

## Legal End of Year Checklist

- **Review your Power of Attorney.** Do you still want the same designated agent? How long has it been since you created your Power of Attorney? The Texas Power of Attorney form changed effective 1/1/2014 so consider executing a new one if yours is older. You can obtain a new one at StartUpGreaterGood.com for a limited time.
- **Review your estate planning documents** like your Last Will and Testament, Living Will, Healthcare Directives. Have you had any major life changes like marriage, divorce, births, a move to another state since you executed these documents? If yes, it might affect your decisions regarding executor, beneficiaries, trustees, and the like.
- **Organize and purge records and documents according to your Records Retention Policy.** If you don't have one, a good starting point is our free Records Retention Guidelines at StartUpGreaterGood.com. Brownie points from your tax advisor if you also organize your tax papers for this year and set up a system for next year's taxes.
- **Incorporate or Change Your Business Structure.** Many small businesses start out as sole proprietorships or partnerships, but then eventually transition to another entity. For example, if your business is not incorporated, you may want to consider incorporating to shelter you from personal liability, financial risk and possibly give you more flexibility when it comes to taxes. You can look into a "delayed effective date." That means that you can submit all of your paperwork now and it can be effective on the first day (or business day if you prefer) of the new year. This will simplify your paperwork and tax filings, as your business will have the same business structure for the whole year. Consider a Social Purpose Corporation!
- **Close an Inactive Business or Consider "Repurposing."** Did you start a business a few years ago, but it's no longer operating? Even if you're not actively promoting the business and it has no revenue, you could consider terminating that LLC or Corporation by filing a termination with the State and IRS. Otherwise, you will be charged fees associated with the business, you'll still be expected to file an annual report, and you'll still need to submit tax returns to the IRS and state. Or, you might consider re-purposing it for a new business idea; your LLC or Corporation is already set up so you may just need to make some "tweaks."
- **File "Certificate of Amendment" for Any Changes.** If you made any changes to your Corporation or LLC, for example, you changed your business like authorized more shares, or a board member left or added, you may need to file an official notification with your state of incorporation. In most states, this paperwork is known as "Certificate of Amendment" or "Articles of Amendment." While this type of paperwork may seem pretty trivial, it's critical to keeping your LLC or Corporation in good standing (and thus protecting your personal assets).
- **Annual requirements for Business Outside of Texas:** Depending on your business structure and the state in which you do business, your company may be required to file annual reports with the secretary of state's office or conduct annual meetings for shareholders.

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- **Review Your Estimated Tax Payments for this year.** Assess your estimated tax payments to avoid underpayments or overpayments. You'll want to adjust your final payment (due Jan 15<sup>th</sup>) as needed.
- **Plan Your Taxes for the New Year.** Now is the time to gather your financial reports and make important projections regarding revenue, assets and deductions. Gathering a good estimate now will help you avoid overpayments or underpayments at the end of the year and brush up on any tax law changes.
- **Adjust your tax withholding if needed.** If you've gotten married, divorced or had kids in the past year, then you might need to update your withholding on your W4.
- **Check your beneficiaries.** You can check the beneficiaries on your retirement accounts or insurance policies at any time, but it's a good idea to do this at least annually. You may have had a birth, death or divorce, which may change your beneficiaries.
- **Max out your retirement contributions.** 401(k) contributions are only deductible when made in the same calendar year so you have until December 31.
- **Top off your IRA.** Running out of time to do all of the things on your list? You're in luck. You have until April 15<sup>th</sup> to make your IRA contributions (unlike your 401(k) contributions).
- **Update your Website policies.** Your website must have "Terms of Use" and "Privacy Policy" provisions visible to inform its users of your company's security measures and liabilities regarding data use and protections. But the language in these policies can easily become outdated and no longer reflect reasonable security measures or how your company is using data. Reduce your vulnerability by revisiting these policies now — and at the end of every year — to keep the language up-to-date and consistent with industry standards. Contact us if you would like to know more.
- **Make charitable donations.** Charitable donations can help you reduce your taxable income if you itemize your deductions. You'll want to make charitable donations on or before December 31 if you're planning to deduct them on your tax return. Instead of donating cash, some people donate appreciated securities such as low-basis stocks or mutual funds to avoid capital gains tax. If the security is transferred, you don't incur a tax, and, when the charitable organization sells it, there's no tax to the charity.
- **Max out your tax-free gifts to loved ones if it's part of your estate planning strategy.** Each year, you can make tax-free gifts of up to \$14,000. For many Americans, these tax-free gifts are a key component of their estate plans because they help reduce the total size of their taxable estate.
- **Double check your coverage and deductibles on various insurance policies.** Are you giving (or even getting) any expensive gifts this Christmas? If so, talk to your insurance agent to find out whether you need to adjust your insurance policy to make sure they're covered. Sometimes additional

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coverage is needed for certain items such as jewelry, furs, artwork and collectibles. On the flip side, if you're driving an older car, you may be able to reduce your auto insurance premiums by purchasing less coverage.

□ **Review your books and financial records.** Ensure that all expenses have been accounted for in your books. If you have paid for anything in cash or on personal credit cards, make sure these expenses have been recorded. If you haven't prepared a mileage log, now is a good time to review any travel so that you can write a check for mileage to any owners and employees that the company reimburses for mileage.

□ **Review your compensation packages for employees.** If you have employees, this is a good time to review their compensation packages. Holidays make a good time for bonuses and a pay raise may be a way to ward off the holiday blues — and resulting inefficiency at work.

□ **Assess whether you need to reclassify your independent contractors and employees.** The laws have changed in October 2015, and Department of Labor audits are on the rise. It's a good time to assess to avoid audits and potential penalties and back taxes.