

## ERRORS OF OMISSION CHECKLIST

### LIABILITY

	Yes	Issue	Risk
1	<input type="checkbox"/>	Have you given anyone a personal guarantee and, if so, is it a blanket guarantee — or are you only putting certain personal assets at risk?	In the event of a default, your assets may be taken.
2	<input type="checkbox"/>	Has your selection of a business structure — proprietorship, partnership or corporation — taken relevant liability issues into account?	Different structures have different levels of personal liability.
3	<input type="checkbox"/>	Are you maintaining adequate liability insurance in the event of a claim?	In the event you are held negligent, you (as a business owner) can be held personally liable regardless of your company's structure.
4	<input type="checkbox"/>	Does your particular profession require personal liability coverage for your activity?	Possible loss of professional accreditation and personal assets.
5	<input type="checkbox"/>	Are you making all tax deposits in a timely fashion?	The IRS can and will shut down your business and seize assets, including the responsible party(ies) personal assets for failing to make federal tax deposits. Other taxing jurisdictions can take similar actions.

### CONTROL

	Yes	Issue	Risk
6	<input type="checkbox"/>	If you are thinking about giving out any stock in your business, have you consulted an attorney and accountant?	Unexpected tax consequences.
7	<input type="checkbox"/>	If you plan to reward key employees with stock, are you positive that you know all the ramifications?	Giving up more control than you intend, i.e. ending up with unwanted partners/co-owners.
8	<input type="checkbox"/>	If there is more than one person participating in the ownership, is a current buy-sell agreement in effect?	Forced liquidation can result from a lack of agreement.
9	<input type="checkbox"/>	If you are involved with a partner, have you made sure an adequate buy-sell agreement exists — one which details both conditions and methods for valuing the business?	Valuation method may not be workable, resulting in financial hardship on remaining owner or costly legal process.
10	<input type="checkbox"/>	If you are working in a family business, have you agreed in writing to what all the arrangements and understandings are?	Disharmony in family and business; potential inability to properly operate business and make necessary management decisions.

## FRINGE BENEFITS

Yes	Issue	Risk
11	<input type="checkbox"/> Have you evaluated the various health benefits available to you under each business structure (proprietorship, partnership, and corporation)?	Unexpected tax ramifications based on business structure.
12	<input type="checkbox"/> Have you made sure you have given adequate analysis to issues of retirement planning: IRA, Keogh, SEP, etc.?	An improperly formulated and documented plan can be declared invalid by the IRS, risking plan funds and jeopardizing tax-free status.
13	<input type="checkbox"/> Have you made sure you keep adequate records based on IRS guidelines for all perks (business deductions which provide you with personal benefits)?	IRS may re-characterize payments to you as taxable income.
14	<input type="checkbox"/> Have you been especially careful with justification and documentation of benefits (such as cars, meals, travel and memberships)?	Paying back taxes, plus penalties and interest, on any deductions later declared invalid by the IRS.

## TAX CONCERNS

Yes	Issue	Risk
15	<input type="checkbox"/> Have you provided adequate documentation for all expenses that generate personal benefits?	Paying back taxes, plus penalties and interest, on any deductions later declared invalid by the IRS.
16	<input type="checkbox"/> Have you discussed IRS guidelines with your accountant at least once a year?	Inadvertent noncompliance with IRS rules may result in assessment of income to you and loss of nontaxable plan status.
17	<input type="checkbox"/> Have you made sure all loans in and out of the corporation are adequately documented and represent an arms-length transaction?	High personal tax rates on loans which the IRS classifies as dividends.
18	<input type="checkbox"/> If reasonable salary is an issue, have you taken time with your accountant to document your salary basis?	IRS could reclassify as dividends or other nondeductible disbursement by business.
19	<input type="checkbox"/> If you generate and maintain large amounts of cash, have you evaluated your potential liability under the excess retained earnings regulations?	Paying the IRS a penalty tax of 39.6% of funds deemed excess retained earnings.
20	<input type="checkbox"/> Is your corporate minute book kept up to date?	In the event of an audit, the IRS can and will review corporate minute books for documentation.
21	<input type="checkbox"/> Do you meet with your accountant and your attorney annually to review your exposure under these and any other issues?	Not meeting on a regular basis can result in being unprepared and uninformed — with serious consequences.
22	<input type="checkbox"/> Are all of your understandings and agreements in the above areas adequately documented in written form and have you read each one thoroughly?	Without adequate documentation, you run the risk of forgetting or neglecting important issues.