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*Estate Planning Attorney,
Liza Hanks Joins
Structure Law Group.
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Ask Or You Won't Receive—LLC Fee Refunds



The first of three lawsuits challenging the constitutionality of the LLC is now final. In the *Northwest Energetic Services, LLC v. FTB* case, the appellate court held that California's LLC fee was unconstitutional when applied to an LLC registered in California that did no business here. We are still waiting for results of the other two lawsuits involving an LLC doing business in and out of California (*Ventas*) and an LLC doing business only in California (*Bakersfield Mall*).

- **What Now?**

The Franchise Tax Board cannot tell from prospective claims for refund that were filed for LLCs whether that LLC did business in California or not. Therefore, if your LLC did no business in California and is entitled to a refund of LLC fees, in order to receive it you must fax (or send) a letter to the FTB. The letter should include the details of your LLC,

the taxable year(s) involved, and a statement that the LLC did no business in California for each of those years. Even if the protective claim you originally filed already included that information, you must fax (or send) a letter before the FTB will send you a refund. If you did not file a protective claim but are entitled to a refund under *Northwest*, you can still fax a letter to the FTB for all open years.

Remember... for years beginning on or after January 1, 2007, an amendment to the California LLC Act limits "total income" for purposes of the LLC fee to income derived from activity in California only.

If your LLC did no business in California and is entitled to a refund of LLC fees, in order to receive it you must fax (or send) a letter to the FTB.

Success Story



One of Structure Law Group's clients was named as one of many defendants in a lawsuit involving a fatal car accident. The client was covered by insurance and represented by attorneys hired by the insurance company. The plaintiff in the lawsuit was willing to settle with the client for a sum that the insurance company was willing to pay. Although all seemed fine on the surface, the client asked SLG for a "second opinion" regarding the proposed settlement terms. SLG's attorneys realized that the settlement would have left the client exposed to a subsequent lawsuit by one of the other defendants in the case for potentially millions of dollars, which lawsuit the client would have had to defend without insurance coverage. As a result, the client rejected the proposed settlement. Ultimately, the case was settled in such a way that the client was fully protected and all without the client having to pay any more than under the original proposal.

The Latest News At STRUCTURE LAW GROUP, LLP

A New Litigator Joins Our Firm



Matthew Jensen recently joined Structure Law Group, LLP to handle litigation matters, including shareholder and partnership disputes, licensing disputes, employment claims, real estate actions, contractual disputes, and collection actions. Prior to joining SLG, Mr. Jensen's practice focused on government liability and toxic torts.

During law school, Mr. Jensen was a judicial extern for Justice Patricia Bamattre-Manoukian of the California Court of Appeal, Sixth District and the Honorable Socrates P. Manoukian of the Santa Clara County Superior Court. You can find out more about Mr. Jensen by viewing his professional biography at www.structurelaw.com. He can be reached at (408) 441-7500 or mjensen@structurelaw.com.

Tamara Voted Top 40 Under 40

Tamara Pow was voted one of Silicon Valley's Top 40 Under 40 in the Silicon Valley Business Journal's Annual Top 40 Under 40 edition. She was featured in the May 16, 2008 edition of the Silicon Valley/San Jose Business Journal as one of "40 rising stars in the valley...all of them younger than 40."



Tax Corner

- **Payroll Taxes**

Try to avoid giving a W-2 and a 1099 to the same worker in one year. The IRS sees this as a red flag on payroll tax examinations, especially when it involves retired workers who return to the same job as independent contractors. If you do reclassify an employee as an individual contractor, be sure to document circumstances of less control, fewer hours, and different duties. [Source: Kiplinger Tax Letter, Vol. 83, No. 11, May 30, 2008]

- **Failed 1031 Exchange Still Provides a Tax Break**

If a taxpayer enters into a 1031 exchange, but fails to close on identified replacement property within the 180 day period, the exchange will fail and the intermediary will return the taxpayer's funds. A recent private letter ruling from the IRS reminds us that even though the exchange fails, if the taxpayer receives the funds in the next tax year, the sale will qualify as an installment sale with gain being reported in that next year. The result: even a failed

exchange can provide one year of deferral gain. [Source: Spidell's California Taxletter, Vol. 30.5, May 1, 2008]

- **Bidding on Federal Contracts?**

If you plan to bid on any federal contracts, make sure your taxes are paid. New rules require bidders to disclose unpaid federal taxes, outstanding tax liens, and issued tax judgments, if they exceed \$3,000. [Source: Kiplinger Tax Letter, Vol. 83, No. 11, May 30, 2008]

- **1031 Exchanges between Related Partnerships**

The IRS recently ruled privately that one related partnership can acquire replacement property from the other, through an intermediary, where the selling partnership also did a 1031 exchange, acquiring replacement property from an unrelated party. Both of the related partnerships must hold their replacement property for two years. If either sells, both will owe tax on their gain. [Source: Kiplinger Tax Letter, Vol. 83, No. 9, May 2, 2008]

SLG Welcomes Estate Planning Attorney



We're excited to announce that Liza Hanks, a Silicon Valley estate planning attorney, has merged her firm "Familyworks Estate Planning," into ours. Ms. Hanks has been helping families create estate plans for seven years. She recently decided to leave her successful solo practice and join SLG in order to provide both her clients and ours with expanded estate planning services.

Liza Hanks works with families of all ages to create estate plans that reflect their values and effectively transfer their assets to their heirs. Her practice includes the creation of living trusts and wills that name guardians for young children and put legal structures in place to manage their assets until they're adults. In addition, she works with clients on probate issues and trust administration.

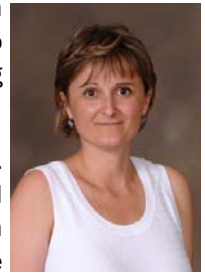
In addition, and of particular interest to business owners, she creates irrevocable life insurance trusts that can provide tax-free money for heirs to pay the estate tax levied on valuable private businesses and annual gifting trusts, a tax-efficient way to transfer appreciating assets like private stock to children over time.



Ms. Hanks is the author of the Busy Family's Guide to Estate Planning for Nolo, the nation's leading publisher of self-help legal books. She has also taught Estate Planning and Taxation at Santa Clara University Law School.

Her prior experience includes working as an associate at Cooley Godward LLP in the intellectual property licensing group and she has served as counsel for both the Santa Clara County Counsel's Office and the Office of Legislative Counsel, State of California. She also served as Law Clerk for the Honorable Judge Betty B. Fletcher, of the Ninth Circuit Court of Appeals. She writes a weekly blog, Everyday Estate Planning, <http://blogs.nolo.com/estateplanning/> and serves as an expert on legal issues for Caring.com, a website for adult children taking care of their elderly parents.

Corinne Taylor who has worked with Ms. Hanks for several years has also joined our team as an estate planning paralegal.



We are very excited to welcome Ms. Hanks and Ms. Taylor to our firm and we are excited to be able to offer an additional service to our clients. We also welcome the opportunity to be of service to Ms. Hank's Familyworks clients. Please be sure to contact Liza by phone at (408) 441-7500 or email at lhanks@structurelaw.com if you need assistance with your estate plan. For information about her practice, go to www.lizahanks.com.

protect your family • create peace of mind • maximize your estate

Estate Planning Tip—Consolidate Your Old 401(k)s

If you, like so many here in Silicon Valley, have jumped from job to job and left a string of 401(k)'s in your wake, here's a tip: roll them over into one, consolidated, IRA. Here's why: during your lifetime, you'll gain control over where and how to invest your retirement money. If you don't, your old company will continue to invest your money in their plan, which may be limited to a small group of funds, or heavily invested in the company's own stock. And, after your death, your heirs will have a much easier time rolling those funds into their own IRAs if you've done that rollover. If your funds are stuck in an old 401(k), your family will have to work with plan administrators in a company they may have had no dealings with for many years, or the company may have gone out of existence, in which case the 401(k) could be managed by another company entirely.



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Dates To Remember

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|--------------|---------------------------------------------------------|-------------------------------------------------------------------------------------|
| July 4 | Independence Day - courts and government offices closed |  |
| July 23 | National Hot Dog Day | |
| July 30 | Father-in-Law Day | |
| September 4 | Labor Day - courts and government offices closed | |
| September 7 | Grandparents Day | |
| September 19 | Talk Like A Pirate Day | |
| September 22 | American Business Women's Day | |

Did You Know?

- Baby rattle snakes are born without rattles.
- A kangaroo can only jump if its tail is touching the ground.
- The founder of McDonald's has a Bachelor degree in Hamburgerology.
- Peanuts are used in the manufacture of dynamite.
- In California, no vehicle without a driver may exceed 60 miles per hour.
- In California, many animals are illegal to own as pets, including snails, sloths, and elephants.

We appreciate your referrals!



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