

THE TAX PREPARATION GUIDE FOR

Small Business Owners

Created
by



FROEHLING
ANDERSON

a Minneapolis-based CPA firm specializing in creative financial solutions

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 Small Business Tax Preparation Guide 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.

We're
here
for you. 



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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



Next, onto 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 shareholder level.

Employees, for example, typically have income tax withheld from his or her pay. If you don't pay your tax via withholding (or pay enough tax through that avenue), you might have to pay estimated taxes.


▼ ESTIMATED TAX

Estimated taxes are periodic prepayments of taxes based on expected future income—including interest, dividends, alimony, self-employment income, capital gains, and awards or incentives.

Typically, most people in business for themselves make estimated tax payments. Individuals, sole proprietors, partners, and S corp shareholders generally are required to make estimated tax payments if they anticipate owing tax of \$1,000 or more when returns are filed. Corporations, on the other hand, generally have to make estimated tax payments if they expect to owe tax amounts of \$500 or more upon return filing.



If you're not required to make estimated tax payments, you can pay any tax due when you file your tax return.▲

A decorative pattern of overlapping triangles in various shades of teal and light blue, located in the bottom right corner of the slide.



▼ SELF-EMPLOYMENT TAX

If you work for yourself, you're required to pay self-employment tax, which consists of Social Security and Medicare taxes. These withholdings match those typically withheld from the pay of most wage earners.

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

Use Tax is defined as a tax on the storage, use, or consumption of a taxable item or service on which no sales tax has been paid. Use tax is a complementary or compensating tax to the sales tax and does not apply if the sales tax was charged.

▼ EXCISE TAX

Excise tax refers to the internal 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.



Timeline & Payment Schedule

Understanding your tax filing deadlines can be somewhat confusing until you've clearly established what type of business structure you're operating.

In short, 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.

**Partnerships,
multi-member
LLCs, and S Corps have
a tax filing deadline of
March 15.**

WHEN ARE TAX EXTENSIONS DUE?

You have right up until tax day to file for an extension. The same goes for businesses: S corps and partnerships can still get an extension on March 15, and the last day for corporations to file for an extension is April 15.

ESTIMATED TAX PAYMENT DATES:



**Apr.
15**

covering the period from January 1 to March 31



**Jun.
15**

covering the period from April 1 to May 31



**Sept.
15**

covering the period from June 1 to August 31



**Jan.
15**

covering the period from September 1 to December 31

January

▼ 15

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

February

▼ 1

*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 31.*

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

*FORM 1099-NEC COPY A FILING DEADLINE

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

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**

March

▼ 15

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 15 is also the deadline to file for an extension for S corp and partnership tax returns.

FORMS: **1120S, INCOME TAX RETURN FOR AN S CORPORATION**

1065, US RETURN OF PARTNERSHIP INCOME

**7004, APPLICATION FOR AN AUTOMATIC
EXTENSION OF TIME**

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

April

▼ 15

*ESTIMATED QUARTERLY PAYMENTS

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

FORMS: **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 15, deadline applies to you too.

*INDIVIDUAL TAX RETURNS DUE

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

FORMS: **4868, APPLICATION FOR AN AUTOMATIC**
EXTENSION OF TIME

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

*CORPORATION TAX RETURNS DUE

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

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

FORMS: **1120, U.S. CORPORATION INCOME TAX RETURN**

1120-W, ESTIMATED TAX FOR CORPORATIONS

7004, APPLICATION FOR AN AUTOMATIC
EXTENSION OF TIME

June

▼ 15

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

▼ 15

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

▼ 1

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

▼ 31

TAX MOVES DEADLINE

Today is the final day to make **any** tax moves for the tax year. Set-up solo 401K plan, purchase fixed assets (as long as they are received and in service by 12/31), pay bonuses to more than 2% shareholders.

If you are self-employed, today is the deadline to set up a **solo 401 (k)**.

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 or changing accountants 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.

Reviewing lingering questions. Ensure all accounts are reconciled in full. Review balance sheets for proper recognition of new asset purchases.



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**
- ☐ **PARTNERSHIP AGREEMENT(S)**
- ☐ **DEPRECIATION SCHEDULES**

Other Documents to Maintain in Case of Audit

EXPENSE/PURCHASE DOCUMENTATION—E.G:

- ☐ Receipts
- ☐ Returns and allowances
- ☐ Sales records
- ☐ Unclassified income
- ☐ Employee wages
- ☐ Insurance premiums
- ☐ Professional fees
- ☐ Contractor payments
- ☐ Office rent/mortgage
- ☐ Transportation and travel expenses
- ☐ Marketing/advertising costs
- ☐ Office supplies and equipment
- ☐ Phones/hardware and other communication devices

How to **Execute & 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.

And we
handle the
IRS for you.

Now that's peace of mind.

MEET A CPA FOR A COMPLIMENTARY BUSINESS REVIEW



