

# The Legal Strategist

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TEXAS ESOTERIC FACTS

Necessary recordkeeping is the act of keeping a log of information for a specific purpose that can be financial, operational, legal, and regulatory. The information collected is kept for later referral, tracking purposes, and proof that an action was taken. Recordkeeping is vital for small business owners as the practice helps them keep an eye on the overall operation of their business.

◆ The World's largest parking lot is located at DFW Airport.

The Feature Topic is a cursory review. If you would like more information on this, or any other topic previously covered in my newsletter, which can be viewed on [The Legal Strategist](#) tab of my web site, please contact my office at 713.526.1883.

◆ Seventy-five percent of the world's Snickers bars are made in Waco at the M&M/Mars plant.

Scott Barrett

FEATURE TOPIC: **NECESSARY OF ACCURATE RECORDKEEPING**

Proper and accurate recordkeeping is vital as this information is valuable at the time of its recording, but it can become invaluable at a later date when information is missing elsewhere or proof needs to be provided in response to an inquiry. Here are just a few areas / reasons to maintain accurate and up to date records.

**Legal:** Legal records are documents that include incorporation papers, a list of company officers and their titles, shareholders and how much of the business they own, and any documents that show ownership of assets. Other legal records include employee information for employment and tax purposes, licenses, permits, and any documents that pertain to the operation of the business. The purpose of keeping legal records is to show proof that the business is operating in compliance with the law and protecting the principals of the business through something known as the corporate veil. The corporate veil protects individuals from being held personally liable for an adverse event or action that happened through the business.

**Financial:** Financial records are the most important type of recordkeeping, but all business records are important at some point. They provide undeniable proof that an action was taken, recorded, then relied upon to track that action. However, businesses generate a lot of paperwork, even small ones, and proper maintenance is key to ensuring the validity and usefulness of those records.

**The Occupational Safety and Health Administration: ("OSHA"),** enforces workplace safety rules across all industries and workplaces. It enforces the laws from the factory floor to the office space. Businesses with under 10 employees at all times do not have to keep illness and injury records for OSHA even if they are in an industry with an increased risk of employee injury. The same applies to industries that are considered low-hazard. Exempt industries are found in the North American Industry Classification System (NAICS) and is the standard used by all Federal statistical agencies for business classification. If you are a small business that falls into one of these classifications and maintains an operation with 10 or fewer employees, your business is exempt from keeping records for OSHA.

**IRS:** Improper recordkeeping can get a business into trouble in the event the IRS performs an audit. A business that doesn't have a solid paper trail for their financial transactions is one that can't prove their financial decisions and actions to the IRS. Depending on how bad the issue is, the IRS may issue a slap on the wrist, or it may take legal action against the business for illegal activities such as fraud or tax evasion.

Small businesses benefit greatly from recordkeeping because the "books" are often called upon to provide proof for everything from getting a bank loan to audits from various agencies.

If you would like more information on this or any other topic relating to the the necessity of accurate and up to date records, please contact [Scott Barrett](#) to set up a consultation.