

Federal Business Structure Implications

- **Sole Proprietorships: 1040 Schedules C & SE**
- **Pass -Throughs : 1065 [K-1] Onto 1040 Schedules E & SE**
 - Partnerships / LLC'S
 - SUB Chapter S Corporation **(Must File Timely Form 2553 Then Use 1120S [K-1] –NOT 1065)**
- **C Corporation – Form 1120**
 - “Living” Entity
 - Owner’s Get **W-2 & 1099 [Other Income]**
 - Corporation Pays Payroll Taxes

In All Cases – 1040 Schedules B & D FOR INT./ DIV. / CG

Other Federal Tax Forms

- Income Tax: Owners Pay Their Own; Business Withholds For Employees [**FORM 941**]
- Self Employment Taxes:
 - Owners Pay Their Own (Both halves approximately 2X)
 - Business Pays 50% of Employees Total[**FORM 941**]
- Workman's Comp.: Business Pays Per Employee Based On Risk
- Federal Unemployment [**FORM 940**]: Paid Per Formula [**FUTA = 0.8% TO \$7000 LIMIT**]
- Possible Excise Taxes – **PUB 510/FORM 720**

Note: A Payroll Service Can Handle Many Of These Items, Inexpensively

New Hampshire Taxes Overview

- **Business Enterprise Tax (BET):**
 - Gross Income Greater Than \$150K
 - Or Less Than \$150K, but the sum of Paid Dividends and Interest and Compensation greater than \$75K
 - Taxed @ 0.75%
- **Business Profit Tax (BPT):**
 - Gross Income Greater than \$50K
 - Taxed @ 8.5% Of Taxable Income
- Notes:
 - If You Must File Either Tax, You Also Need file A **BT Form**
 - C-Corporations & Sub Chapter S Corporations Are Treated The Same (See **NH-1120/DP-120**)
 - If The forecasted Tax Liability Is Greater Than \$200, You Must File Quarterly Returns and Payments
 - Need To Attach Copies of Appropriate Federal Schedules
- NH Unemployment Tax File **RS-282A** To Register In the System
- Interest/Dividend Tax @ 5% Rate On Total Over \$2400 (\$4800 Joint Return) – Use Form **DP-10**

Taxable Income

- All Revenue For Products And Services Received Directly or Constructively In The Tax Year Are Used to Calculate Taxable Income.
- Other Income To The Business From Interest, Dividends, Capital Gains From Asset Sales Or Capital Gains Distributions Are Separately Handled.
- Barter Income is Income At Fair Market Value
- Applicable **PUBS : 334; 525; 541; 542**
- Instructions of Interest **For Forms: 1040,1065,1120,1120S, 4797**

Basic Allowable Expenses

- All Ordinary and Necessary Expenses
 - All “Costs of Goods Sold”
 - All Costs To Support Services Provided
 - Any Business Related Debt Service
- **Note: Expenses Include Required Inventory. Discarded or Obsolete Inventory is written off at Book Or Cost.**
- Capital Expenses: Including Start Up, Asset Acquisition And Improvement Costs.
 - For Depreciation versus Expensing, See **PUB 538, PUB 946** [Depreciation] And **PUB 535** [For 179 Limits]
- Items Used For Part Personal And Part Business Must Be Properly Allocated and Only Business Portion Is Allowed
- Limited To “At Risk” Requirement – See **PUB 925**

Other Allowable Expenses

- Business Use Of Your Car
 - IRS Standard Mileage Rate used with a detailed trip log
 - Or Detail Vehicle Expense Log – See **PUB 525**
- Owner Education Expense Needed For Business
- Necessary Travel & Entertainment and Gifts – See **PUB 463**
- Home Office Allocations: Space Must Meet “Regular & Exclusive” and “Principal Place Of Business”: or “Meet With Clients”: See **PUB 587**

Note: To Deduct As A Business Expense, Business Must Pay For or Reimburse and Records Must Be Kept. For An Individual To Claim **Non Reimbursed** Business Expense, You Must Use Schedule A, Line 20 On 1040.

Tax Estimates - Filing For Owners

- **Sole Proprietorships, Partnerships, LLC'S, Sub Chapter S Corporations:**
 - The “Owners” Will Not Have Either Income Or Payroll Tax Withheld By the Business.
 - Thus, The Owner Must Either File Quarterly Or Insure Proper Amounts Are Withheld From A Separate Entity (Example: If Spouse Was Employed At A Separate Company with tax withheld)
 - Quarterly Payments Are Due: 4/15, 6/15, 9/15, 1/15 –Usually in Equal Amounts
 - To Be Penalty Free, Yearly Payment Totals Must Exceed The Smaller of 90% Of Expected Due Or 100% Of Previous Year's Actual
 - 100% goes to 110% if Adjusted Gross Income is Greater than \$150K
- **“C” Corporations** – The Company Withholds For Both Income and Payroll Taxes
- See **PUB 505, PUB 334, INSTUCTIONS FOR 1120S**

Form 1040 Checklist

<u>ITEM</u>	<u>FLOW THROUGH</u>	<u>FORM 1040 LINE</u>
• “C” Corporation, Wages	W-2	7
• All Interest & Dividends	1099’S – Sch. B	8a / 9a
• Sole Proprietorship Income	Schedule C	12
• All Capital Gains & CGD	1099’S –Sch. D	13
• Partnership, LLC Income, Sub Chapter S	K -1 – Sch. E	17
• Credit For Self Employ’t Tax	Schedule SE	27
• Retirement Plan	Publication 560	28
• Non Reimbursed Expense	Schedule A	40
• Tax Credits	Publication 334	47 – 55
• Self Employment Tax	Schedule SE	58
• Tax Withheld	W-2	64
• Estimated Taxes Paid	1040-ES	65
• Tele Tax Credit	Form 8913	71