



Newsletter

JANUARY 2003

Professional Legal Assistors

5525 Canoga Avenue
Suite 304

Woodland Hills, CA 91367-6648

(818)347-0101 / (800)621-7008

fax (818)347-1823 / (888)232-9022

Email: dottie@biz-usa.com

Visit us at

<http://www.biz-usa.com>

Our office will be closed for the following holidays:

January 20 – Martin Luther King Day

February 17 – Presidents' Day

Our next newsletter will be mailed out the beginning of April 2003.

Remember if you have an article that you would like to contribute to our newsletter just fax it to us for our review. We must receive the article no later than March 15th for our April newsletter.

INSIDE THIS ISSUE

- 1 California Corporate Legislative Change
- 2 Estate Planning for Pets
- 3 How to Safeguard Your Bank Account from the IRS
- 4 Why the IRS May Not Touch Your Business

California Corporate Legislative Change

Assembly Bill 55, chaptered on September 28, 2002 and effective January 1, 2003, amends California Corporations Code sections 1502 and 2117, changing the filing requirements for statements of information filed by domestic stock and foreign corporations from biennial to annual. In addition, all publicly traded companies must include the supplementary information required by Corporations Code sections 1502 and 2117, as amended.



Under the laws effective through December 31, 2002, some corporations may not have been required to file a statement in 2003. However, effective January 1, 2003 **all** domestic stock and foreign corporations are required to file the statement **annually** during the applicable filing period. The applicable filing period is by the end of the calendar month of the corporation's original date of incorporation or qualification and the immediately preceding five months.

Any **initial** statement of information filed on behalf of a domestic stock corporation, and any **annual** statement of information filed on behalf of a domestic stock or foreign corporation, on or after January 1, 2003 must be accompanied by a \$20.00 filing fee and a \$5.00 disclosure fee. All domestic stock and foreign corporations must pay a total of \$25.00 at the time of filing the initial or annual statement.

New statement forms will be added to the Secretary of State's Web site at

http://www.ss.ca.gov/business/corp/corp_soinfo.htm as soon as they become available. The new forms may not be filed prior to January 1, 2003. After January 1, 2003 all domestic stock and foreign corporations must utilize the new form. All newly formed domestic stock corporations will receive the new form at the time of incorporation. All existing domestic stock and foreign corporations will receive the new form in their regular mailing.

Questions concerning the revised filing requirements should be addressed to the Statement of Information Unit, P.O. Box 944230, Sacramento, CA 94244-2300, or by calling (916)657-3537. A copy of the bill can be accessed from the State of California Legislative Counsel's Web site.

PLEASE NOTE: The legislative changes discussed are not applicable to statements required by Corporations Code sections 6210, 8210 and 9660 for domestic nonprofit corporations.

Assembly Bill 55, chaptered on September 28, 2002 and effective January 1, 2003, amends Corporations Code sections 1502 and 2117, and adds a new section 1502.5. The measure:

- Enacts the California Corporate Disclosure Act, which requires additional information (pertaining to every "publicly traded company") to be included in the statement of information filed by domestic stock corporations and foreign corporations.

"Publicly traded company" means a company with securities that are either listed or admitted to trading on a national or foreign exchange, or is the subject of two-way quotations, such as both bid and asked prices, that is regularly published by one or more broker-dealers in the National Daily Quotation Service of a similar service.

- Changes from biennial to annual the filing requirement for statements of information filed by domestic stock corporations and foreign corporations (Statement by Domestic Stock Corporation and Statement by Foreign Corporation).
- Requires the Secretary of State to make the information in the statements available and open to the public for inspection, and

specifies that by December 31, 2004, the Secretary of State must make the information available through an online database.

- Establishes a Victim of Corporate Fraud Compensation Fund, to be administered by the Secretary of State, and requires the Secretary of State to adopt regulations regarding the administration of the fund and the eligibility of victims to receive compensation. In addition to the current \$20.00 filing fee for statements of information, the bill requires the payment of a \$5.00 disclosure fee when the required statement of information is filed. Half of the \$5.00 fee will be used to further the provisions of the bill, including the establishment of the online database, and the other half will be used to compensate victims of corporate fraud.

PLEASE NOTE: The legislative changes are not applicable to domestic nonprofit corporations.

Estate Planning for Pets

Pets play a significant role in the lives of many people. 34 million households in the United States own dogs and 28 million own cats. It is estimated that as many as 27% of pet owners mention their pets in their wills. The Uniform Probate Code, which authorizes a trust for care of a pet and its offspring, has been adopted in Alaska, Arizona, California, Colorado, Michigan, Montana, Missouri, New Mexico, New York, North Carolina, Tennessee, Utah and Wisconsin. Pet owners should plan for the care of their animals in the event of death or disability. Special arrangements for the care of the pet if the owner becomes disabled can be included in a durable power of attorney, provisions of a living trust or an "animal card" which is carried in the owner's wallet or purse. This card should contain information about the pet such as its name, species, home address, special instructions and information necessary to contact someone who has access to the pet. If the owner is injured or dies, emergency personnel can notify the named person or take other steps to locate and provide for the animal. The animal card will help insure that the animal survives until the owner's plans for the pet's long-term care take effect. The best way to provide for a pet is to create a living or testamentary trust which requires the trustee to make distributions to a human beneficiary to cover the pet's expenses, provided that the beneficiary is taking proper care of the pet. The trust provisions should

specify the caretaker, trustee, property in the trust, standard of living, distribution of money, remaindermen, identity of the pet, inspection of the pet and funeral as set forth in these nine steps. Step 1- Name specific caretakers and alternate caretakers or give the executor the authority to select from several caretakers named in your will. Select a friend or relative willing to take your animal and give it a good home on your death. Step 2 - Designate a trustee and alternate trustee who are willing to administer the property for the benefit of the animal and to spend the time and effort necessary to deal with trust administration. Step 3 - Compute the amount of property necessary to care for the animal and to provide additional payments if necessary for the caretaker and trustee. This will depend on the type of animal, its life expectancy, the standard of living you wish to provide for the animal and the need for potentially expensive medical treatment. Step 4 - Specify the type of care the beneficiary is to give the animal and the expenses for which the caretaker can expect reimbursement from the trust, such as food, housing, grooming, medical care and burial or cremation fees. Step 5 - Specify how the trustee is to make disbursements from the trust. The trustee can be directed to pay the caretaker a fixed sum each month regardless of the actual care expenses or provide for reimbursement of expenses when the caretaker submits receipts for expenses associated with the animal. Step 6 - Designate a remainder beneficiary to take any remaining trust property upon the death of the pet such as a charity that benefits animals, for example the local chapter of the American Society for the Prevention of Cruelty to Animals. Step 7 - Clearly identify the animal that is to receive care under the trust. Step 8 - Require the trustee to make regular inspections of the animal to determine its physical and psychological condition. Step 9 - Include instructions for the final disposition of the animal when it dies. A memorial to the pet may also be created for viewing on web sites such as www.plan4ever.com/pet, www.in-memory-of-pets.com and mycemetery.com/my/pet.html. A simpler, but less predictable method is an outright gift of the animal plus a reasonable sum to care for the animal which is conditioned on the beneficiary taking proper care of the animal. The caretaker receives the property only if the caretaker actually cares for the animal. The gift is divested if the caretaker fails to provide proper care. Expressly state what happens to the gift if the pet predeceases the owner. Another option is to leave the pet with sufficient property for its care to a veterinarian or animal shelter: charitable organizations whose function is to care for or place companion animals; a humane society or shelter.



Some will never learn anything because they understand everything too soon.

Thomas Blount

How to Safeguard Your Bank Account and Safe Deposit Box from the IRS

The IRS maintains a record of your checking and savings accounts and can automatically levy these accounts. In fact, funds in any bank account under your name are unsafe as long as you owe the IRS. The IRS routinely levies all known bank accounts of a delinquent taxpayer. It is their favorite collection weapon. How can you protect your money?

- Set up a corporation. Place your funds in the corporate account and use the corporate account to pay your personal debts. You could, for example, put the money into the corporate account as a loan and withdraw it as repayment of the loan – all without taxable consequence.
- Alternative: Keep your money in banks the IRS is unlikely to now about. Use small, out-of-the-way banks, because the IRS sometimes “shotguns” and levies all banks in your area. Since the IRS will periodically make you complete a financial statement listing your bank accounts, it will be necessary to open a new account elsewhere immediately after disclosing your present account. There is absolutely nothing illegal about this. It is, however, illegal to lie to the IRS about bank accounts (or other assets) when asked. IRS agents frequently levy bank accounts either to find no funds on hand or that the account was closed. The IRS then searches for a new bank account and/or seek other assets to seize.

Your safe deposit box is no safer. If the IRS suspects you have cash or other valuables secreted in a safe deposit box, the IRS can compel you to disclose its location. The IRS can then demand that you open the box in the presence of an IRS agent, or lacking your cooperation, the IRS seals the box and denies you access. They assume that eventually you will want access to your box and then be forced to permit IRS examination. The IRS frequently waits until the safe deposit box rental contract expires and a bank officer is then authorized to open the box and display its contents to the IRS.

One Solution: Never store cash or other valuables in a safe deposit box. Yet, this is not always convenient or desirable. Quite frequently, a safe deposit box is the only safe place for your valuables. Your best strategy: Rent the safe deposit box in the name of the corporation you organize. Since the corporation is an entity apart from yourself, the IRS cannot legally gain access to the corporation's safe deposit box to collect on your tax obligations. Another advantage: Even if you are a tax delinquent, the IRS can seal your safe deposit box upon your death. A corporation, on the other hand, has perpetual life. Your death will not invite IRS attention to the corporate safe deposit box. A spouse, or other designated individual may have corresponding authority to open the box.

Besides the opportunity to collect on overdue taxes, there's good reason for the IRS to be snoopy when it comes to cash hidden in safe deposit boxes. Absent proof to the contrary, the Internal Revenue Service considers cash found in your safe deposit box to be undeclared income. You're then taxed on the money, together with interest and penalties. You can submit evidence to the IRS that the money is either exempt from taxation or is previously reported funds. For example, you may have notified your accountant, in writing, that the cash represents proceeds from the sale of your home. The basic rule: Never stash cash without third-party documentation as to its source. It's money you just may end up paying tax on twice.



Absolute faith corrupts as absolutely as absolute power.

Eric Hoffer

Professional Legal Assistors
5525 Canoga Avenue
Suite 304
Woodland Hills, CA 91367-6648

ADDRESS CORRECTION REQUESTED

Why the IRS May Not Touch Your Business

Did you know the IRS moves less swiftly in seizing certain businesses? Who are these lucky entrepreneurs that are favored by the IRS?

- Businesses that are financed by the SBA or have other federal funding. After all, it makes little sense for one federal agency to collect its money at the expense of another federal agency that will no longer have the opportunity to collect.
- Businesses that are minority owned, or have a high-percentage of minorities employed.
- Businesses that are engaged in defense work, or other activities of particular sensitivity or importance to the federal government.
- Businesses that are high-profile within a community, or employ a large number of people from the community.

If you own such a business you may find the tax Collector will show greater restraint. Two points to bear in mind: First, this is not official IRS policy. It does, however, appear to be unofficial policy based on the observations of many tax specialists. Second, leniency in collection should not be taken as immunity. No matter how important your business may be, the IRS will expect payment for overdue taxes.

