15 Questions Classwork

Jaxon, Pierre, Jack, Faris, ***Ivan***, Zahir, Adam

Question 1 - Jaxon

What is the organization in Virginia through which businesses are registered?

Businesses are registered at the Commissioners of the Revenue Virginia Association

Question 2 - *Ivan*

The 6 main types of businesses that can be formed are sole proprietorship, partnership, limited liability company (LLC), corporation, nonprofit organization, and cooperative (Co-op).

Question 3

Business Structure	State Entity Registration Required?	Local tax/ Name Registration
Sole Proprietorship (operating under your legal name	No	Often requires a local city/county business license and tax certificate; EIN if hiring employees.
General Partnership	No	Usually requires a local business license, partnership EIN, and DBA/fictitious name filing if using a trade name.
LLC (Limited Liability Company)	Yes	Requires state/federal tax IDs (EIN), local business licenses, and registered agent appointment.
Corporation (C-Corp / S-Corp)	Yes	Requires EIN, corporate bylaws, board minutes, state tax registration, and local operating permits.

Question 4 - Jack

A PLLC or PC is a business structure for licensed professionals, such as doctors, lawyers, and accountants. Virginia classifies them separately because they must follow special licensing and professional regulations.

Question 5 - Jack

Entity	Form	Fee
LLC	LLC1011	$100
Professional LLC	LLC1103	$100
Stock Corporation	SCC619	Varies
Professional Corporation	SCC544	Varies
Nonstock Corporation	SCC819	$75
Limited Partnership	LPA73.11	$100

Question 6 Zahir

6. How does a Foreign entity register to do business in Virginia? What's the difference between forming a new Virginia entity and registering an out-of-state entity?

:To register for a foreign business entity to do business in Virginia, you must get a certificate of Authority or registration from the SCC before doing business in Virginia.

Question 7 - Pierre

For each entity type, who is personally liable for business debts?

In sole proprietorships the owner is the one liable for all debts. In partnerships all partners are liable for the debts. In limited liability companies, the company itself is liable for the debt. In corporations, similar to LLCs, the company itself is liable for the debt and it is taken out of company funds.

Question 8 Faris

The fundamental trade-off in a Limited Partnership (LP) is control in exchange for liability: the General Partner (GP) exercises full management control but assumes unlimited personal liability, whereas Limited Partners (LPs) act as passive investors with no managerial control in exchange for limited liability (capped at their financial investment)

Question 9 - Pierre

What is the default tax classification for a single-member LLC versus a multi-member LLC?

The default tax classification for a single member LLC is a sole proprietorship classification. However, if it is a multi-member LLC, then it is a Partnership tax classification.

Question 10- *Ivan* and Zahir

Pass-through taxation and C-corporation double taxation differ fundamentally in how many times business income is taxed and at what level, and the tax rate.

Two layers of tax: A C-Corporation is subject to a corporate income tax on it’s own profits.

Shareholder tax: When a Corporation shares the remaining profits to shareholders as dividends the shareholders must pay a personal income tax.

Tax Rates**:** Dividends are typically taxed at qualified dividend rates of up to 20%.

Question 11 -Pierre, Jaxon

What is the Elective Pass-Through Entity Tax (PTET) recently made permanent in Virginia, and why might an LLC or Partnership choose to pay it?

The electing PTEs are taxed at 5.75%. Whereas LLC and Partnerships are usually taxed at about 21-30%.

Question 12 Zahir

What ongoing annual reports or fees does the SCC require to keep an entity in **good standing**?It really depends on the business.

It really depends on the type of business.

- LLC it’s a $50.00 registration fee and you don’t need a report.
- Corporations(Including stock and nonstock) is a $100-$1,700 for stock and $25.00 for a nonstock annual registration fee.
- LLP is a $50.00 fee.

Question 13- *Ivan*

..A Delaware C-Corporation is the best fit for a startup that plans to seek venture capital and eventually go public because it has preferred stock & multiple classes of equity, investor & tax preferences, and employee stock options.

Question 14 - Jack & Faris

For a solo consultant prioritizing minimal paperwork and maximum flexibility, a Single-Member Limited Liability Company (LLC) is almost always the best entity structure

Question 15 - Jaxon

Under what circumstances might a business choose to convert from an LLC to a Corporation later?

An LLC will switch to a Corporation once they reach the state where they require institutional backing, formal equity institution, or specific taxations.

THE END

Thanks for listening