

McCarter & Greenley, LLC

Attorneys at Law

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a complete analysis of the matters presented
and may not be relied upon as legal advice.*

Tips When Starting a New Business

Here are things to keep in mind when starting a new business.

1. Decide what type of business entity you want to form. Some provide more asset protection than others. Also, the type of entity will determine which tax form you have to file.
2. The type of business you operate determines what taxes you must pay and how you pay them. The 3 general types of business taxes are Income Tax, Self-Employment Tax and Payroll Tax.
3. An Employee Identification Number (EIN) is used to identify a business entity. Generally, a business needs an EIN.
4. Choose a record keeping system that clearly shows your income and expenses. The type of business you are in affects the type of records you need to keep for federal tax purposes.
5. Every business taxpayer must figure taxable income on an annual accounting period called a tax year. The calendar year and the fiscal year are the most common tax years used.
6. Each business taxpayer must have a consistent accounting method, which has a set of rules for determining when to report income and expenses. The most commonly used methods are the cash method and the accrual method. Under the cash method, you report income in the tax year you receive it and deduct expenses in the tax year you pay them. Under the accrual method, you report income in the tax year you earn it and deduct expenses in the tax year you incur them.

***For more information, contact
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McCarter & Greenley, LLC.***

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