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**Legal Formalities of  
Business Records**

At this time of year, many of you are meeting with tax preparers. This is also a good time to consider the requirements of California law to maintain formal business records. Although shareholders/LLC members are ordinarily not liable for company debts, a creditor may "pierce the veil" and hold owners individually responsible if the company is not operated and documented as a truly separate entity.

Also, if statutory operating formalities are ignored, the IRS and Franchise Tax Board can reduce or disallow certain tax deductions.

Your board and owners should hold regular meetings. Significant business transactions should be reflected in your minute book. Contracts, retirement plans, loans, dividends, leases, officer/manager compensation, and similar transactions should be formally approved and reflected in the minute book.

If this office can be of any assistance to you, feel free to call. Many clients provide us with an informal list of major transactions, and we do the rest. (Our checklist is available on request.) Hopefully you will do this before you hear from a claimant or tax collector.

Sincerely,

**HARMON SIEFF**