

B Corporations Document Checklist

The business entity information on the Business Knowledge Center website is intended to provide you with background organizational information on the structure of various business entity types. To ensure legal and accounting compliance, you should review and verify your specific organizational documentation with your lawyer and your accountant.

One of the Entity Structure choices you may choose for your business is a B Corporation. The B stands for Benefit and you can currently form a B Corporation in the following States and the District of Columbia:

Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Hawaii, Idaho, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Minnesota, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New York, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Vermont, Virginia, Washington, Washington, DC, West Virginia, and Wisconsin.

B Corporations were first started in 2006. In the State of Maryland. There are now over 2,000 B Corporations nationally. The operating objective of a B Corporation is to make a materially positive impact on society. They utilize their Articles of Incorporation to commit to a general public benefit purpose. They are designed to pursue a social or environmental purpose while continuing to earn a profit. They must operate with a very high degree of public transparency and be capable of verifying how their operating performance has impacted their social and/or environmental objectives.

Creating a B Corporation requires the submittal of a series of documents to the Secretary of State's office in one of the States listed above. The State will charge a filing fee for processing the incorporation application and reviewing the required organizational documents. Filing fees will vary by State and will typically fall in the \$150.00 - \$500.00 range.

When you set up a B Corporation, you create a separate legal person in the eyes of the law. The B Corporation will have a birth certificate in the form of a Certificate of Incorporation. It will have its own Federal Tax Identification Number. A B Corporation will file a Corporation Federal Tax Return – 1120 and will pay federal income taxes on their taxable income.

They can also elect to be treated for tax purposes as a partnership and file an S Corporation Federal Tax Return – 1120-S. The income tax payment responsibilities are passed through to the Shareholders based on their ownership interests in the business and any related Shareholder Agreements that determine how income tax payment responsibility will be allocated.

Common reasons why business owners choose a B Corporation Entity Structure:

Limited Business Liability – B Corporation Shareholders do not have personal liability exposure for business entity liabilities. Shareholders are personally liable for what they have invested in the entity plus anything in addition they have intentionally obligated themselves for or have at risk. This includes any business-related obligation(s) they have personally guaranteed like a loan from a financial institution or a lease from a property owner.

Unlimited Business Life – B Corporations have unlimited business life. If the business shareholder/owner(s) becomes sick, disabled or dies, the Corporation does not cease to exist.

Unlimited Number of Business Owners – B Corporations can have an unlimited number of owners. Owners are called Shareholders. They can have different classes of stock with different bundles of ownership rights. Shareholders can be individuals or other legal person business entities.

Ease of Ownership Transfer – Ownership in a B Corporation can be easily transferred by the sale of stock held by a Shareholder. The stock certificates legally represent their ownership interest in the business.

Capital Formation – Additional equity capital can be raised by selling more shares of Stock to an existing Stockholder(s) or an incremental Stockholder(s). There is no limit to the amount of capital that can be generated through the sale of equity in the business entity. Different types of stock with unique ownership rights can be created.

Treated for Tax Purposes as a Pass-Through Tax Entity – The shareholders of a B Corporations can elect to be treated for federal income tax purposes as a pass-through tax entity. The shareholders must vote to become a S Corporation for tax filing purposes. They can also file a 1120-S Corporate Tax Return and distribute the responsibility to pay income taxes on the Corporations profits to the shareholders individually

Important Documents

(Check off after you have filed, recorded, copied and stored each item)

Articles of Incorporation

Document filed with the Secretary of State to create a Corporation. The Articles list the name, address and principal place of business. They define the business purpose of the Corporation, the number of shares of stock authorized, the name and addresses of the initial Board of Directors elected by the Shareholders, the name of the Registered Agent who will accept official mail and legal papers on the Corporation's behalf.

Business Name Reservation Form

Reserves a unique name for the business while you complete the incorporation process.

By Laws

Document that supplements the Articles of Incorporation that will define how the elected Board of Directors and the appointed Officers will organize and manage the day-to-day business activities. The By Laws should address how conflicts between the Shareholders will be resolved. It should establish protocols for dealing with departing owners as well as incoming new owners and how profits and losses will be allocated.

Certificate of Incorporation

A Certificate issued by the Secretary of State after all required organizational documentation has been submitted, reviewed and approved and the related filing fees have been paid. It serves as the effective birth certificate for the Corporation.

Annual Report

A document required to be filed by the Corporation annually with the Secretary of State. This report is required to maintain approval to do business in the State. The report updates information on the business's address, the names and addresses of the Directors and Officers, and the contact information for the Registered Agent. A processing fee is required to be paid.

Certificate of Authority

A Certificate issued by the Secretary of State to a Corporation organized in another State authorizing it to do business in the State.

Certificate of Existence/Good Standing

A Certificate issued by the Secretary of State as proof the Corporation is currently in good standing and authorized to do business in the State.

Corporate Stockholder Records

Records need to be maintained listing the specific Shares of Stock in the Corporation authorized, issued and currently outstanding. Stock Certificates should be numbered and specify the; Corporate Name, Shareholder's Name, Date of Sale, and signature of the Board Member who authorized the sale of the Shares. Stockholder records should enable a reconciliation between; number of Shares of Stock authorized, issued, and presently outstanding.

Board of Directors Meetings Records

Minutes should be recorded for all meetings of the Board of Directors. State law requires an Annual Meeting of the Board of Directors and the Shareholders. These meetings effectively document the Corporation's business management decisions. The minutes should record who was in attendance and indicate if there is a sufficient quorum present to vote on and make binding all significant governance decisions on behalf of the Corporation.

Board of Directors – Resolutions

Board Resolutions document decisions and show specifically how Directors voted on matters affecting the Corporation. It is a good idea to create Board Resolutions for key business management decisions like approving the sale of additional Shares of Stock, taking out a business loan, electing new Directors or appointing new Officers, acquiring another business, signing a lease, or approving a major new contract with a supplier or a customer.

Federal Tax Return – IRS Form -1120/1120-S

B Corporations typically file a Federal Corporate Tax Return – IRS Form 1120. They may file an IRS Form 1020-S Federal Corporate Tax Return for an S Corporation if this approach to filing Federal Tax information is formally elected by the Shareholders.

Registered Agent

Person or business entity named in the Articles of Incorporation to receive notices or service of process.

Registered Office

The office address where the Registered Agent must be located during business hours.

B Impact Assessment

To retain their B status, Corporations must be re-certified every three (3) years. The certification exam is administered by a nonprofit entity called the B Lab. The Assessment provides a judgement rating on how significant the Corporation's impact has been regarding their defined business purpose (see bimpactassessment.net).

Certificate of Existence/Good Standing

A Certificate issued by the Secretary of State as proof the Corporation is currently in good standing and authorized to do business in the State.