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SIMPLIFIED CORPORATE DISSOLUTION

By Victor Sy, CPA, MBA

The dissolution process for a California corporation is quite cumbersome. It also takes a long time from the initial adoption of a dissolution plan to the final certificate of dissolution. Fortunately, California's Revenue and Taxation Code provides a simplified method for a corporation that has been [in existence for less than 12 months](#) and has [not issued any shares of stock](#). You may dissolve such corporation by filing a Certificate of Dissolution [without a Request for Tax Clearance](#).

It is the tax clearance that makes the dissolution process rather unwieldy. An entity or individual must [assume liabilities](#) of the dissolving corporation. The entity or individual must submit financial information about assets and liabilities. [The simplified method removes this requirement](#) if you follow the 10 tips below.

Your [Certificate of Dissolution](#) must include a statement that includes all of the following:

1. The Certificate of Dissolution is being filed within 12 months from the date of incorporation.
2. The corporation does not have debts or other liabilities.
3. That any tax liability has been paid.
4. The corporation has filed its final franchise tax return.
5. The corporation did not conduct any business since incorporation.
6. Any net assets have been distributed to entitled persons.
7. The dissolution is authorized by the directors or incorporators.
8. The corporation has not issued any shares.
9. The corporation has returned any payment for shares from investors.
10. The corporation is dissolved.

TIPS:

1. Do not wait for the 12th month to dissolve.
2. Save an extra \$800 by filing dissolution papers before the end of the calendar year.
3. Send dissolution papers by certified mail.
4. What counts is the date of receipt by the Secretary of State, not the date of mailing.
5. Don't forget to prepare and mail form 966 Corporate Dissolution or Liquidation to the IRS.
6. Attach to form 966 a certified copy of the plan of liquidation within 30 days of its adoption.
7. File final income tax returns within 2 ½ months after the last day of the month of dissolution
8. Don't forget to file 1099-DIV for any liquidating distribution.