

## HOW TO FORM A NEW CORPORATION

There are several documents which need to be prepared in order to start a corporation in Maine. The two most important are:

- the Articles of Incorporation
- the Bylaws

The Articles of Incorporation are filed at the Secretary of State's Office in Augusta and the filing fee is \$145. The Articles contain the name that you have chosen to use for the corporation, the signature of the initial incorporator, and the amount of shares of stock which will be authorized to be issued.

The Bylaws act as a roadmap of how the corporation is to be operated. They address such matters as the time and place for annual and special meetings, the location of the principal office of the corporation, the various responsibilities for officers, how stock transfers occur, etc.

A corporation can be owned and run by a group of people or by just one person. That person can be the sole shareholder, director and all of the officers. I act as Clerk when I set up a new corporation. The Clerk has to maintain a location where a corporation can be served with papers in the event that someone wants to sue the corporation. The Clerk also must maintain a list of all shareholders, keep the corporate seal and corporate records and also prepare the documents which are necessary for the annual meeting.

An annual report for every corporation in Maine must be filed with the Secretary of State's office by June 1<sup>st</sup> of each year. I normally set up corporations so that their annual meeting is held in early March and this allows me to get the annual documents to you well in advance of the June 1<sup>st</sup> filing deadline. The fee which is currently charged by the State of Maine for filing the annual report is \$85.

It is important to realize that a corporation can go on indefinitely as long as the necessary formalities are observed and the proper documents are prepared each year. All corporate finances must be kept totally segregated from your personal finances. Some people are told by their accountants to form a "Sub-chapter S" corporation. Sub-chapter S is a part of the Internal Revenue Code which allows a corporation to be operated without paying any corporate income tax. This means that if you are the shareholder in a Sub-chapter S corporation, then any corporate income will be taxed to you as regular income and you will not have to pay a corporate income tax on those funds.

I can easily provide you with more detailed information about corporations and also about the rights and responsibilities of shareholders, directors and officers. Please feel free to give us a call at (207) 846-6111 or send an email to the address above if you have additional questions.