

Corporate Minutes: Make Them Work for You

CPAs and Consultants

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Many small businesses neglect to hold formal annual corporate meetings and keep up with their corporate minutes. In so doing these businesses are missing out on an opportunity to provide protection against tax audits or lawsuits.

On the positive side, business owners should include items in their minutes which will help protect their business. Each year the business should approve the salary and bonuses taken by key members of the business. If the business is a regular "C" corporation this will help prevent the IRS from being able to assert excess compensation; if the business is an electing "S" corporation it can help prevent the IRS from asserting under compensation. Documenting the rationale for the determination of the salary would be useful.

A second item that should be in minutes is a requirement of the corporation to reimburse employees for corporate expenses made out of pocket. This would help diffuse the potential whip-saw that the IRS has been denying deductions to the corporation that were not paid by the corporation and denying the same deductions to corporate officers since these deductions were corporate liabilities and not those of the officers. Documentation and approval of the use of company automobiles and home offices would also be justified in your minutes. There are numerous other items which you should consider adding to your minutes based upon your attorney's recommendations.

On the negative side you should avoid adding to your minutes items which might become grist for any potential lawsuit. In particular any discussions regarding employee terminations, hirings or promotions would be best left out of your minutes in the event that a wrongful termination suit should arise.

Keeping well thought out annual minutes is one of those housekeeping items for any business that might not seem important today but is likely to pay large dividends in the future.

~ Roger D. Werner, CPA