

A photograph of a modern office interior. Two light blue upholstered chairs with dark wood legs are positioned around a round, dark wood coffee table. The floor is covered in a textured, grey and brown carpet. The background is a plain, light-colored wall.

The Tax Preparation Guide For Small Business Owners

Tax Season, Made Easy

If that sounds too good to be true, we ensure that it's a possibility for small business owners. Our goal is to make your life easier so you can have both the freedom and the focus to dedicate to the many facets of your business.

This Tax Preparation Guide for Small Business Owners is intended to provide businesses the framework of everything tax-related; from types of business structures to what forms are needed to the important dates for filing and paying purposes. Should you desire to prepare your own financials for taxes, this guide should empower you to feel confident in your ability to make the best decisions on your company's behalf.

If you think you'd benefit from a professional service to act as an advisor or accountant, Froehling Anderson's team is especially skilled at small business and dedicated to the well-being of our clients year after year.

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Structure of Small Businesses

To every business structure, there is a corresponding tax form or forms.

First, understanding the nature of the business you run will help you identify the proper tax documents. That's the first step in the process.

Business Structure	Tax Return Form
Sole Proprietorships	Schedule C with Form 1040
Single-Member LLCs	Schedule C with Form 1040
Partnerships	Form 1065 & Schedule K-1
Multi-Member LLCs	Form 1065 & Schedule K-1
Corporations	Form 1120
LLCs Taxed as Corporations	Form 1120
S Corp	Form 1120-S & Schedule K-1

Note: Tax liability varies widely based on what type of business entity you operate. Your accountant or business advisor can further explain the impact of your business structure on your tax burden.

Types of Small Business Taxes

The following are the types of taxes your small business has to pay and how.

The most important and common types include:

- Income Tax
- Estimated Tax
- Self-Employment Tax
- Employment & Payroll Tax
- Sales Tax
- Excise tax

Income Tax

Every business type is required to file an annual income tax return, but the entity type will drive whether the income is taxed at the entity level or if the income flows through and is taxed at the owner level.

Estimated Tax

Estimated taxes are periodic prepayments of tax on income not fully covered by withholding, including business income, self-employment earnings, interest, dividends, rents, capital gains, taxable prizes or awards, and certain other taxable income. They may cover both income tax and self-employment tax.

Estimated tax is important for small business owners because taxes generally must be paid as income is earned during the year. If withholding is not enough, estimated tax payments are encouraged to avoid a balance due and possible underpayment penalties. Generally, sole proprietors, partners, S corporation shareholders, and other individuals may need to make estimated tax payments if they expect to owe at least \$1,000 when filing, while corporations generally may need to pay estimated tax if they expect to owe at least \$500 .

Self-Employment Tax

If you work for yourself or are a partner in a partnership, you may need to pay self-employment tax on your earnings. This tax covers Social Security and Medicare and generally means business owners pay both shares of these taxes, unlike most employees.

To determine self-employment tax, use Schedule SE. For current self-employment tax rates, [visit the IRS website](#).

Employment & Payroll Tax

Both payroll and employment taxes are paid directly to the IRS by the employer. The two terms differ slightly from one another. For instance:

- Employment taxes are paid directly to the IRS via the employer and include federal income tax, Social Security, Medicare taxes, and Federal Unemployment Tax Act (FUTA) taxes.
- Payroll taxes are Social Security and Medicare contributions but defined only as payroll taxes on IRS Form 941.

Sales/Use Tax

Sales tax is a tax imposed on the sale, transfer, or exchange of a taxable item or service. It generally applies to the sale to the end user or ultimate consumer and is typically added to the sales price and charged to the purchaser.

Use tax is a tax imposed on the storage, use, or consumption of a taxable item or service when sales tax has not been paid. It complements the sales tax and generally does not apply if sales tax was properly charged and paid.

Excise Tax

Excise tax refers to the taxes levied against the sale of specified goods and services, such as alcohol, tobacco, and fuel. Consumers aren't affected by excise tax, rather the supplier or producer is imposed upon those who carry the goods or provide the services.

Note: The timeline and payment schedule, and understanding your tax filing deadlines can be somewhat confusing until you've clearly established what type of business structure you're operating.

Tax Day is April 15th

This applies to sole proprietorships, single-member LLCs, multi-member LLCs taxed as corporations, and corporations so long as they end their tax year on **December 31st**. These organizations must file by April 15th, the same filing deadline for personal tax returns.

Calendar Year End Partnerships, multi-member LLCs, and S Corps have a tax filing deadline of March 15th.

Need More Time to File? Extensions Are Common and Perfectly Okay

If you need more time to file, an extension gives you additional time to submit your tax return. It does not extend the time to pay any tax due. For individuals, the automatic filing extension is generally requested on or before April 15 using Form 4868, which extends the filing deadline to October 15. Businesses generally request an automatic extension using Form 7004 by the original due date of the return, which gives calendar-year partnerships and S corporations until September 15th to file, and October 15 for many calendar-year C corporations.

Filing an extension is routine and does not mean you are doing anything wrong. It is a common way to avoid a late-filing penalty when additional time is needed to gather information or finalize the return. However, an extension only extends the filing deadline, not the payment deadline, so taxpayers should still estimate and pay any expected balance due by the original due date to reduce interest and possible late-payment penalties

You have right up until Tax Day to file for an extension.

Important Dates to be Aware of

January 15th:

The fourth (and final) estimated quarterly tax payment for the previous tax year is due today.

Forms:

- **1040-ES, ESTIMATED TAX FOR INDIVIDUALS**
- **1120-W, ESTIMATED TAX FOR CORPORATIONS**
 - **For some states and C Corporation entities, this payment is due by December 15th.**

January 31st:

***FORM W-2 FILING DEADLINE**

If you have employees, you'll need to fill out two copies of a Form W-2 for each one. One W-2 must be submitted to the IRS. The other must be sent to the employee.

***The deadline for both is January 31st.**

FORMS:

- **W-2, WAGE, AND TAX STATEMENT**

***FORM 1099-NEC and FORM 1099-MISC COPY A FILING DEADLINE**

If you work with independent contractors, the 1099-NEC form is due January 31st.

Copy A must be filed with the IRS by this date. Copy B must be furnished to the contractor by this date, as well.

Forms:

- **1099-NEC, NONEMPLOYEE COMPENSATION**
- **1099-MISC, MISCELLANEOUS INFORMATION**

March 15th:
S CORP AND PARTNERSHIP TAX RETURNS DUE

Today is the deadline to file your S Corp tax return (Form 1120-S) or partnership return (Form 1065). March 15th is also the deadline to file for an extension for S Corp and partnership tax returns.

Forms:

- **1120-S, INCOME TAX RETURN FOR AN S CORPORATION**
- **1065, U.S. RETURN OF PARTNERSHIP INCOME**
- **7004, APPLICATION FOR AN AUTOMATIC EXTENSION OF TIME**

Note: Not all S corps and partnerships pay taxes on their income. For some, there are built-in gain taxes and excess net passive income taxes. Also, they could be subject to state franchise or income taxes.

April 15th:

***ESTIMATED QUARTERLY PAYMENTS**

If your business pays taxes on a quarterly basis, the first estimated quarterly tax payment is due today.

Form:

- **1040-ES, ESTIMATED TAX FOR INDIVIDUALS (PAYMENT VOUCHER 1)**

If you're a sole proprietor filing Schedule C on your personal tax returns, the April 15th , deadline applies to you too.

***INDIVIDUAL TAX RETURNS DUE**

Today is the deadline to file individual tax returns (**FORM 1040**).

Form:

- **4868, APPLICATION FOR AN AUTOMATIC EXTENSION OF TIME**

April 15th is also the deadline to file for an extension for your individual tax return.

***CORPORATION TAX RETURNS DUE**

Today is the deadline to file C corporation tax returns (**FORM 1120**).

Forms:

- **1120, U.S. CORPORATION INCOME TAX RETURN**
- **1120-W, ESTIMATED TAX FOR CORPORATIONS**
- **7004, APPLICATION FOR AN AUTOMATIC EXTENSION OF TIME**

April 15th is also the deadline to file for an extension for your corporate tax return.

June 15th:

***ESTIMATED QUARTERLY PAYMENTS**

The second estimated quarterly tax payment is due today.

Forms:

- **1040-ES, ESTIMATED TAX FOR INDIVIDUALS (PAYMENT VOUCHER 2)**
- **1120-W, ESTIMATED TAX FOR CORPORATIONS**

September 15th:

***ESTIMATED QUARTERLY PAYMENTS**

The third estimated quarterly tax payment is due today.

Forms:

- **1040-ES, ESTIMATED TAX FOR INDIVIDUALS (PAYMENT VOUCHER 3)**
- **1120-W, ESTIMATED TAX FOR CORPORATIONS**

November 1st:

***PLAN YOUR TAX MOVES**

End of year tax moves can help grow your business and reduce your taxable income for the calendar year. If you haven't done so already, now's the time to plan and take action.

December 31st:
***TAX MOVES DEADLINE**

Today is an important deadline for business owners because many tax-saving opportunities must be completed by year-end to count for the current tax year. Common examples include setting up a solo 401(k), making employee deferral elections, purchasing and placing equipment or other fixed assets in service, running final payroll, paying bonuses or additional wages, and paying certain deductible business expenses.

Year-end is also a good time to review inventory, bad debts, owner compensation, distributions, and shareholder or partner basis, as well as gather W-9 information for upcoming 1099 reporting. Keep in mind that some strategies must be completed by December 31, while others may still be finalized or funded later, depending on the specific tax rule.

A thoughtful year-end review can help reduce surprises at tax time and identify planning opportunities before the calendar year closes.

Estimated Tax Payment Dates

Dates for Calendar Year Filers:

- **April 15th**: covering the period from January 1 to March 31
- **June 15th**: covering the period from April 1 to May 31
- **September 15th**: covering the period from June 1 to August 31
- ***January 15th**: covering the period from September 1 to December 31

Note: For some states and C Corporation entities, this payment is due by December 15th.

Checklist of What You Need to File

Prior to filing, carve out time to review the previous year's books.

As you're likely aware, starting a business requires a lot of legwork. Aside from tax preparation, it's important to gather background information and keep paperwork organized and readily available should your business be audited.

You can review lingering questions; ensure all accounts are reconciled in full; and review balance sheets for proper recognition of new asset purchases.

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Filing Information

Here's a list of the most common documents small business owners should secure before filing taxes.

- Prior Year's Business Tax Return
- Income Statement
- Balance Sheet
- Payroll Documents
- Bank & Credit Card Statements
- Shareholder, Operating, or Partnership Agreement(s)
- Depreciation Schedules

Other Documents to Maintain in Case of an Audit

Expense/Purchase Documentation - E.G.:

- Receipts
- Returns & Allowances
- Sales Records
- Unclassified Income
- Employee Wages
- Insurance Premiums
- Professional Fees
- Contractor Payments
- Office Rent/Mortgage
- Transportation & Travel Expenses
- Marketing/Advertising Costs
- Office Supplies & Equipment
- Phones/Hardware and Other Communication Devices

How to Execute and Comply with Business Taxes

The topic of taxes is often accompanied by dread and foreboding.

Nothing will completely take away the perceived pain of business taxes, but it's a necessary part of small business ownership.

The most important aspect of taxes is compliance. If you choose to file yourself, complete the filing online or via mail. Electronic filing is fast and secure, and you'll receive confirmation of filing successfully. You can choose tax software or e-file directly through the IRS's system with the added benefit of making tax payments through its **Electronic Federal Tax Payment System (EFTPS)**.

Benefits of Accounting Services

Tax preparation is daunting, and it's an annual feat. Many small businesses choose to partner with an accounting firm for benefits that extend beyond taxes. Taxes are just part of a business's operation. Understanding your full financial picture takes expertise relevant to your specific business structure and industry.

Froehling Anderson is committed to small businesses, and our collaboration is intended to grant peace of mind and freedom to focus on the rest of your business. We can address potential gaps in workflow performance, evaluate growth potential, review competitors, and create a holistic business strategy that supports your vision.

The most important aspect of taxes is compliance.

We handle the IRS for you.

Now that's peace of mind.

Meet with one of our CPAs for a complimentary business review.