

WHAT ARE THE ADVANTAGES AND DISADVANTAGES OF INCORPORATION?

ADVANTAGES	DISADVANTAGES
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A corporation is treated by law as an individual rather than a group of individuals.

Increased protection from individual liability for the group's debts, negligence, etc. (Board members and officers are generally not going to be found liable for the organization's legal problems.)

Will more easily qualify for corporate tax-exempt status (federal and state). Will automatically qualify for state sales tax exemption (if federal charitable exemption is granted).

Organization more likely to qualify for grants and other contributions.

Property can be acquired in the corporation's name, not the individuals involved.

A corporation can enter into contracts and leases, hire employees and borrow money in the corporation's name.

A corporation may appear more organized or united, and have more credibility in some circumstances.

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Increased government regulations, reporting and scrutiny.

A lot more paperwork.

More formal procedures required.

It costs money:

\$ 87.50 - Incorporation (Florida)

\$ 850 - Internal Revenue Service (tax-exempt status)

\$61.25 - annual corporate renewal

\$10 to \$400 annual registration fee, Charitable Solicitations, State of Florida

Purchase of insurance coverage **as needed**
Directors' and Officers' Liability
General Liability
Non-owned Auto Liability (volunteers and staff)
Worker's Compensation

For more information:

IRS Publication 557
www.irs.gov (Charitable organizations)
1-877-829-5500

Division of Corporations (Dept. of State)
www.sunbiz.org 1-850-488-9000
NOTE: Do NOT use the Articles form!

Online Tutorial - *"Establishing a Nonprofit Organization"* www.fdncenter.org . Click on "Learning Lab" , then Virtual Classroom