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DISSOLUTION OF A NORTH CAROLINA CORPORATION

At times, entities and shareholders are faced with the decision to terminate the existence of a corporation. Voluntary dissolution is the process by which shareholders and directors may do so, and while the complexity of closing down a business may depend on the complexity of the business, North Carolina statutes set out specific procedures to voluntarily dissolve and terminate a corporation's existence with the North Carolina Secretary of State. It is important to understand the proper steps for corporation dissolution to properly protect shareholders from potential claims related to the corporation.

What Steps Must I Take to Dissolve my Corporation

To effectively dissolve a corporation under North Carolina law, a corporation must file Articles of Dissolution with the North Carolina Secretary of State. If the corporation has not yet issued any shares, the board of directors or a majority of the incorporators of the corporation deliver these Articles to the Secretary of State. N.C.G.S. § 55A-14-01. If the corporation has issued shares, the board of directors must recommend the dissolution to the shareholders, and the shareholders must approve the dissolution with a written resolution. N.C.G.S. § 55A-14-02. After shareholder approval, the Articles of Dissolution may be delivered to the Secretary of State. The Articles of Dissolution contain information, such as the name of the corporation and the date the dissolution was authorized. N.C.G.S. § 55A-14-04. Usually, the dissolution is effective upon filing; however, an entity can prescribe a later date of dissolution in the articles of dissolution.

What Happens After Dissolution

A dissolved corporation continues its corporate existence but may not carry on any business except actions appropriate to wind up and liquidate its business and affairs, including paying its creditors, distributing property to its shareholders, filing final tax returns, and other necessary business incidental to winding up and liquidating. N.C.G.S. § 55A-14-06. Some may be surprised to learn that even after liquidation, the formalities of the corporation such as quorum or voting requirements for board of directors or shareholders continue. *Id.* Additionally, a dissolved corporation can continue to operate its bank account and contract with professionals such as CPAs and attorneys for the purpose of winding up its affairs. As part of this process, it is also recommended that a dissolved corporation file Form 966 with the IRS, notifying them of the dissolution. After dissolution, a corporation is generally expected to pay all its existing debts and then liquidate its remaining assets to its shareholders. This sometimes becomes difficult, however, where there are unknown claims that may exist against the corporation. If a corporation distributes its assets to its shareholders and is later

subject to such a claim, the shareholders could be responsible for paying the claim of the corporation despite the limited liability nature of corporate ownership. However, North Carolina law limits such potential liability where a corporation publishes notice of its dissolution in a public newspaper and a claim is not made within five years of such publication date. N.C.G.S. § 55A-14-08.

JAH Can Help

Dissolution of a business may not be an easy decision, and the procedures can be complicated. The **corporate attorneys at JAH** are available to assist you with the procedures and filings needed to effectively dissolve your corporation in a manner that best protects you. **[Click here to contact a member of our Corporate Group](#)** if you are in need of assistance.

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