



SIX TAX TIPS FOR YOUR NEW BUSINESS

One of the biggest hurdles you're likely to encounter when you start a new business is understanding your taxes. There are lots of questions you have to ask yourself and a lot of paperwork to fill out.

To make the processes a little less intimidating, **the IRS put together these tips** [↗](#). We've summarized them here for you and provided a few more details.

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STEP 1

PICK YOUR BUSINESS STRUCTURE

Depending on what form of business you choose, that will determine which income tax return you'll need to file.

These are the most common business structures:

SOLE PROPRIETORSHIP [↗](#)

Under this structure, you, as an individual, would own an unincorporated business. If you choose this structure, there's no distinction between you as a taxpayer and your business.

PARTNERSHIP [↗](#)

Two or more people can own an unincorporated business under this structure.

CORPORATION [↗](#)

Also known as a C corporation, a corporation is a separate entity that shareholders own.

S CORPORATION [↗](#)

For this structure, a corporation passes corporate income, losses, deductions, and credits through to the shareholders.

LIMITED LIABILITY COMPANY [↗](#)

This is a business structure allowed by state statute. Each state uses different regulations. So, if you're starting an LLC, make sure to check with your state about its rules.

STEP 2

PICK A TAX YEAR

A **tax year** [↗](#) is your business's annual accounting period when you keep records and report your income and expenses.

You have two options to choose from:

CALENDAR YEAR

This follows a traditional calendar and is 12 consecutive months beginning Jan. 1 and ending Dec. 31.

FISCAL YEAR

For this option, you pick the month your accounting period starts. That period has to be for 12 consecutive months and ends on the last day of any month except December.



STEP 3

APPLY FOR AN EMPLOYER IDENTIFICATION NUMBER

An EIN [↗](#) is also called a federal tax identification number, and the government uses it to identify a business. Most businesses do need an EIN.



PRO TIP: You can only apply for your EIN from Monday-Friday from 8 a.m. to 5 p.m. ET.

Once you have your EIN, it's important to keep your business's mailing address, location, and responsible party up to date. The IRS requires that businesses with an EIN report any changes within 60 days.

To make those changes, you'll complete IRS regulations require EIN holders to report changes in the responsible party within 60 days. They do this by completing **Form 8822-B** [↗](#), "Change of Address or Responsible Party, and mail the form to the address on it.

STEP 4

MAKE SURE YOUR EMPLOYEES FILL OUT THE RIGHT FORMS

If your business hires employees, they'll need to complete a couple of forms, one about their citizenship or immigration status and one about their tax withholding.

FORM I-9 [↗](#)

Employment Eligibility Verification U.S. Citizenship and Immigration Services

FORM W-4 [↗](#)

Employee's Withholding Allowance Certificate

STEP 5

PAY YOUR BUSINESS TAXES

Depending on the type of business you operate, there are **different taxes your business will need to pay** [↗](#).

These are five general types of business taxes:

- Income tax
- Employment taxes
- Estimated taxes
- Excise tax
- Self-employment tax

STEP 6

VISIT YOUR STATE'S WEBSITE

Make sure you know what **your state's tax and operating requirements are** [↗](#) for your type of business. **South Dakota business owners can go here** [↗](#), and **Wyoming business owners can go here** [↗](#).

Contact us today to strategize on your new business venture set-up.

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