



Newsletter

JANUARY 2005

Professional Legal Assistors

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Our office will be closed for the following holidays:

January 17, 2005 – Martin Luther King Jr's BD

February 21, 2005 – President's Day

Our next newsletter will be mailed out the beginning of April 2005.

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

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Please Change Your Records Accordingly

Effective January 1st, 2005 we have a new address. Please change your records accordingly.

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Phone and fax numbers stay the same.

BUSINESS CREDIT MARKET

Building credit for a small to medium sized business is not as easy as some get-rich-quick seminars or companies may claim. There is a specific process that needs to be taken to build any credit for the business. If any of the steps in the process are left out, or not done properly, or legally, it can, and will damage the businesses credit profile.



We at Professional Legal Assistors want to keep our clients informed of the latest information and great companies that provide business credit building services. One such company is Business Credit Services, LLC. They provide business credit building, corporate formation, and business plan services to small business owners around the country.

One of the most important elements of building business credit is to have contacts to companies who will grant credit without the need for personal credit history, guarantees and who will report your payment history to the credit bureaus. Most businesses do not have these contacts. For the last four years Business Credit Services have assisted thousands of companies in obtaining business credit by researching hundreds of lenders and thousands of businesses offering trade credit, from all across the country.

The following is a brief explanation from Business Credit Services on how to properly build a business credit profile.

The process for building a positive credit profile for a small to mid-sized business is accomplished in the following steps.

Step #1

Incorporate. The business needs to separate itself from the owners, and the only way to do this, is by incorporating the business. We recommend forming an S or C corporation or Limited Liability Company. All of these offer the separation of the business and individuals involved in the business.

Step #2

Office Location. In this report, it is assumed that the business needing to build credit is a real business. If someone is trying to build credit using a corporation as a way to have credit personally – this process is not going to work. The corporation must have a physical office space, phone, fax and should have at minimum an email address and preferably a website. Home offices will work.

Step #3

Licenses. You must obtain a business license, and if applicable, a tax resale license in the state, and possibly county of where you are conducting business. Any other licenses needed for your line of business should be obtained as well. These items are critical to the process.

Step #4

Financials & Tax Returns. The business should have two years of financial statements. Ideally, the financials include a balance sheet and income statement for each of the last two years.

CPA prepared financial statements is recommended for credibility. The Tax Returns for the previous two years should also be prepared, and filed with the IRS.

Step #5

Trade References. The corporation will need up to ten proper trade references. Obtain the trade references from vendors whom the business has paid for the past two years on time. This can be a very difficult step. Many businesses will not grant credit unless you have credit. Very few businesses want to be the first to grant a credit line. Here is where a business credit building service will really assist you. Business Credit Services offers a credit building service and has spent the last several years researching companies around the country that will grant credit. Many of which will do so without the need for any previous credit history.

Step #6

Bank References. The corporation must have a minimum of one bank reference. The corporation's checking account should be two years old, and it would be impressive to have an average daily balance of four figures for the last three months. Not having this balance will not stop the process of building credit; it will only slow it down.

Step #7

Credit Reporting Agencies. You will want to register with all the top credit reporting agencies. However, you can put your company into a "High Risk" status by registering, if your business is missing any of the several items that a lender or credit bureau requires. For example, if you use a cell phone for your main phone number of the business, you will most likely not be considered a real business by some business credit reporting agencies. Once again, the Business Credit Builder service is recommended to keep your business out of the high-risk status. The service will provide a complete foundation for your business built that will insure the legitimacy of your business with lenders and credit bureaus.

The seven steps above are only a guideline to start the process of building business credit. We recommend that any business first learn more about the business credit bureaus and the current credit market before starting to build credit.

Business Credit Services offers a business credit assessment to determine where your

business is currently in the credit process. Call them toll free at 866.254.6076 and tell them you heard about them from Professional Legal Assistors and you will receive the Credit Assessment FREE.

Effective January 1, 2005 Nonprofit Integrity Act of 2004

Charitable Organizations Have 30 Days, Instead of Six Months, To Register and File Articles of Incorporation With The Attorney General's Registry of Charitable Trust [Government Code section 12585]

Independent Audit of Annual Financial Statements Now Required for Charities With Gross Revenues of \$2 Million or More [Government Code section 12586(e)(1)]

Charities With Gross Revenues of \$2 Million or More Must Establish An Audit Committee [Government Code section 12586(e)(2)]

Executive Compensation By Charitable Corporations, Unincorporated Associations and Charitable Trust Must be Review and Approved [Government Code section 12586(g)]

Commercial Fundraisers Must Notify Attorney General Before Starting a Solicitation Campaign [Government Code section 12599(h)]

Commercial Fundraisers Must Have Written Contracts With The Charitable Organizations for Whom They are Working [Government Code section 12599(i)]

Charitable Organizations Can Void Contracts With Unregistered Commercial Fundraisers [Government Code section 12599.1(e)]

Fundraising Counsel Must Have Written Contracts With Charitable Organizations [Government Code section 12599]

Charitable Organizations Can Cancel Contracts With Commercial Fundraisers [Government Code sections 12599.3(b)(f)(g)]

Charitable Organizations and Commercial Fundraisers for Charitable Purposes Have Specific Obligations When Fundraising [Government Code sections 12599.6(a)(b)(c)(d)(e)]

Charitable Organizations and Commercial Fundraisers for Charitable Purposes are Prohibited from Engaging in Misrepresentation and Certain Other Acts When Soliciting Donations [Government Code section 12599.6(f)]

Commercial Fundraisers Must Keep Records of Solicitation Campaigns for at Least 10 Years [Government Code section 12599.7(a)]

How to Settle With the IRS on Your Terms

You can be hit with a tax bill you cannot possibly hope to pay now or in the future. Your solution is to either:

- Remain a "paper pauper" until the statute of limitations on the tax lien expires.
- Stall the IRS for three years and then file for bankruptcy, thus discharging the income tax liability.
- Settle with the IRS through an offer and compromise.

An offer and compromise is a little-known IRS procedure that allows the IRS to accept a portion of the tax owed as full payment and discharge of your tax liability. If the IRS believes you will have high future earnings, the IRS may also bargain for part of your future income. An offer and compromise can also extend payments over time.

Tip: You'll only successfully negotiate a favorable offer and compromise when the IRS is convinced your settlement proposal is better than what they could hope to collect on their own. Follow these five additional pointers if you really want to improve the odds of convincing the IRS to accept pennies-on-the-dollar:

- Let the IRS chase you before you make an offer. The IRS must be convinced that regular collection efforts won't work on you, and the IRS is never quite convinced until they try.
- Have your offer clearly exceed any possible recovery from your assets at auction. Be asset-poor if you want a low offer to work.
- Since future-earning power is a factor, do not portray too successful a future. Make your offer when you're between jobs or wrestling with what may be a chronic illness that may prevent you from working altogether. Watch

this point, particularly if you are young and have good earning years ahead. Under these circumstances you won't get much sympathy from the IRS who can wait a long time to get paid.

- Start with a low-ball offer. As with any negotiations, expect the IRS to counter-offer no matter how reasonable your initial offer may be.
- Retain a seasoned accountant or tax lawyer to handle the offer and compromise. It's a tricky procedure, and one you probably will not be successful with unless you do have the right professional assistance.

The big benefit of a successful offer and compromise is that you reduce the tax liability to an amount you can handle. The second big benefit of an offer and compromise is that it usually suspends collection activity while the offer and compromise is under consideration. This is if the IRS believes you are acting in good faith and that the offer and compromise has a reasonable chance of approval.

The two disadvantages of an offer and compromise? 1) You must reveal all your assets in considerable detail, and 2) The time the IRS spends considering your offer and compromise is added to the ten-year collection period.

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ADDRESS SERVICE REQUESTED

Listed below are a few books that can assist you with the IRS. These books are listed on our website under Bookstore at <http://www.biz-usa.com/html/bookstore.html>

How to Settle with the IRS – For Pennies on the Dollar by Arnold S. Goldstein

Settle Your Tax Debt by Sean Melvin

The IRS Problem Solver: From Audits to Assessments – How to Solve Your Tax Problems and Keep the IRS Off Your Back Forever by Daniel J. Pilla

Contesting the IRS Penalties by Holmes F. Crouch

Stand Up to the IRS by Frederick W Daily

What the IRS Doesn't Want You to Know: A CPA Reveals the Tricks of the Trade by Martin S. Kaplan

Tax This! An Insider's Guide to Standing Up to the IRS by Scott M. Estill

How to Beat the I.R.S. at Its Own Game: Strategies to Avoid – And Fight –An Audit by Amir D. Aczel

Surviving an IRS Tax Audit by Frederick W. Daily

Winning Your Audit: Tax Guide 502 (Series 500: Audits and Appeals) by Holmes F. Crouch

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