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Are you Keeping Corporate Minutes?

To preserve the legal benefits of incorporation, corporations must hold regular directors' meetings. By keeping clear and appropriate records of these meetings in the form of corporate minutes, firms can save taxes and avoid business problems.

Properly documented transactions are more assured of getting favorable tax treatment. For example, compensation to an employee-stockholder is tax-deductible only if it's necessary and reasonable for business operations. When setting corporate officer compensation, consider recording comparable industry salaries, the officer's scope of responsibility, job qualifications and experience, and current economic conditions. Documenting all these factors will show that the compensation was reasonable and, therefore, tax-deductible.

Other business matters with potential tax consequences should also be carefully recorded in the minutes. These include loans, leases, or other transactions between officers/shareholders and the company; dividends, bonuses, and deferred compensation arrangements. Your goal should be to clearly document the business intent behind each decision.

But you may not want to record everything. Generally, firms should record only final decisions, not the detailed discussions that led to those decisions. If a particular corporate decision is challenged later, you don't want a record of the differing opinions before consensus was reached. This can give fuel to those who would want to question how the firm acted.

Keeping complete and accurate minutes of your corporate meetings may seem like a bothersome task, but the time spent now can save your corporation a great deal of money later on. Meet with your attorney and bring your corporate minutes up to date.

Our office is ready to serve your needs. If you have any questions, please contact us.

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