Even For The Smallest Of Businesses, Incorporating Has Big Advantages

(NAPSA)—Congratulations! You've started a small business. If you're among the 26 million small-business owners in the U.S., you know that there's little time to celebrate your accomplishment. As your business grows, you'll face new challenges that come with success.

One you may not have already considered is how to best protect your personal and business assets as your business grows.

Personal liability

The primary reason many small-business owners form corporations is to protect their personal assets. Without setting up a legal entity for your business, such as a corporation or LLC, your personal liability for business debt is unlimited. This means that should your business experience severe financial difficulties, creditors can take away your personal property such as your home, retirement savings or any other asset you or your spouse owns.

"One of the biggest fears for small-business owners is the potential financial risk to their personal assets," said Deborah Sweeney, Esq. and spokesperson for Intuit's MyCorporation.com. "By forming a corporation or LLC, even the smallest of business owners can protect their business and themselves personally from potentially devastating liability situations."

Tax savings

Each year, more than 2 million small-business owners form a corporation or an LLC. In addition to liability protection, incorporating may also allow you to save significantly on your taxes.

If you are operating as a sole proprietor, you will be required to pay self-employment tax on your profit, currently at 15.3 percent. If you set up a corporation for your business, only the salary you pay yourself is subject to self-employment tax. With an S-Corporation, the remainder of the profit is not subject to self-employment tax, saving you money. Another tax benefit of forming a corporation is that select medical and child care costs may be deductible, which cannot be deducted as a sole proprietor.

Forming a corporation can limit your liability for any debt that your small business may incur.

While not everyone who incorporates qualifies for a tax savings, a new free online calculator found at www.mycorporation.com/calculator can help you determine if your small business may get tax benefits from incorporating.

Reduced audit risk

Another incentive to incorporating is a reduced chance of IRS audit. Consider this: In tax year 2005, a Schedule C filer stood a one in 33 chance of being audited. For S-Corporations (or LLCs filing as partnerships), the odds were around 1 in 300.

This means that you are almost 10 times more likely to be audited if you are a sole proprietor.

For more detailed information on incorporation, LLC formation, copyrights, trademarks and other related services, visit www.MyCorporation.com.