apply to LLCs.) • CA Rule 2: 1st year corporation return filing is waived if 1st year is less than 15 days long. • CA and Federal Estimated income tax is due on a fixed (not quite quarterly) schedule regardless of date of Formation. • Late file/late payment penalties apply in all jurisdictions. 		
<i>Register as an Employer in all jurisdictions in which you anticipate having employees within the next year</i>		
<p>Different states, different requirements; Ask someone who knows!</p> <ul style="list-style-type: none"> • Jurisdiction, and the obligation to withhold depends on the <u>employee’s or contractor’s nexus</u> – usually determined by where the employee or contractor works (renders services). Employee withholding may be required even though the company is not required to register and/or file state tax returns under a water’s edge, or similar, election, • CA requires form <u>DE-1</u> for commercial employers. (There are other forms for agricultural and seasonal employers – make sure you use the right one.) • Some states require separate registration for employer id and unemployment accounts. Almost all states have separate corporate and employer registration processes (The paperwork you file with SOS doesn’t usually 		

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<p>carry over to the employment department – and vice-versa.)</p> <ul style="list-style-type: none"> • Several states (Including CA) have ongoing “new employee, new independent contractor” filing requirements. Check in each state in which you will do business. • Employer registration is critical for pass-through entities subject to gross income based withholding at source e.g. a foreign (non-Georgian) production or loan-out-company operating in GA. Failure to register creates a Kafkaesque administrative nightmare! • Exercise extreme caution if some employees work outside your principle state of operations. Non-resident withholding requirements are common in these situations. (Failure to withhold often makes the tax your obligation instead of the payee’s!) 		
<i>Employee enrollment in your payroll system:</i>		
<p>Common Requirements:</p> <ul style="list-style-type: none"> • Recommendation: Distribute and collect employee applications and/or job descriptions at this time. • Obtain W4 or W9 information and I-9 (eligibility for employment) for each employee or contractor. (Some states have their own requirements in addition to Federal requirement). This requirement changed radically after the Tax Cuts and Jobs Act. – Read and follow the new requirements! • Enroll all eligible employees in pension and benefit plans (each plan has its own idiosyncratic requirements). • N.B. Some plans (e.g. SEP, SIMPLE, 401(k), or qualified plans) must be registered/established in order to qualify as “plans” – see previous notes. • Distribute employee handbooks and summary plan descriptions if applicable. • Record/document the employee’s worker’s compensation status. 		

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<ul style="list-style-type: none"> Obtain and post employee notices (a plethora of them in CA)... Several services provide a full set of these AND those same services will barrage you with quasi-fraudulent junk mail after your notice of Formation is filed. Consult DOL's and EDD's online "Poster Advisor" for required postings. Issue safety equipment, train in its use, and document for OSHA purposes before employees begin work. <p>IOHO: We recommend that you retain payroll processing services to handle most or all of the payroll tax process. Payroll, payroll tax withholding, remittances, reports, and replies to inquiries are among the most complicated procedural items you will encounter. Errors are extremely expensive – not only in terms of penalties or interest, but in terms of employee satisfaction and administrative effort. For the most part, one problem pays for your payroll service! Two observations:</p> <ul style="list-style-type: none"> We do not offer payroll services through our own proprietary platform. We use established payroll service vendors for all our clients. (We do offer "After the Fact" return filing services. We do not process our <u>own</u> payroll on an in-house proprietary platform. (Think about that!) 		
<p><i>Register trade names, DBA's and trademark important intellectual property as appropriate. File patent, trademark, and copyright assignments as appropriate.</i></p>		
<p>Talk to counsel about this. If necessary, retain specialized counsel.</p>		
<p><i>Register for business licenses, professional licenses, and tax accounts in all appropriate jurisdictions.</i></p>		
<p>See: Our previous note regarding advisability of beginning this process at an early stage in the entity formation process.</p> <p>Common Tax Registrations: Note: It is often (usually) beneficial to engage local specialists, or national firms with local expertise and offices to handle these compliance obligations on an on-going basis.</p> <ul style="list-style-type: none"> Local (City and County) Business and Income Tax 		

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<ul style="list-style-type: none"> ○ Often administered by an office similar to Los Angeles’ City Clerk. ○ If neglected, this gets ugly! Fast! ○ Tax base and rates vary from jurisdiction to jurisdiction. (e.g. Burbank uses a head count approach; Los Angeles supports a massive bureaucracy with the most complicated gross revenue tax you can imagine. Pasadena’s city tax is unintelligible to ordinary mortals.) ○ Most jurisdictions require registration if you have nexus within their boundaries. Some (L.A. City, for example) take a very broad view of nexus regarding revenue functions. (L.A. expects anyone who generates or collects revenue within city limits to register for their draconian city business tax and applies it to e.g. realtors who close property sales on property located within city limits, or any business that maintains a postal mail box within the city.) ○ Rigid, Stupid, Short-sighted, and Aggressive collection policies are the norm for these agencies. It’s an unbeatable combination if you like being infuriated by public officials on a regular basis. <ul style="list-style-type: none"> ● Property and Parcel Tax <ul style="list-style-type: none"> ○ Two common variations; <ul style="list-style-type: none"> ▪ Real Property Tax on Land, Buildings, and Appurtenances owned and/or, Long Term leased, within the jurisdiction; ▪ Business Personalty Tax on Owned and/or, Long Term Leased, Business Personalty within the jurisdiction. ○ Rates and Rules vary (radically) between jurisdictions. ○ Exemptions and exceptions (e.g. parcel tax exemptions) are inconsistent between jurisdictions, even within the same state. ○ In CA, this function is administered by the County Assessor’s office for the county in which the property is located. (It is possible for mobile property, e.g. a helicopter, to be “located” in more than one jurisdiction. Sometimes an advantage, sometimes a disadvantage.) ● Sales Tax <ul style="list-style-type: none"> ○ Almost every state imposes a sales tax on “retail” sales of “tangible personalty” sold within the state. Definitions of the quotation marked terms vary from state to state. (Almost all states redefine the terms “retail,” “tangible,” and/or “personalty” to include things that are not usually considered to be such under common law principles.) ○ Almost all states exempt “life necessities” from sales tax. (Sales taxes are inherently regressive – the exemption mitigates some of that unfairness.) 		

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<ul style="list-style-type: none"> ○ Some states impose sales tax on professional services as well as tangible personalty. ○ Rates and rules differ from one state to another (and often from one sub-jurisdiction to another). ○ There are numerous sub-jurisdictions within every state. <u>Usually</u>, “Rules” are similar state-wide, but “Rates” differ between the sub-jurisdictions. ○ In CA: this function is administered by the California Department of Tax and Fee Administration (Formerly, the State Board of Equalization) <ul style="list-style-type: none"> ▪ Review the CDTFA application before you apply for an account. It requests information you usually don’t have at your fingertips. ▪ CDTFA may require a non-refundable deposit or bond before it opens an account. ● Federal, state, and local excise taxes, inspection permits, and assorted other things: <ul style="list-style-type: none"> ○ Examples: gasoline taxes (or exemptions from them), alcohol taxes, import duties, export duties, public health and safety permit fees, housing unit taxes, auto and aircraft registrations, EPA monitoring and disposal fees, you name it... ○ These are business-specific. Find out what applies to your business and register accordingly. ○ Many of these have companion provisions that require equipment and structures to conform to specific architectural, “impact,” and engineering standards. Don’t buy, build, or lease (buildings or equipment) until you know which rules apply – and that your structure observes them. ○ Jurisdiction and administration is distributed across the landscape and sometimes (OK, almost always) overlaps. Which jurisdiction has authority depends on the location and mutual agreements between agencies. Sometimes – it’s hard to tell who is in charge. Professional Registrations and Regulated Activities <ul style="list-style-type: none"> ● Professional registration is often required at both the company level and for individuals/employees who engage in professional activities within the company. (e.g. Realtors and securities/investment practices) ● Corollary: Do not allow any employee or contractor to perform regulated services unless they are properly registered. It is just too much hassle! 		

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<ul style="list-style-type: none"> Each registration process is idiosyncratic – Check with counsel to see which registrations are appropriate and what procedures to follow. 		
<i>Design Considerations for Accounting Systems</i>		
<ul style="list-style-type: none"> Do not try to track project or jurisdictional costs in the general ledger – use job or class designations or maintain sub-ledgers instead. (The general ledger is meant to summarize – if you track jurisdictional or project costs in the GL, the GL quickly becomes unmanageable.) Quick-Books On-Line (QBO) has at least three ways to effectuate this recommendation. More sophisticated accounting programs may have even more. 		