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Small Business Taxes

If you have an established small business, or are just toying with the idea of starting one, it can make a lot of sense to review the types of taxes that ultimately may affect your bottom line. Here's a quick overview of some basic, small business tax matters.

1) Income Taxation

The type of business entity you have chosen will dictate how income taxes will be paid. In many instances, your corporation will also need to pay state and local income taxes. If your company has elected C corporation status, taxes are paid on any remaining income after expenses are deducted from revenue. There may be other taxes due, as well. If you are an S corporation, each shareholder, not the company, generally will be responsible for paying income taxes at his or her own personal income tax rate. Keep in mind that some states do not recognize S corporations. In such cases, the company is taxed.

If you are a partnership or sole proprietorship, you, not your company, will pay federal, state, and local income taxes directly to the government. Estimated federal tax payments must be made quarterly. Your federal income tax will include Social Security, Medicare, and self-employment taxes. Some of your taxes as a self-employed individual are deductible. However, generally speaking, you'll have a greater tax liability if you work for yourself than if you are an employee for someone else (assuming the same pre-tax income). In addition, states that levy income taxes also require quarterly income tax payments.

2) Employment Taxes

If you have employees, there are additional tax issues with which you should become familiar. For instance, you need to keep accurate records of payroll taxes, Social Security, Medicare, and workers compensation. In addition, you should have a general understanding of what are considered "wages" for tax purposes. The term "wages" can be somewhat misleading. Besides actual earned compensation, federal and many state payroll tax laws generally define "wages" as any type of payment received for services rendered. This can include: advances, some awards, gratuities, and vacation pay.

3) Sales Taxes

Taxes based on the sale of goods fall under the auspices of state government. Each state has its own particular laws regarding sales taxes. Generally speaking, the consumer pays sales taxes for the purchase of most goods with few exceptions—usually the sale of food, beverages, clothing, drugs, and services do not incur sales taxes. However, many states have started to expand their list of taxable items.

4) Property Taxes

If your business owns office space and/or land, you will incur property taxes. Tax rates are based on the assessed value of your property and tend to be higher than those on residential property. You may also be taxed on personal property items, such as vehicles, trucks, machinery, and inventory. Since property taxes fall under local jurisdiction, each city and town is



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We are an independent RIA and Fiduciary Firm serving Southern California.

We do not take our clients' financial well-being lightly and we look at the whole picture when it comes to retirement planning (not just investing).

The Whole Picture Retirement Plan® is our trademarked process that interprets the puzzle pieces of your financial life and connects them to form a dynamic retirement portrait that can adapt with grace as your life unfolds.

We plan for each of the five pillars of your financial life: income, investments, taxes, healthcare, and legacy. Retirement is not about your portfolio size; it's about having a comprehensive plan that carries you through life with tireless vigilance.

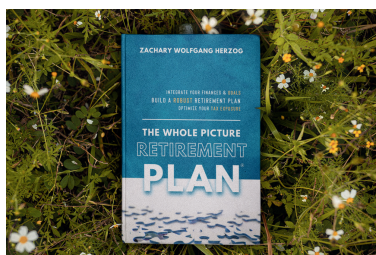
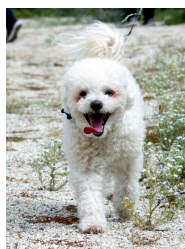
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Quote of the Month

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*Whoever said
money can't buy
happiness didn't
know where to shop*

-Gertrude Stein



Entrepreneurs Continued



4) Property Taxes continued...

likely to have its own laws and property tax rates.

Most small businesses do not have the luxury of employing a full-time tax specialist. For this reason, it is imperative that you seek the expertise of a qualified tax professional. This way, you can help ensure your business is accurately meeting its tax obligations.

RESOURCES

1) The Small Business Administration: SBA's website has an online library of electronic publications free for all visitors. These resources may help budding entrepreneurs, as well as seasoned professionals getting ready to "close up shop." The following are just a few of the available titles: Marketing Strategies for Growing Businesses; Financing Your Small Business; and Problems in Managing a Family-Owned Business. For a detailed list, visit the SBA online at www.sba.gov.

2) Business and the Internet: Due to technological advances, many small businesses now conduct much of their business using the Internet. The Library of Congress (LOC) recognizes this, and their website offers small businesses a number of resources to assist them. 'Netiquette' for Doing Business on the Internet and Internet Business Directories are just a few of the tools that small

business owners might find helpful. For more information, visit the LOC online at www.loc.gov.

Taxing Tools:

As a small business owner, you may be constantly searching for tools to help keep your business thriving. Fortunately, the Internal Revenue Service (IRS) offers several products, free of charge, to help. Their Virtual Small Business Workshop allows you to download this resource that includes useful tax information. Some of the topics covered include recordkeeping and electronic filing. For more information, visit the IRS online at www.irs.gov.

PRO TIP

Positive employees create a positive work environment, and in turn, this is vital to their ongoing productivity, as well as the continued growth of your company.

Look for ways to celebrate your team. Call a meeting and discuss all that is going well with your company. Contact a local health club to arrange guest passes for your employees or surprise them with a pizza luncheon or fresh bagels for breakfast from time to time.

Whatever you spend in recognition of employee contribution will be a small price to pay for the boost in morale, which may help retain your top performers.

SOURCE: FMeX Financial Media Exchange