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Applied Law Applied Law Northwest Brands can avoid the issue of double income taxation by attaining the status of an S corporation. An organization that achieves the status of S corporation is treated similarly to the way a partnership is treated during taxation but the owners of the company experience limited liability (Daily, 2008, p. 159). If an organization qualifies as an S corporation, it is not taxed at the level of corporate and is only taxed at the level of shareholders even if the income is not being distributed among the shareholders. If an organization has attained the status of S corporation, its shareholders have the option of offsetting the losses experienced by the company with income tax. Another benefit that Northwest Brands can obtain by attaining the status of an S corporation is that if the tax that is levied on the shareholder's is less than the tax that is levied on the corporation, the corporation can pass on its tax on the shareholders and this helps the corporation in saving money for future use. To qualify as S corporation, a company needs to fulfill certain requirements. To qualify as S corporation an organization should be recognized as a local organization, it should not be recognized as a member of different affiliated corporations, it should have less than 100 shareholders, and should be operational with only one type of stock even if the voting rights have not been awarded to all the shareholders and the shareholders of the organization should be locals and no foreign nation national should be a shareholder in the organization.

References

Daily, F. W. (2008). *Tax savvy for small business* (12th ed.). Berkeley, CA: NOLO.