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SWEAT & HANDELMAN, LLP

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Corporate Update

CORPORATE MINUTES

Unfortunately, many corporations and their representatives fail to maintain and otherwise document corporate records in connection with significant company activities. And, of course, as time passes and memories fade, officers, directors and shareholders forget who agreed to what and under what circumstances. For such corporations, this failure can have devastating consequences.

Without properly drafted corporate minutes, the separate legal entity status of your corporation can be discredited. Ultimately, the courts, the IRS, and other taxing authorities may allow plaintiffs, creditors and other entities to sue you personally for debts and actions of your corporation.

Also, from a tax standpoint, during an audit, the IRS scrutinizes corporate minute books, looking for discrepancies between the actions of the corporation and the resolutions adopted by the shareholders and Board of Directors. A simple discrepancy can be problematic. A complete lack of corporate minutes is even worse.

Ultimately, you can lose your tax deductions and benefits and even be subject to penalties if you do not conduct meetings that adopt resolutions supporting the actions taken by the corporation. The good news is that you don't need to document routine business decisions (i.e., purchasing supplies or products, hiring or firing low or mid-level employees, deciding to launch new services or products, or any of the broad array of other ongoing business decisions).

Your corporate minutes, however, must be updated if you: change officers, open a bank account, increase your compensation, sign a lease agreement, or simply let a year go by. Also, key legal, tax and financial decisions absolutely should be acted on by your board of directors, and occasionally your shareholders.

Don't jeopardize your "corporate veil" and expose your personal assets by ignoring your obligation to prepare corporate minutes.

Please call us if we can assist you in updating your corporate minute book.

Gardner, Willis, Sweat & Handelman, LLP, hopes you find the information in this newsletter helpful. This information is intended to be general in nature and is not a substitute for competent legal advice. If you have questions on these or other corporate issues, please give us a call.

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