

Inside This Issue

Formation Of Entities In States Other Than California

Success Story

Living Trusts - Frequently Asked Questions And Answers

Tax Corner

Experienced Litigator Joins Our Team

New Location for Structure Law Group

Real Estate

Reminders

Dates to Remember

Did You know?

Contact Information

Formation Of Entities In States Other Than California



Clients often ask whether they should form their new corporation, partnership or LLC in a state other than California – such as Delaware or Nevada. Very often there is an inaccurate impression that forming in another state will provide tax advantages.

Sometimes Delaware or another state may be a good choice for your entity for corporate law or business reasons, such as investor or lender requirements. However, if the company is doing any business in California, including owning property located here, or if you are in California and you are active in the business, you will still be required to register the company in California and pay California franchise taxes. For example, a General Partner of a limited partnership doing business in California must register the partnership in California and pay the annual tax and fee. There may be penalties for failure to register. An unregistered foreign LLC doing business in California is subject to a penalty of \$20 per day up to \$10,000.

In addition to franchise taxes, doing business in California subjects you to California

income taxes. Therefore, just because Nevada does not have any income tax, does not mean that if you form your company in Nevada you will avoid income taxes. If you live in California or the company owns property or does business in California, you and/or the company will be subject to California income taxes on an apportioned basis.

“Doing business in California subjects you to California income taxes.”

You may also need to register your out-of-state entity in California for the purposes of litigation. A foreign LLC doing business in California cannot maintain a lawsuit in California until it has registered with the Secretary of State and cured any suspension or past due amounts.

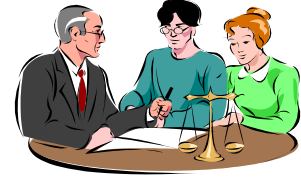
Structure Law Group, LLP is available to assist you with the crucial decision of which state in which to form your entity. If you think you may have formed in another state in error, we will be happy to help you convert your entity to a California company.

Success Story



Structure Law Group, LLP successfully collected over \$200,000 on behalf of a client who was harmed by the defective installation of cabling in a building they owned. The defective work resulted in a disruption of work on the premises and necessitated repairs. When the installer refused to pay, the client hired SLG. We filed suit in federal court. After the lawsuit was filed, the installer offered to compromise and SLG assisted in the negotiation of a favorable settlement.

Living Trusts - Frequently Asked Questions And Answers



- **What is a living trust?**

A living trust is an arrangement you create during your lifetime to provide for yourself and your family both before and after your death. It has built-in flexibility that can work very well with your overall plans for your estate. Other terms commonly used for this arrangement include *intervivos trust* and *revocable trust*.

- **What are the advantages of a living trust?**

A living trust can reduce probate costs, speed the distribution of trust assets, maintain your privacy, and ease your giving to charity.

- **Why should I have a will if I have a living trust?**

Though there are many advantages to using a living trust, it is not a substitute for a will. A *pourover will* provides the important functions of bequeathing specific gifts to heirs (i.e., daughter gets the china cabinet, etc.), appointing guardians for minor children, allotting your personal property, and “pouring over” any remaining estate property over to the trust. A *pourover will* is a simple document—most of the pro-

visions found in a regular will are put into the trust document.

- **What if I become incapacitated?**

A *pourover will* and living trust are terrific tools for managing and distributing your estate, but they are not any help if you become incapacitated. A power of attorney for financial purposes and an advanced health care directive solve this problem. A *power of attorney for financial purposes* allows you to appoint an agent (usually your spouse) to make financial decisions for you while you are incapacitated, and an *advanced health care directive* allows you to name a health care proxy, and makes your wishes known with regard to end-of-life medical care.

- **What is the next step?**

Please contact us and we will send you a one page questionnaire to complete, and introduce you to an estate planning attorney who can take care of all of these items for you.



Tax Corner

- **Taxpayers Have Until April 17 to File and Pay**

Taxpayers will have until Tuesday, April 17, 2007 to file their 2006 tax returns and pay any taxes due. Taxpayers will have extra time to file and pay because April 15 falls on a Sunday and the following day, Monday, April 16, is Emancipation Day, a legal holiday in the District of Columbia. The entire country has a deadline of April 17 instead of just individuals in the District of Columbia. Tax-filing and payment requirements affected by this change are described in IRS Publication 509 and Tax Calendars for 2007. [Source: IR-2007-15, January 24, 2007]



- **IRS Examining 2005 Payroll Tax Returns**

The IRS is examining 2005 payroll tax returns, with a special focus on:

- Self employed persons who deduct wages but do not file Form 941
- S-corporation owners who take profits through dividends instead of a reasonable salary
- Companies shifting employees to shell subsidiaries to lower unemployment taxes
- Companies that pay workers in cash

All 50 states have agreed to show the IRS the results of their employment tax audits. [Source: Kiplinger Tax Letter, Vol. 82, No. 3, February 9, 2007]

If you have any questions regarding the above changes, please contact Tamara Pow at (408) 441-7500.

The Latest News at STRUCTURE LAW GROUP, LLP

Experienced Litigator Joins Our Team



Jonathan Van Ee recently joined Structure Law Group, LLP to work primarily on complex business cases. Prior to joining our firm, Mr. Van Ee worked extensively on disputes at the pre-litigation, pleading, discovery, mediation, trial, and judgment enforcement phases in law firms and in solo practice in the Bay Area. In 1999, Mr. Van Ee was one of three law school graduates from the United States to obtain a clerkship at the Court of Arbitration of the International Chamber of Commerce in Paris. He has also written a number of articles on litigation and arbitration.

Mr. Van Ee has also worked on financings of high tech startups at Wilson, Sonsini, Goodrich & Rosati. He speaks Spanish fluently, having grown up in Merida, Mexico. You can find out more about Mr. Van Ee by visiting his professional biography at www.structurelaw.com. He can be contacted at (408) 441-7500 or at jve@structurelaw.com.

New Location For Structure Law Group

Structure Law Group, LLP is expanding. In order to accommodate our increasing numbers, we will be moving to a larger office in our current building at the end of May. We are very excited about the upcoming move.

Please note our future address will be:

1754 Technology Drive, Suite 135
San Jose, 95110

All phone numbers, fax numbers and email addresses will remain the same. We will send out announcements when the new address is effective.



Real Estate

1031 Exchange Involving Related Parties

The IRS recently held that a 1031 exchange between siblings, followed by sales of properties involved in the swap within 2 years, qualified for tax deferral. Why? The exchange was done to keep family peace and not to avoid taxes. [Source: Kiplinger Tax Letter, Vol. 82, No. 4, February 23, 2007]

If you have questions about 1031 exchanges, contact Tamara Pow.

SLG Can Answer Your Real Estate Questions

Please contact us if you have real estate questions about:

- 1031 exchange planning
- Purchases/sales
- Leases
- Financing
- Liability Protection
- Potential Disputes
- Litigation



Reminders And Other Items of Note

California LLC Fee Update

Both the *Ventas* (in state) and the *Northwest* (out of state) cases regarding the constitutionality of the California LLC fee are still pending before the Court of Appeal. Taxpayers must continue to file LLC returns and pay the LLC fee until a final decision is reached. Don't forget to file protective claims for refunds before the statute of limitations runs on any LLC tax return. For more information, see our Fall 2006 newsletter, or contact Tamara Pow.

Dissolutions: Avoid 2007 Franchise Taxes

Thanks to some recent changes in the law, it is not too late to dissolve entities for 2006 and avoid California franchise taxes for 2007. Please let us know if you need any help dissolving an entity.



STRUCTURE
LAW GROUP, LLP

1754 Technology Drive
Suite 240
San Jose, California 95110
Phone: 408-441-7500
Fax: 408-441-7501
E-mail: admin@structurelaw.com
www.structurelaw.com

Business Transactions • Corporations • Mergers & Acquisitions • Business Litigation
Limited Liability Companies • Partnerships • Tax Planning • Real Estate

Dates To Remember

April 6 Good Friday - some courts and government offices closed
April 8 Easter Sunday
April 17 TAXES DUE!!!
April 25 Administrative Professionals Day
May 13 Mother's Day
May 28 Memorial Day - courts and government offices closed
June 17 Father's Day

Did You Know?

- In the state of New Jersey, it is illegal to slurp soup.
- In California, it is illegal for a woman to drive in a house coat.
- The average ear of corn has 800 kernels arranged in 16 rows.
- In Singapore, it is illegal to own or sell chewing gum.
- The state with the longest coastline in the US is Michigan.
- Only 1 child in 20 are born on the day predicted by the doctor.

We appreciate your referrals!



Mark R. Figueiredo, Esq.



Tamara B. Pow, Esq.

Phone: 408-441-7500
www.structurelaw.com