

## Help When Starting a Small Business

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If you are opening a new business this summer, here are some basic federal tax information to help you get started.

Here are some things to consider when starting a business:

- **Type of Business** One of the first decisions you need to make is what type of business you are going to establish. The most common types of businesses are sole proprietorship, partnership, corporation, S corporation, and Limited Liability Company. The type of business you establish determines which tax forms you will need to file.
- **Types of Taxes** The type of business you operate also determines what types of taxes you will pay and how you will pay them. The four general types of business taxes are income tax, self-employment tax, employment tax and excise tax.
- **Employer Identification Number** A business typically needs to get an Employer Identification Number to use as an identifier for tax purposes. Check [IRS.gov](http://IRS.gov) to find out whether you will need this number, and, if so, you can apply for an EIN online.
- **Recordkeeping** Good records will help you keep track of deductible expenses, prepare your tax returns and support items that you report on your tax returns. Good records will also help you monitor the progress of your business and prepare your financial statements. You may choose any recordkeeping system that clearly shows your income and expenses.
- **Tax Year** Every business taxpayer must figure taxable income on an annual basis called a tax year. Your tax year can be either a calendar year or a fiscal year.
- **Accounting Method** Each taxpayer must also use a consistent accounting method, which is a set of rules for determining when to report income and expenses. The most commonly used accounting methods are the cash method and accrual method. Under the cash method, you generally report income in the tax year you receive it and deduct expenses in the tax year you pay them. Under an accrual method, you generally report income in the tax year you earn it and deduct expenses in the tax year you incur them.

Visit the [IRS.gov](http://IRS.gov) website and click on the 'Businesses' tab for more information and resources, including a special section on starting a business. Publication 583, Starting a Business and Keeping Records, can also help new business owners understand their federal tax responsibilities. The publication is also available on [IRS.gov](http://IRS.gov) or by calling 800-TAX-FORM (800-829-3676).