

A blue-tinted background image showing two business people shaking hands over a laptop. The image is semi-transparent, allowing the text to be clearly visible.

How to Proactively Manage Corporate Entity Compliance





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Nellie Akalp is an entrepreneur, business expert, professional speaker, published author, and mother to four amazing kids. Nellie has dedicated her entrepreneurial career to helping other entrepreneurs and business professionals succeed at business ownership.

As CEO and Co-Founder of CorpNet.com, she has helped more than half a million small businesses and licensed professionals get their businesses and clients off the ground. She has developed a strong following within the small business community and has been honored as a Small Business Influencer Champion and was named women entrepreneur of the year by NAWBO.



What is Corporate Entity Compliance?

Corporate Entity Compliance

Corporate entity compliance is **maintaining the good standing** of a corporation or LLC **within any state** that the corporation or LLC has been established or been given permission to do business.

Maintaining a corporation or LLC is an **ongoing process** that needs attention every year.

External and **internal** entity compliance requirements must be met.

A hand holding a pen writing on a check, with a calculator and glasses visible in the background. The image is overlaid with a semi-transparent blue filter.

Which Types of Entities Need to Stay Compliant

Entities That Need to Stay Compliant

Corporations and **LLCs** must monitor their compliance needs on a yearly basis.

Typically Sole Proprietorships/Partnerships are **not** as involved.

A woman with long dark hair, wearing a black top with white polka dots, is smiling and leaning on a desk. She is surrounded by office supplies, including two large white binders, a computer monitor, a keyboard, and various papers. The background is a blurred office setting. The entire image has a blue tint.

Choosing a State

Compliance Regulations Vary Per State

For companies that operate across many states, or are expanding into new states, there are many variables to consider when selecting in which state to incorporate. Initial and annual registration and other compliance needs vary per state. Things to consider:

- Formation fees
- Annual fees and filings
- Franchise taxes
- Legal and court system
- Investors
- State corporate tax

A blue-tinted background image showing a business meeting. Several people in business attire are gathered around a table. One person is writing on a document with a pen, while others are looking at papers or a laptop. The scene is dimly lit, with a window in the background.

Importance of Staying Compliant

Consequences of Non-Compliance

“What happens if I fail to meet requirements or don’t meet them on time?”

- Risk piercing the corporate veil
- State could impose late fees and levy interest on payments that are owed
- Poorly affect financing and business transactions
- Delay business expansion into other states
- State could dissolve LLC or Corporation

A photograph of a woman in a business suit smiling and looking at a man in a suit who is partially visible on the left. They are sitting at a table with a laptop and papers. The image has a blue overlay.

How to Stay Compliant

Internal Compliance

Internal requirements are actions that must be taken by directors and shareholders or members and managers. Internal records must be documented as part of company records and may be necessary when selling the company or in the event of a lawsuit.

- Bylaws
- Annual Meeting Minutes
- Operating Agreement

External Compliance

External requirements are imposed by the state in which a business is incorporated and any state where it is registered to transact business.

- Initial/Annual Report
- Articles of Amendment
- Registered Agent
- DBA
- EIN
- Franchise Tax
- Foreign Qualification
- Licenses and Permits
- Articles of Dissolution



Internal Compliance Requirements

Bylaws

For corporations of any size, bylaws tell how that company will govern itself. Consider them your **company's rules**. They may include:

- The number of directors that will sit on the board
- Range and power of the directors
- Date, time and location for annual meetings of the board
- How the directors are elected or removed
- How corporate officers are appointed
- Officers duties and powers
- Date time and location of annual shareholders meetings
- Voting rules for both directors and shareholders

In most states, you are required to submit your bylaws when you first apply as a corporation.

Operating Agreement

To make sure all members of an LLC **understand** roles and responsibilities, an operating agreement should be created. Most states don't require this filing.

It is useful to have intact to provide evidence that personal and business affairs are **separate** and can help **avoid misunderstandings** and arguments, between business partners.

An Operating Agreement should include the following:

- Percentage of ownership/Distribution of profits
- LLC's management structure/members roles and responsibilities
- How decisions will be made
- Member exit details
- Business dissolution

Meeting Minutes

All corporations in the United States must hold an annual meeting. That meeting could also be called an **annual shareholder meeting**, **annual stockholder meeting** and/or an **annual general meeting**.

Most corporations hold that meeting soon after the company's **fiscal year** has ended. During the meeting, the company's corporate secretary takes **detailed notes** including:

- Date, time, and location
- Who attended and who was absent
- Agenda items with a brief description of each
- Details about what was discussed
- Results of any voting actions taken
- Time when meeting was adjourned

“What do I do with the Bylaws, Corporate Annual Meeting Minutes, and Operating Agreement?”

- After all documents have been executed and approved by shareholders, a business should keep the original executed copy in a safe place along with other corporate records.
- A business should keep these records for at least seven years, and make them available to members of the corporation.
- There is no requirement to file bylaws, annual meeting minutes, or operating agreement with the state or other government agency.
- There is no requirement to have documents notarized



External Compliance Requirements

Initial/Annual Report - Statement of Information

Generally, **all corporations and LLCs** in the United States need to file an annual report with the state so they can keep up with a company's vital information.

- The annual report will generally ask you for basic contact and operational information. The specific details will vary by state and business type.
- All states except Ohio and Alabama require some kind of annual report.
- Specific due dates vary from state to state.
- In some states, LLCs and Corporations are also required to file an initial report shortly after the LLC/Corporation is formed.

Maintain a Registered Agent

Sometimes referred to as a “resident agent” or an “agent for service of process,” a registered agent is a person or company **officially recognized by the state** where one has incorporated or registered as an LLC to **accept service of process** on behalf of the business.

- By law, a business needs to have a registered agent as soon as one forms an LLC or incorporates
- Requirements vary from state to state, but typically a registered agent must be a natural person resident of the state or an entity having a business office and authorization to do business in the state
- P.O Box or other mail service cannot be used
- Registered agent is needed in any state that a business operates in

Articles of Amendment

If a change was made to a corporation or LLC the state should be notified with a filing called **Articles of Amendment, Certificate of Amendment or Certificate of Change.**

Company updates to report can include:

- Change of address
- Change of company name
- Change of contact information
- Change of Registered Agent
- Authorization of more shares
- Absence of board member or director
- Business activities of the company

DBA (Doing Business As) Filing

The DBA, also called a Fictitious Business Name or Assumed Business Name, lets the public know who the **real owner** of a business is.

- If you or your client is operating your business as a sole proprietor, then you'll need to file for a DBA if your business has a different name than your own name.
- If you or your client plans on conducting business using a name that's different than the name filed with your LLC/corporation paperwork, a DBA will need to be filed.
- A DBA will allow one to operate multiple businesses without having to form a separate LLC or corporation for each business.
- The rules, requirements, forms and fees associated with filing a DBA are different in each state and county.

Foreign Qualification

To legally conduct business in a state **besides** the state where the LLC or Corporation was initially formed, one needs to foreign qualify within the state that business is intended in.

Examples when a foreign qualification is needed:

- If you have a physical presence in the state, office space or retail store
- If you apply for a business license in the state
- If you often conduct face-to-face meetings with clients in the state
- If a substantial amount of company revenue comes from the state
- If employees are working in the state and you are paying state payroll taxes

EIN and Franchise Taxes

An EIN, **Employer Identification Number**, also known as a **federal tax ID number**, is a way for the IRS to **identify** a business and **track** its transactions.

If a company is a corporation or LLC, an EIN is **mandatory**.

If a company has no employees and operates as a sole proprietorship or partnership, an EIN is ideal to use instead of a personal **social security number**.

A franchise tax is when the state charges one for the **privilege of running a business** in that state.

Each state has a **different fee structure**. California has a flat minimum rate plus a percentage of net income. Others have just a flat rate or percentage. Nevada has no charge.

Franchise tax has **nothing to do with** a franchised business.

Business Licenses and Permits

A business license gives one the **right to operate** a business.

Depending on the type and location of the business, one may need to get business licenses and permits from the **state, county, or town**. These can include:

- Local business licenses or tax permits
- Building permit
- Zoning permit
- Health permit
- Home occupational permit
- Signage permit
- Fire permit
- Alarm permit

Articles of Dissolution

If a business operates as an LLC or Corporation and is **inactive**, it's important to **formally dissolve** the legal entity. If the company is not formally dissolved, the owners will still be responsible for compliance filings even if the business is inactive.

To formally dissolve an entity, the following needs to happen:

- If the business is a corporation, all business associates need to vote on closing the business. Record the final vote in annual meeting minutes.
- If the business is an LLC, specific rules vary by state - review dissolution requirements in the state's Limited Liability Company Act.
- After the final vote, file the "Articles of Dissolution" or "Certificate of Termination" with the Secretary of State's office wherever the LLC or corporation was established.

A woman with long dark hair, wearing a black top with white polka dots, is smiling and leaning on a desk. She is holding a large white binder. On the desk, there is a computer monitor, a keyboard, and some papers. The background is a blurred office setting. The entire image has a blue tint.

State-Specific Compliance Requirements

	Initial Report - LLC	Annual Report - LLC
Alaska	120 Days After	Biennial on Anniversary
Arkansas		1 - May
California	90 Days After	Biennial on Anniversary
Colorado		End of 2nd Month
Connecticut		End of Anniversary Month
D.C.		First Year Annual April 1
Delaware		1 - June
Florida		1 - May
Georgia		1 - April
Hawaii		Anniversary Quarter
Idaho		Anniversary
Illinois		Month Previous to Anniversary
Indiana		Anniversary Month
Iowa		Biennial in Odd Numbered Years
Kansas		3.5 Months After Fiscal Year-End
Kentucky		30 - June
Louisiana		Annual on Anniversary
Maine	<small>*Information Subject to Change*</small>	1 - June

	Initial Report - LLC	Annual Report - LLC
Montana		15 - April
Nebraska		Biennial in Odd-Numbered Years
Nevada	30 Days After	Annual on Anniversary
New Hampshire		1 - April
New Jersey		Annual on Anniversary
New York		Biennial on Anniversary
North Carolina		1 - April
North Dakota		15 - November
Oklahoma		1 - July
Oregon		Annual on Anniversary
Rhode Island		1 - November
South Dakota		Anniversary Date
Tennessee		First Day of the 4th Month
Texas		15 - May
Utah		Anniversary Date
Vermont		1.5 Months after Fiscal Year-End
Virginia		Anniversary Month End
Washington	<small>*Information Subject to Change*</small>	Anniversary Month End

	Initial Report - Corporation	Annual Report - Corporation
Alaska		Biennial on Anniversary
Arkansas		1 - May
California	90 Days After	Annual on Anniversary
Colorado		End of 2nd Month
Connecticut		End of Anniversary Month
D.C.		First Year Annual April 1
Delaware		1 - March
Florida		1 - May
Georgia	90 Days After	1 - April
Hawaii		Anniversary Quarter
Idaho		Anniversary
Illinois		Month Previous to Anniversary
Indiana		Anniversary Month
Iowa		Biennial in Even Numbered Years
Kansas		3.5 Months After Fiscal Year-End
Kentucky		30 - June
Louisiana		Annual on Anniversary
Maine	*Information Subject to Change*	1 - June

	Initial Report - Corporation	Annual Report - Corporation
Montana		15 - April
Nebraska		Biennial in Even-Numbered Years
Nevada	30 Days After	Annual on Anniversary
New Hampshire		1 - April
New Jersey		Annual on Anniversary
New Mexico		Biennial 3.5 Months After Fiscal Year-End
New York		Biennial on Anniversary
North Carolina		1 - April
North Dakota		1 - August
Oregon		Annual on Anniversary
Rhode Island		1 - March
South Dakota		Anniversary Date
Tennessee		First Day of the 4th Month
Texas		15 - May
Utah		Anniversary Date
Vermont		2.5 Months After Fiscal Year-End
Virginia		Anniversary Month End
Washington		Anniversary Month End

Information Subject to Change

Other State-Specific Compliance Requirements

- Nevada - Mandatory business license registration
- New Jersey - NJ-REG filing
- Washington - WAMBA filing

A woman with long dark hair and glasses is shrugging her shoulders, looking directly at the camera with a neutral expression. The background is a solid teal color with numerous white question marks scattered throughout. The text "Common Questions" is centered over the woman's chest in a white, bold, sans-serif font.

Common Questions

“What if my clients’ corporation or LLC falls into bad standing?”

Should a corporation or LLC **fail to meet compliance requirements** at any point and fall in bad standing, there are ways to get back in **good standing**.

Specific vary per state, but generally steps include:

- Contact Secretary of State office to identify why the company fell out of compliance
- File reinstatement forms on behalf of corporation or LLC to the Secretary of State Office
- Pay all outstanding fees due to the state

“How can I track all of my clients’ entity compliance needs?”

Managing legal entity compliance needs requires attention to detail and constant monitoring and updating.

Every practice has their own way of tracking what is due when. A few ideas include:

- Organize, update and track clients compliance needs in spreadsheets
- Utilize Google documents or other collaboration platforms so your integral team has access to documents when they need it
- CorpNet Business Information Zone

A person is writing on a check with a pen. The check has the words "PAY TO THE ORDER OF" and "MEMO" visible. A calculator and a pair of glasses are also visible in the background. The entire image has a blue tint.

Helpful Resources

Our Tools Are Your Resources

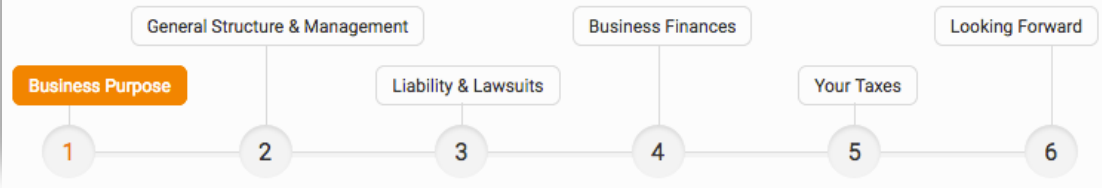


B.I.Z. Registration

Our platform stays on top of compliance tasks and filing dates so you can run your business.

Business Structure Wizard

Find the Best Business Structure for Your Company



Meeting Minutes Templates



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