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Millionaire Maker Tax & Entity Report

"Companies make money. Individuals get taxed."

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There are 2 very different tax structures in the USA and most countries around the world: One for corporations and one for employees. This report gives you a comprehensive overview of the business corporation entities and tax structures you must understand if you're serious about keeping more of your money.

It's because of this structure that you'll often hear me say, "***Companies make money. Individuals get taxed.***" So let's have a look at the core difference between these 2 structures*:

Corporate Tax Law

Under a corporate tax structure the income-to-tax flow goes like this:

- Corporation earns money.
- Corporation deducts all appropriate business deductions.
- Corporation pays taxes on remaining income after expenses are paid.

Employee Tax Law

Under an employee tax structure the income-to-tax flow goes like this:

- Employee earns money.
- Taxes are withheld from employee's paycheck.
- Employee receives whatever remains after taxes are withheld.

Based on US Tax Laws. Be sure to consult your Accountant or Attorney for the specific Laws in your country.

"Companies Make Money. Individuals Get Taxed."

There are 73,000 pages tax codes in America available specifically for corporations. And America isn't alone! Most countries have tax structures that offer advantages to entrepreneurs and company owners – advantages an employee will never see.

To keep more of what you earn, you need to reset your life with a proper company – like a C- or S-corporation, an LLC, or a Limited Partnership. These types of corporate structures are designed help you keep more of the money that comes into your business.

So if you don't have a corporate entity in place for your business – or if you don't have a business at all – setting one up will let you ...

- Maximize your Tax Advantage
- Protect your Income Streams
- Ensure you Have Money for Business Growth
- Take yourself OUT of the Highest Taxed Income Bracket
- Keep More of your Hard-Earned Money!

You don't need to become an expert in tax and entities to expand your net worth, but you do need to know how to lead the conversation, so that you setup your business properly. Ultimately, it's your responsibility to get educated so you know how to find the right experts to help you – and set you up for success.

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In the United States, there are several legal vehicles, entities or structures you can use to contain and protect your wealth. These vehicles are distinct and separate from the individual taxpayers who form and own them.

Business Entities and Taxes

Legal business entities are advantageous because they can:

- Protect your personal assets
- Protect you from being personally liable for legal obligations
- Keep your finances and financial dealings private
- Maximize your tax savings.

When you create one of these entities, it is assigned an **EIN (Employer Identification Number)**, which is entirely separate from a personal, social security number. This means that any legal entities you own are taxed separately from you as an individual taxpayer.

The legal responsibilities and protections differ for each of the corporate tax vehicles, as do the tax implications. How you structure your investments and which legal entities you use can have enormous tax and legal consequences.

So if you are running a business and would like that business to be treated as your asset, the legal entity you choose can protect your business, but it can also protect your personal assets such as your home, investments, intellectual property, trade secrets, trademarks and patents.

The goal of asset protection through the vehicle of a corporate entity is two-fold: minimise your personal risk and grow your your asset base.

The following list gives you the most common legal structures found in the USA, along with the advantages each offers. Outside the USA, the names of these structures may vary, but please not that their equivalents do exist and operate in a similar manner.

C-Corporation

A C-Corporation is a general, for-profit organizations that is required to pay taxes on the income it generates. A C-Corporation can provide goods and services to the general public, own assets, incur liabilities and deduct allowable expenses from its taxes.

A C-Corporation is a separate, legal entity from the shareholders who own its shares. The shareholders cannot be held personally responsible for the corporation's debts. When you incorporate your business as a C-Corporation, you and the corporation become entirely separate legal entities.

Forming a C-Corporation is, for most business owners, the first step in protecting your personal assets and reducing your tax burden. C-Corporations are allowed approximately 300 tax-deductible expenses. A C-Corporation also offers Fiscal Year flexibility. Shareholders may choose to end their fiscal year at the end of March, June, September or December. Their benefit of this fiscal year staggering is that you don't have big tax implications at the end of the calendar year.

The shareholders of a C-Corporation may elect to convert the corporation's tax reporting status to a subchapter S-Corporation (see below).

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S-Corporation

An S-Corporation is different than a C-Corporation. The income generated by an S-Corporation is taxed like a sole-proprietorship or a partnership. An S-Corporation is considered a "pass-through" entity because the taxable income earned by the S-Corporation is passed through to the shareholders. Thus, the Corporation itself does not pay taxes. The corporate shareholders are responsible for reporting income and losses created by the S-Corporation on their individual tax returns.

Before you create an S-Corporation, you must first form a C-Corporation and then elect to switch it to "S" status. You do this by filing a specific IRS form (Form 2553). By choosing to convert to S-Corporation status, you are deciding to have the Corporation's earnings treated like a sole proprietor or partnership income. As a shareholder of an S-Corporation, you are still entitled to personal protection from liability claims against the corporation.

S-Corporations enjoy approximately 150 tax expense deductions.

Limited Liability Company (LLC)

A Limited Liability Company (LLC) is the newest taxed entity. For tax purposes, it is not a separate, taxable entity. LLC owners, however, report business gains or losses on their personal income tax returns. LLC Members are protected from personal liability claims for LLC debts, except to the extent of their investment in the LLC. In the United States, an LLC can be formed with as few as one member in all but one state - Massachusetts, which requires a minimum of two members. As with all corporate decisions, be sure to consult with your attorney for current information.

Although LLCs are newer than other Corporate structures, they have been around long enough now to be proven. LLCs offer a great vehicle for holding real estate or other investments, particularly for those who wish to limit their personal liability.

Trusts

A Trust is a legal structure used to hold title legally to a property or properties for the benefit of one or more people. The person who creates the Trust is referred to as the Grantor or Trust Creator. The person, people or institution holding the title to the Trust is called the Trustee. The people for whom the Trust was created (those who will benefit from the Trust) are called the Beneficiaries.

When you put assets of any kind, including money, property, licences or businesses) into a Trust for your minor children to receive when they come of age, then you are the Grantor and your children are the Beneficiaries. The Trustee would be the person who holds the legal title to the Trust, such as a family member or perhaps even a friend or Attorney.

Trusts can make for very powerful tax vehicles. First, they place assets in a separate entity outside the reach of creditors. Second, you can use them to pass on property to loved one tax-free. (Note that there is a cap on the amount of trust funds permitted to go to a Beneficiary's estate, so be sure to check with your Accountant or Attorney for specific limits.)

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A third benefit of Trusts is that it takes property or assets outside the reach of Beneficiaries who may have large financial "appetites."

Other Entities

Two other tax entities worth noting are **Limited Partnerships and Family Limited Partnerships**.

A Limited Partnership (LP)

A Limited Partnership (LP) is made up of at least one general partner and at least one limited partner. In most cases, the limited partner or partners share in the LP's profits but are shielded from its liabilities. In return, the Limited Partner(s) have no say in the management of the LP.Generally, a limited partner is a passive financial investor.

The general partner or partners enjoy both the benefits and responsibilities of active management of the LP. One way for general partners to protect their personal assets against the unlimited liability that comes along with this position is to make the general partner a corporation.

Limited Partnerships work well for holding investments in which the partners do not want to be on equal footing.

A Family Limited Partnership (FLP)

A Family Limited Partnership (FLP) are a variant of Limited Partnerships in that the majority of partners are also members of a family. FLPs follow the same rules and enjoy the same benefits as LPs. In most cases, older family members create the FLPs in order to contribute assets in exchange for either general or limited partner shares. Limited partner shares of the corporation are then given to children, grandchildren or other family members.

In FLPs children under 14 years old do not pay taxes on any income distributions. FLPs are excellent vehicles for estate planning and protecting assets. They offer significant tax savings because they reduce the asset values of for estate and purposes, while allowing the general partners to maintain asset control.

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