



These are some, but certainly not all, of the tax situations that the owner of a newly incorporated business must consider.

You may already have an Accountant who is taking care of all your tax needs, or you may be able to handle them yourself. **If, however, you are not sure how to handle any of the following items we would welcome the opportunity to review them with you and help you ascertain what may be necessary in your particular situation.**

### Tip #1

You should have a Federal Identification Number.

### Tip #2

You should then determine if you want your business tax situation to be treated under Sub-Chapter S Corporation rules. If the determination is yes, you must file an Application with the Internal Revenue Service within seventy-five days of incorporation or else you will automatically be treated under the regular C Corporation tax laws, which may leave you open to double taxation. Even though the seventy-five day rule exists, under certain circumstances this rule can be waived and we would be available to assist this application.

### Tip #3

If you are selling a product subject to state sales tax you **must file for a sales tax registration number**. You can also use this number when purchasing materials for resale in order for those purchases to be exempt from the state sales tax.

### Tip #4

If you are starting payroll you **must notify the IRS and also apply for business tax registration numbers** from the Illinois Department of Revenue and the Illinois Department of Employment Security.

### Tip #5

Many businesses try to avoid paying payroll taxes by paying subcontract labor instead. **Make sure you understand the rules that the IRS uses to differentiate between the two. The IRS can charge substantial penalties** on the payroll taxes that should have been paid on the wages.

### Tip #6

If you are paying people, contract or subcontract labor, for any type of services then you are required to give them a Form 1099-Misc at the end of the year. Make sure you obtain all the required information from them now on a Form W-9. **A penalty of failure to file the required forms with the IRS is calculated at \$50 per non-employee.**

## Tip #7

When you hire an employee **make sure they fill out and that you retain Forms W-4, IL W-4 and an Employment Eligibility Verification (Form I-9) for each.** The U. S. Department of Justice could penalize repeat offenders \$10,000 for not having the Form I-9 prepared and on file. You must also file the appropriate new hire reports in a timely manner.

## Tip #8

If you are withholding Federal and/or State payroll taxes you **must make sure that your tax payments are paid on time.** The Federal payments may be due anywhere from 3 banking days or longer depending on the tax liability due. **The IRS charges a late payment penalty of up to 10% of the liability even if the payment is late by only one day.** The penalty is annualized at 120%, which is extreme. **So make sure you know when your tax is due and get it paid on time.**

## Tip #9

Congress has told the IRS to use the penalties that are available to them not just to enforce the tax laws, but as a revenue producing tool also.

## Tip #10

As you can see there is a lot to consider and we **strongly point out to our clients the utmost importance of not getting into late payment or failure to file situations with any of their taxes.** Call **Benchmark, Aspen and Associates, Ltd.** today to set up a no-cost, obligation-free appointment to help ensure you're tax compliant and tax smart.

### Accounting for Success

*Benchmark Aspen's practice is built on the belief that a close relationship and a deep knowledge of our client's business are vital in providing top quality service. Our skilled, accomplished professionals look beyond the numbers to give our clients the key insights they need to prosper.*

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- Resolve tax issues, cash-flow problems and lagging profitability
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- Tax planning and preparation

