

SOME REQUIREMENTS / SUGGESTIONS

To maintain legal recognition, you will need to:

Keep books. These MUST balance and show all account transfers including receivables and payables.

File tax returns and MI Annual Report on a timely basis. - stiff penalties on payroll returns.

Wages (and Salaries) Employees/ Officers:

Have W-2 on file for employees. An entity MUST have at least one employee with a "reasonable" salary. Not overly compensated or underpaid, based on results of business, employees education and experience, and what they could earn elsewhere for doing similar type or work. Its what would the company pay another to produce like results. If a "reasonable wage" is not paid to someone that is directing the firm, the IRS will reclassify dividends as payroll and you will be liable for social security and Medicare taxes as well as very stiff penalties.

The best time to change a salary amount is Jan 1st. This will minimize your record keeping and keep accounting costs down.

Keep Minutes. (N/A TO PROPRIETORS)

Have "corporate minutes" on file when ever the firm initiates or changes a policy. Examples, hire employee, set a salary, change a salary, change locations, initiate new business direction or venture, purchase major asset, take on debt, etc. This will be a minimum of annually.

Have your business minutes on file for the accountant to better interpret your books. Also, you may want to have them reviewed by your banker, lawyer, and insurance agent at least annually.

Obtain Fed ID#'s and Social Security Numbers.

Note that 1099s must be issued timely. See IRS chart of 1099 requirements for things like subcontractors and those you pay rent and interest to. Note that you do not need to 1099 other corporations. You should secure the name, address, and federal ID# of those you will pay at the time of signing a contract (ie. UP FRONT).

Workmans Comp.

Obtain proof of workmans comp. insurance from contractors with the agents phone number so it may be verified. You will need the documentation for the comp. audit at the end of the policy period. Ask your agent if you need coverage.

Loans w/ Corp. (N/A TO PROPRIETORS)

Loans must have a market interest rate. Maintain an amortization schedule of payments to show breakdown of interest and principle with your auditable books.

Saving Money: tips from clients - See our Website for updates and your published ideas.

New Checks: don't order them from the bank, save a lot by ordering thru mail - ask for details.

Idle Funds: Set up 2nd interest paying account for idle funds; outstate sources seem to pay best -try 1800.US-FUNDS.