



What is a C Corporation?

A C corporation is a type of business entity that is taxed separately from its owners and shareholders. By default, your business is classified as a C corporation, unless you elect to have it classified as an S corporation.

Similarities Between C Corporations and S Corporations.

C corporations share similar qualities with S corporations:

- You receive limited liability protection, meaning your personal assets are safeguarded.
- Both corporations are separate entities from you (the owner), so if you pass away or decide to forfeit your ownership, the corporation would still exist and continue.
- You can have shareholders and are required to have officers and directors.
- Both corporations are formed through state-level registration.
- Annual shareholder meetings and recorded documents of these meetings are required.

Differences Between C Corporations and S Corporations.

The differences include:

- Double taxation is the key difference. C corporations are taxed at a corporate and individual level, while S corporations are just taxed at an individual level.

- C corporations can have an infinite number of shareholders. S corporations are limited to 100 shareholders.
- C corporations are required to make quarterly estimated income tax payments, while S corporations only do it once a year.
- Unlike S corporations, owners and shareholders of C corporations do not have to be U.S. citizens or residents. C corporations can be owned by other businesses rather than individuals.
- As a C corporation, there's no deduction for corporate losses, so shareholders cannot deduct losses on their personal tax returns.

How to File Taxes as a C Corporation?

To prep your taxes as a C corporation, you must use [Form 1120](#) to report your business' financial information such as income, gains, losses, deductions, and credits. If your assets surpass \$10 million and you file over 250 returns each year, you must file this form online.

C corporations also have to pay employment taxes, which include FICA (Social Security and Medicare) and unemployment taxes. You must use Forms [940](#) and [941](#) to report these taxes.

Here are the sections you need to fill out on Form 1120:

- **Basic Information About Your C Corporation:** This consists of your business' legal name, address, Employer Identification Number (EIN), date of incorporation, and total assets.
- **Corporate Income:** This is your gross receipts or sales, returns and allowances, cost of goods sold, gross profit, dividends, interest, gross rents, gross royalties, and capital gains.
- **Tax-Deductible Expenses:** These expenses include advertising, charitable contributions, repairs and maintenance, employee benefit programs, etc. You do not need to attach documentation, but keep your records in case of an IRS audit.
- **Tax, Refundable Credits, and Payments:** The purpose of this section is to find out if you need to receive a tax refund or owe taxes to the IRS.
- **Schedule A – Cost of Goods Sold:** If your business is deducting the cost of goods from gross income, you must report this information in this section.
- **Schedule C – Dividends and Special Deductions:** If dividends or special deductions have been claimed, you must record this information here.

- Schedule E – Compensation of Officers: Document the compensation amounts of your corporate officers in this section.
- Schedules J and K: These sections indicate the accounting method your business uses and information that can affect your corporate tax rate.
- Schedules L, M-1 and M-2: In these sections, you need to attach your business' balance sheet, document the reconciliation of income loss, and analyze unappropriated retained earnings.