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Computers and the Law
By Gary Oberst

Incorporation and the Independent Computer Consultant

The basic protection offered by incorporation is that the liability of the owner is limited to the assets of the corporation. Then, should the worst happen, the most you lose is your entire business. While not a cheery thought, it is still better than losing your house, car, and savings.

Incorporating is a relatively simple and inexpensive process. And, given a divorce rate of 50%, safer than putting all of your assets in your spouse's name.

The main objection to incorporating is that the corporation pays income taxes before the profits are passed to the owner, who also pays income tax: the so-called "double taxation." This problem is readily avoided by forming a corporation under sub-chapter S of the IRS code, which allows profits to pass untaxed to the owner.

Your attorney can explain the pros and cons in more detail and set up your corporation for you.

Copyright 1991 by Gary Oberst. All rights reserved. Mr. Oberst is an attorney in Norwalk, CT. concentrating in computer law (203-866-4646). He is an associate member of ICCA F/W.