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Tax and Business Forms You'll Need to Start a Small Business

By Andrew Martins, Staff Writer November 5, 2019 06:10 am EST

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- Finding the right tax and business forms to start your enterprise can be as simple as a Google search, but some preparation can save you time.

- If you don't properly file your business's taxes, you risk incurring massive fines or losing the company entirely.
- Seek assistance from a tax professional to ensure you file the right tax forms and payments.

When you start a business, there's one thing you must be on top of once money starts rolling in – taxes. Conducting business in the U.S. without properly managing your tax payments to the local, state and federal government could result in massive fines, persistent bank liens, or even [the government stepping in](#) to shut you down.

Whether you're starting a new business at the turn of the new year or looking forward to your first quarterly tax payment, this moment is critical for a small business owner. Depending on how your business is organized, you may have different tax requirements from other companies. Whether you're an LLC, a partnership or an S corporation, you'll always be paying taxes as you go, reporting income as you earn it throughout the tax year.

While there are countless experts and professionals to help you navigate your business's fledgling months, we collected some tips and [federal forms](#) you can address right now to make sure your first or next quarterly tax payment goes smoothly.

1. Structure your business.

Maybe you've already done this step, but for those who haven't, establishing your business's structure is just as important as finding a location and name for your business. There are many business structures to choose from, but most small businesses establish themselves as [a limited liability company \(LLC\)](#), a sole proprietorship or a partnership of some kind.

There are numerous tax, financial and legal benefits to each type of business entity, so [finding the right configuration](#) for your business is important. You will have to file within the state where your business will operate. The [federal Small Business Association \(SBA\)](#) can help you determine where and how you can do that in your state.

As a partnership, you'll likely fill out [Form 1065](#) with the IRS, while corporations file [Form 1120](#). If you want to file as an S-corp, you will need to file [Form 2553](#) and then annually file an [1120S](#). Sole proprietorships and self-employed individuals must file a [1040 Schedule C](#) or [1040 C-EZ](#), though the latter requires that you turn a profit, have expenses no greater than \$5,000, have no employees or inventory, and are not deducting or claiming the depreciation of your home.

Also remember that each type of entity files its taxes with the IRS at different times, with partnerships and corporations generally filing on March 15 and sole proprietorships and single-member LLCs filing on April 15.

2. Get a state and federal tax ID.

While the federal government doesn't get involved in your company's structure, it will join your state in needing a business tax identification number from you. Businesses are required to have these numbers, also known as employer identification numbers (EINs), to pay taxes.

To get an EIN for your business, you must apply at your state's department of taxation. While you're there, you can also submit your [SS-4](#) to cover your federal requirement.

3. Cover all your employees.

If you have enough business that you need employees to help you run it, you'll need to file a number of different tax forms based on their employment statuses.

Regardless of how many people you hire at the start, Anthony Mezzasalma, a [CPA with Mezzasalma Advisors](#), said you should immediately consider engaging with a [payroll provider](#). These companies help you handle things like quarterly payroll tax filings, W-2 forms and other important aspects of managing a staff. Automating some of the process, Mezzasalma said, helps ensure you won't [fall foul of payroll tax law](#).

If you only hire a small staff and feel confident in your abilities, however, you should remember to file [W-2: Wage and Tax Statement Forms](#) for each employee who receives a salary, wage or other form of compensation. This form reports

wages or salaries your business pays to employees for the calendar year as well as the taxes withheld from them. It also reports FICA taxes to the Social Security Administration. While you can file those with the IRS, you can also submit them through the federal [Social Security Administration's website](#). This form must be filed by Jan. 31.

Each employee will also have to fill out [Form W-4: Employee's Withholding Allowance Certificate](#) to note any deductions they want taken out and how much tax they want withheld from their wages. Ideally, it's the exact amount due on an employee's 1040 form at the end of the year, though the amounts often don't match up.

4. Pay attention to your contractors' tax requirements.

If you intend to hire any independent contractors or vendors, you'll need to file [Form 1099-MISC](#). Required for anyone you pay at least \$600 a year, this form can also be used to report any "direct sales of at least \$5,000 of consumer products to a buyer for resale anywhere other than a permanent retail establishment," [according to the IRS](#). Once filed by the March 15 deadline, the 1099 is sent out as three copies, with the business, the individual and the IRS each getting one.

You'll need any individuals covered by a 1099 to also file [Form W-9: Request for Taxpayer Identification Number and Certification](#). Mezzasalma warns that the W-9, due on Jan. 31, is incredibly important to ensure your business complies with federal tax law.

"I suggest [new business owners] not pay any vendor until they are in possession of the W-9 form, as these are much harder to get after the fact," he said. "This step is important because there are penalties for not issuing 1099 forms when you are supposed to."

5. Take health insurance into consideration.

In addition to your employees' wages or your personal income tax as a business owner, you will have other forms if you provide health insurance or retirement plans.

Following the passage of the [Affordable Care Act](#), businesses must be aware of Form [1095-B](#) or [1095-C](#), depending on how many employees they have. These forms are required if your business offers health insurance as a benefit for employees. Failure to file these forms will incur penalties from the government.

Other small business tax items to note

The U.S. tax code is a labyrinth that requires years of study to understand. Any business tax missteps can lead to major financial problems and even affect your personal life. You can take additional steps to avoid these problems.

It's important to [open a business bank account](#) and keep your business books and records separate from your personal finances. The latter point is important, Mezzasalma said, as the IRS requires separate records for businesses. It's also a good practice because it "helps to ensure there are no missed income and expense records."

It's imperative to keep your business tax deadlines straight, especially since the IRS has moved up some of them to combat identity theft.

"The IRS was making it rain, so to speak, by quickly disbursing tax returns without verifying the information," Mezzasalma said, which led to scammers filing fake tax returns in other people's names. "Now, the IRS wants the information earlier so they can go through all the information and verify it before paying out the returns."

The best way to avoid missing tax forms or deadlines is to leave the tax requirements to the professionals. If you [hire an accountant](#), they can ensure that you never miss a deadline and always remain in compliance with federal and state law.

If you're hellbent on [doing your own business taxes](#), Mezzasalma urges you to consider purchasing [accounting software](#) to keep your records straight.

"Being able to capture, organize and present your income and expenses will assist in income tax preparation," he said. "A box of receipts will not do!"

Andrew Martins

Andrew Martins is an award-winning journalist with a BA in journalism from Ramapo College of New Jersey. Before joining Business.com and Business News Daily, he wrote for a regional publication and served as the managing editor for six weekly papers that spanned four counties. He is a New Jersey native and a first-generation Portuguese-American, and he has a penchant for the nerdy.

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