

Legal Pad

Filing and Paying Business Taxes

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Tax season! The easiest way to live through tax season is to know what to do and to do it before the deadline. Words that are easier to say than do. But let's talk about what to do.

You likely operate your business in one of the following forms:

1. Sole proprietorship
2. Partnership
3. Limited liability company
4. S-corporation
5. C-corporation

The form of business you operate determines what taxes you must pay and how you pay them. This article is short and gives some useful guidance but does not cover very much of the whole subject of taxes for businesses.

The following chart appears in the IRS instruction sheet for small businesses:

The four general kinds of business taxes are:

Income Tax
Self-Employment Tax
Employment Taxes
Excise Taxes

Files You File To Report Taxes:

Sole Proprietor

May be liable for:

Income Tax
Self-employment Tax
Estimated Tax

Employment Taxes:

Social Security and Medicare taxes and income tax withholding
Federal Unemployment (FUTA) Taxes
Depositing Employment Taxes, Excise Taxes
Excise Taxes

Partnership

Annual Return of Income
Employment Taxes
Excise Taxes

Partner in a Partnership (Individual)

Income Tax
Self-Employment Tax
Estimated Tax

Corporation or S Corporation

Income Tax
Estimated Tax
Employment Taxes
Excise Taxes

S Corporation Shareholder

Income Tax
Self-Employment Tax
Estimated Tax

Use Form:

1040 and Schedule C1 or C-EZ (Schedule F for farm business¹)
1040 and Schedule SE
1040-ES

943 for Farm employees, 941 for all others

940 or 940-EZ

8109²

See Excise Taxes

1065

Same as Sole Proprietor

See Excise Taxes

1040 and Schedule E³

1040 and Schedule SE

1040-ES

1120 or 1120-A (Corp.), 1120S (S Corp.)

1120-W (Corp.) and 8109²

Same as Sole Proprietor

See Excise Taxes

1040 and Schedule E³

1040 and Schedule SE

1040-ES

1. File a separate schedule for each business. 2. Do not use if you deposit taxes electronically. 3. Various other schedules may be needed.

As a supplement to the chart (above), a limited liability company may elect to be taxed as a partnership, a corporation or a disregarded entity. If the election is to have the limited liability company be taxed as a corporation or a partnership, follow the guidelines above. If it is a disregarded entity it is treated like a sole proprietorship for tax purposes.

Now, the following information is the practical way to comply. If you have a tax preparer, coordinate with that person well in advance of due dates so you gather the needed information and provide it to you tax preparer well in advance of deadlines. If necessary, an extension can be obtained

automatically. If you prepare your own tax returns, then follow the same guidelines. I believe it is important for you to know how the system works even if you rely on a tax preparer to file the tax returns.

Use the guidelines provided by the Internal Revenue Service (IRS) and the State Tax Commission on the Internet. The addresses are: www.irs.gov and www.oktax.state.ok.us.
Estimated Tax Payments.

Individual. As an individual sole proprietor, partner in a partnership, member of a limited liability company and stockholder in an S-corporation, unless you have a salary with payroll deductions covering all of your income, you will have to make advance payments of your estimated federal and state income taxes and federal self-employment tax once you start making a taxable profit. Individual installments of estimated tax are due April 15, June 15, September 15 and January 15. Any remaining unpaid tax is paid when the individual tax return is due on April 15 of each year. The estimated quarterly tax payment is filed with the Form 1040-ES. The estimated tax payment must be at least the lesser of 100% of the prior year's tax for the quarter or 90% of the estimated taxation.

Corporate. The corporation must make estimated tax quarterly payments equal to a quarter of 100% of the prior year's tax or 100% of current tax, whichever is less. The payments must be made on the same dates as for an individual but on Form 1120-W.

Payroll Taxes.

When you file a Form SS-4 to obtain an employer identification number (EIN) you will be sent a coupon book on which you can report payroll taxes withheld. Form 941 is required quarterly on or before April 30, July 31, October 31 and January 31.

Tax Returns.

Individual and partnership tax returns are due April 15. Corporate tax returns are due March 15. Extensions can be filed with either a business or an individual. The first request is granted an automatic extension, for an individual (Form 4868) for 4 months, in the case of corporations (Form 7004), for 6 months or partnership (Form 8736) tax returns, for 3 additional months. Electronic filers use Form 8878.

Darian Andersen is an Attorney in Edmond specializing in Small Business Law. He can be reached at 405-330-2235.



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