

Taxes and Your New Business

The Mangold Group sends weekly emails on a wide variety of subjects to help individuals and businesses. The email subject line will let you know if the topic is relevant for your situation. Check out prior emails and other articles for individuals and businesses on our firm web site at <http://mangoldcpa.com/technical-briefs.asp> We hope this information is helpful. If you need specific guidance for your particular circumstances, please contact our office. We are available to be a resource for you.

Starting a new business can be many things, including fun, stressful, exciting, and hopefully profitable. Each new business startup presents unique challenges that could trip up the new business owner, especially when it comes to taxes.

- **Business Entity.** There are several tax entities that can be selected including sole proprietor, partnership, limited liability company (LLC), corporation, and small business corporation (S corporation). Each entity has its own tax reporting requirements, and each is unique with respect to liability protection and owner benefits.
- **Accounting Method.** The type of business and entity selected will generally determine if you can use the "cash basis" method (income/deductions reported when received/paid) or the "accrual basis" (revenue reported when earned, deductions claimed when incurred). Next to selecting a business entity, this is probably the most critical decision you'll have to make.
- **Employer Identification Number (EIN).** Once the entity is selected, it will require its own identification for virtually all federal tax purposes. You will need a federal EIN, and you may also need various state ID numbers to report specific state/local taxes.
- **Types of Taxes.** The type of entity you select will determine the types of taxes that you will have to deal with. They could include income tax, payroll tax, and self-employment tax. You could also have to deal with excise taxes, state and/or local business license taxes, and sales taxes. Each type of tax requires a different set of forms.
- **Recordkeeping.** Keeping excellent records will allow you to file your monthly, quarterly, and annual tax reports, including your annual federal/state tax returns, on a timely and accurate basis. Understanding how to document your business deductions and confirm your business income cannot be overlooked. Choosing the right computer accounting system will greatly assist you in your recordkeeping and tax reporting obligations.

The Mangold Group works with business owners to make recommendations and perform the steps needed for a new business, and the firm provides ongoing customized accounting and tax services. For more information see <http://mangoldcpa.com/outsourcing.asp> Contact us if we can be of assistance to you.