CORPORATIONS

Corporations are very flexible business organizations and it is consequently very difficult to make general statements true of all corporations. For convenience we will take a single type of corporation form, the closely held stock corporation with only one class of stock, the type most commonly used in family owned businesses.

Some Advantages	Some Disadvantages
Ownership may be divided among many people in varying amounts.	Persons owning small amounts of ownership may interfere by legal right in your management.
Each family member has his own separate share which he may dispose as he wishes.	A family member's share may pass to a stranger who can disrupt your management and there are taxes on each member's share of ownership. A creditor may seize his shares to satisfy his debts.
The person who creates a business may see his estate grow in size as the value of the business increases.	When the creator dies the value of the business imposes a huge estate tax liability which may force the family to sell control of the business.
Undistributed corporate earnings are not taxed to the individual owner	The corporation pays a tax on its earnings and the share holder must pay another tax on his receipt of the dividend. Should the corporation accumulate earnings the government may claim that it is being used to avoid tax on its shareholders and be subject to a surtax..
A corporation has limited liability and may operate under its corporate name.	Should it neglect to maintain its corporate agent, it might be subject to a default judgment on the basis of a process served on the Secretary of State about which it has never heard.
The corporation may have perpetual existence	Whenever any share holder dies his part of the corporation is taxed and subject to probate.
Outsiders may be kept out through requirement of first refusal on all stock to the corporation or other stockholders.	Should a stockholder die or his stock be seized by a creditor, the corporation would have to find a large sum of money on short notice.