

Ask SCORE...

Counselors to Naples Area Small Businesses

SCORE Naples
www.scorenaples.org



Got business questions?

Ask SCORE

By: Gray Poehler, Business Counselor

TAX TIPS FOR SMALL AND GROWING BUSINESSES

QUESTION: *Each year at this time I wonder if I am taking full advantage of the various deductions allowed by IRS. Is there some resource you can recommend that makes the process simpler to understand?*

Donald M., Estero

ANSWER: *Donald, Regulators have been trying to simplify the tax codes since they were first conceived. It has been suggested that the whole thing is a diabolical plan to keep accountants and lawyers in business. In truth, the reason the codes are confusing is that people and the courts are constantly reinterpreting the laws, and this is why you may need the services of a competent tax accountant or attorney. Of course, there are numerous publications that offer guidance. WWW.Allbusiness.com is a leading provider of practical information and services for growing businesses. The following are some tax tips from their finance & accounting center:*

- ***Business Deductions*** – *Businesses can deduct all “ordinary and necessary” business expenses from their revenues to reduce their taxable income. Some deductions are obvious, e.g. office supplies, equipment, salaries, or rent. The rules governing write-offs aren’t always simple. Don’t overlook other potential deductions, including business losses which can be carried forward to reduce taxable income in future years. Also, trips that combine business and pleasure, if more than half the expenses are devoted to business.*
- ***Employee Taxes*** – *If your business has employees, a variety of taxes will have to be withheld and reported to the IRS by the employer. These include Social (FICA) Security, Medicare, Federal and State Income taxes (No Florida individual state income tax). Businesses must also match the FICA and Medicare taxes, as well as federal and state Unemployment taxes.*
- ***Quarterly Estimated Taxes*** – *If you have no employees and are a home based business, you must file and pay quarterly estimates of your annual income*

taxes, if the total tax bill in a given year will exceed \$500. It is important to note that by the end of the year, either 90% of the taxes owed or 100% of last year's tax must be paid to avoid penalty and interest. The figure is 110% if a business's income exceeds \$150,000.

- **Sales Taxes** – *Most services remain exempt from sales tax, but most products are taxable (typical exceptions are food and drugs). If a business owner sells a product or service that is subject to sales tax, they must register with the state's tax department. Then taxable and nontaxable sales must be tracked and included on the company's sales tax return. Note, if you do not have a physical presence in another state, but sell items via the internet or by catalog, you can be subject to a state's "use tax," but typically not to their state sales tax. Make sure you are aware of your sales tax responsibilities in all states in which you are doing business.*
- **Keep Tax Documents for at Least Seven Years** – *Good record keeping saves money. Some things like copies of business tax returns, licenses, incorporation papers, and capital equipment expenses should be preserved indefinitely. Keep any tax-related documents, e.g., expense receipts, 1099 and W2 forms, and vehicle mileage logs for a minimum of seven years.*
- **Charitable Contributions** – *Unless your business is a "C" corporation, charitable contributions typically flow through the business and are claimed as deductions on the individual tax returns of the company shareholders. This is true whether you are running a sole proprietorship, partnership, limited liability corporation (LLC) or "S" corporation. There are specific rules regarding eligibility. Consult IRS Publication 78 for a list of qualified organizations or search online at the IRS home page.*
- **Important Tax Deadlines** – *Most annual returns are due April 15 for unincorporated companies, LLC and "S" corporations. "C" corporations must file annual return within 2 ½ months after the close of their fiscal year. Estimated taxes are due four times a year, April 15, June 15, September 15 and January 15. Sales Taxes are due monthly or quarterly, depending on the rules in your state. Employee Taxes, depending on the size of your payroll, are due weekly, monthly or quarterly.*

The Internal Revenue Service small business web site provides a wealth of information to small and growing businesses. In addition, it has links to other government resources for small businesses.

Assistance is also available from the Naples Chapter of SCORE. Counseling is always FREE of charge. Just call 239-430-0081 or visit www.scorenaples.org and click on "Request counseling now as a first time client." The SCORE business office is located at 900 Goodlette Road North, in the Fifth Third branch bank building. Office hours are 9:00 am to Noon, Monday through Friday.

If you would like an answer to your question, please fill out the form located at www.scorenaples.org/askscore. A counselor will contact you within 48 hours. Please include your name, email address and a contact phone number.