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**Housekeeping Tasks for Corporations and LLCs**

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If you operate your business as a corporation or limited liability company (LLC), now is the time to wrap up 2015 and plan ahead 2016.

A primary reason to operate as a corporation or LLC is to protect your personal assets from liability for business debts. In order to maintain this protection, you need to maintain the business as a separate entity. You cannot use the business accounts to pay your personal bills or commingle personal and business funds; you need to actually have assets in the business that have value, or at least have reasonable liability insurance. If you don't a court can disregard the entity – called 'piercing the corporate veil.'

Corporations are required to maintain certain corporate formalities such as holding annual meetings of shareholders and directors and maintaining a 'corporate book,' which contains the minutes of the shareholder and director meetings as well as corporate resolutions for major decisions made throughout the year. Courts will consider whether or not these corporate formalities have been followed when determining how much protection the corporation will provide. Further, if you are ever audited by the IRS, one of the first things it will ask for is the corporate book. The corporate book is also used to maintain a record of stock purchases and sales to determine ownership of the company.

LLCs have fewer formalities to follow which is why they are favored. LLCs are not required to have annual meetings or maintain a corporate book. On some occasions though, such as obtaining a bank loan or selling real estate, the members may be asked to provide a resolution of the members authorizing the transaction.

Both corporations and LLCs do need to file an annual report with the State of Michigan to maintain their entity status. If the report is not filed for a few years the corporation or LLC will not be in good standing with the State - another factor a court will look at in determining whether or not the entity will provide the intended protection.

Corporations and LLCs can be very useful in protecting personal assets but it does take some effort to maintain them. If you operate as a corporation and haven't had a meeting in years, it's time to bring your corporate book up-to-date. If you operate as an LLC but do not have an operating agreement that establishes how the company is to be run, you should have one prepared.