

Starting a Business in DC:

What Type of Business is Right for You?

The C-Corporation (C-Corp)

One of the most important decisions for a businessman or businesswoman is determining the form of business organization to use for his or her enterprise. There are several forms of business organization that are available to you. This information sheet discusses the benefits and disadvantages of a C-Corporation (C-Corp). This information sheet reflects changes in the DC Code that went into effect on January 1, 2012.

- **What is a C-Corp?**

C-Corps, like all corporations, are organizations in which shareholders own a share (a percentage) of the organization. These shareholders elect directors to manage the overall operation of the corporation and the directors appoint officers to direct the day-to-day operation of the business. Once formed, C-Corps are separate legal entities, distinct from the shareholders, managers and officers.

- **How are C-Corps operated?**

Corporations issue shares of stock and sell them to generate capital. C-Corps may vary the rights associated with shares by creating classes with different voting or economic rights. These individual shares represent an ownership interest in the corporation. Upon purchase of shares of a class of stock, the shareholder becomes an "owner" of the corporation and gains voting rights and the right to a share of dividends, profits the corporation pays to its shareholders. The shareholders elect the corporation's directors, who have a fiduciary duty to the shareholders to direct the management of the company.

DC requires corporations to have at least one director, and corporations usually have multiple directors. The directors, in accordance with the bylaws, appoint officers who manage the corporation's daily operations. The DC Code does not require specific amount or titles of officers. However, a C-Corp must have one officer who is responsible for preparing meeting minutes and for maintaining corporate records. This officer is generally called the Secretary.

- **What are the advantages of a C-Corp?**

- *Limited Liability*

C-Corps offer limited liability to their shareholders. While partners in a partnership can be personally liable for the debts of the partnership, C-Corp shareholders are liable for only the amount that they have invested in the corporation. This means that their personal assets, such as a home and personal accounts, generally do not have to be used to pay off the liabilities incurred by the C-Corp. Additionally, C-Corps may adopt governing documents that partially limit the liability of their directors.

- *Public Offering*

C-Corps can raise additional capital by going public. This means that the corporation can offer additional shares for sale in an attempt to raise money for the business.

- **What are the disadvantages of a C-Corp?**

C-Corps and their shareholders are subject to "double taxation." A corporation pays tax on the income from its business operations. Any remaining income is distributed to the shareholders, the shareholders also have to pay tax on the income they received from their investment in the corporation.

Another disadvantage is a relative lack of flexibility in the management of the C-Corp due to the corporate structure. C-Corps are required to comply with many rules and formalities imposed as requirements or defaults by the DC Code; however, C-Corps can alter default rules through a shareholder agreement. In any case, establishing a corporate structure can be costly and time-consuming. For example, C-Corps must hold annual meetings of their shareholders and must have a board of directors in addition to officers.

- **How do I form a C-Corp?**

- *Registration of the C-Corp*

DC requires C-Corps to register with the Department of Consumer and Regulatory Affairs ("DCRA"), which is done by filing "Articles of Incorporation." Registration costs a minimum of \$220 and can increase depending on the amount of stock the corporation issues. C-Corps are required to file articles of incorporation including the name of the entity, the number of authorized shares, the registered agent and the name and address of each incorporator.

Form DBU-1, an instruction sheet and Articles of Incorporation sample sheet, is available to [download](#) and can also be completed online at <https://corponline.dcrd.dc.gov>.

Corporations are required to have either "Corporation," "Company," "Incorporated," "Limited" or an abbreviation of these words in its name. Also, corporations are not allowed the same or a deceptively similar name as another corporation. A business name can be registered or reserved online at <https://corponline.dcrd.dc.gov> or by [downloading Form GN-3](#). Businesses may also operate under a registered trade name that differs from the C-Corp's legal name. This can be completed online at <https://corponline.dcrd.dc.gov> or by mail by [downloading Form TN-1-4](#).

- *Registration of an Agent*

C-Corps must register a "registered agent" within DC. The registered agent receives official notices from the government for you. It can be either an individual or a business entity, provided that the registered agent has a street address in DC that is not a post office box. The agent need not be someone who

is a part of the business; for a small fee, third-party services will act as a registered agent. Please refer to <https://dcra.dc.gov/service/corporate-registration-registered-agent> for more information.

To change a previously designated registered agent, complete the form online at <https://corponline.dcra.dc.gov> or by mail by [downloading form RA-1-7](#).

- *Drafting the Bylaws*

The bylaws generally address such issues as: the types of stock to be issued, the corporation's system for electing directors, the place and organization of the corporation's annual shareholder meeting, the length of directors' terms, the number of corporate officers, and how they are to be selected.

- **What additional requirements govern C-Corps?**

C-Corps must file a two-year report with DCRA that provides basic information about the corporation, such as: a list of its directors, a description of its business, and the number of shares of stock it has issued. The filing fee is \$300. Form BRA-25 is available to [download](#) or can be completed online at <https://corponline.dcra.dc.gov>.

C-Corps are also required to hold shareholder meetings each year. Each shareholder must be notified of the meeting place and time. At the meeting, the shareholders elect the corporation's director(s). The company's business and status are usually discussed. In-person attendance at these meetings is not required as shareholders are permitted to vote by proxy.

In addition, C-Corps are required to keep and make available accurate accounting books, pertinent business records and the minutes of its meetings.

- **What other licenses and certificates must I obtain?**

DC requires many types of businesses to obtain specific licenses and permits. Even if a specific license is not required, a general basic business license often is. A list of business activities having special license and permit requirements and information about the general basic business license can be found at:

<https://dcra.dc.gov/node/514522>

After determining your business' location, you will need to obtain either a Certificate of Occupancy (running the business from an office or storefront) or a Home Occupation Permit (running the business from your home). Generally, if you are leasing space and the owner of the building has a Certificate of Occupancy that covers your type of business, then you do not need to apply. Applications for these permits must be submitted in person at the DCRA Permit Center, and can be downloaded from:

<https://eservices.dcra.dc.gov/DocumentManagementSystem/Home/retrieve?id=Certificate%20of%20Occupancy%20Application.pdf> (Certificate of Occupancy)

<https://eservices.dcra.dc.gov/DocumentManagementSystem/Home/retrieve?id=Home%20Occupancy%20Permit%20Application.pdf> (Home Occupation Permit)

- **What tax-related requirements should I know about?**

C-Corps must obtain a Federal Employment Identification Number (FEIN) for tax filing and reporting purposes. The FEIN Form SS-4 can be found at:

<http://www.irs.gov/pub/irs-pdf/fss4.pdf>

Organizations can also apply for a FEIN online at: <https://sa.www4.irs.gov/modiein/individual/index.jsp>

DC businesses must also complete the Combined Business Tax Registration, Form FR-500. For FR-500 requirements and online registration information, visit:

<https://otr.cfo.dc.gov/page/new-business-registration>

For federal tax purposes, C-Corps file their income tax on IRS Form 1120. If the C-Corp has employees, they are subject to federal withholding tax and the C-Corp needs to submit W-2 and W-3 forms to the IRS. In addition, a C-Corp with employees needs to file a Form 941 every quarter and Form 940 annually. These forms are available at:

<https://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Small-Business-Forms-and-Publications>

- **Where can I find more information?**

For general DC business information visit the DC Department of Consumer and Regulatory Affairs website at <http://www.dcra.dc.gov> or call at (202) 442-4400.

For DCRA documents and forms, visit:

<https://eservices.dcra.dc.gov/DocumentManagementSystem>

For additional information on starting and maintaining a business, visit <https://business.dc.gov>

For an overview of federal tax information, visit the IRS website at: <http://www.irs.gov>

For more information about small businesses, you can visit the Small Business Administration website at:

<http://www.SBA.gov>

For the DC Business Corporation Act of 2010 (DC Code, Title 29, Chapter 3), visit:

<https://code.dccouncil.us/dc/council/code/titles/29/chapters/3>

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