

Taxes and new businesses

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Starting a new business can be exciting. However, it can also be overwhelming, especially when it comes to determining tax obligations.

While income tax obligations are the most obvious, other

decisions you may make when starting out will affect your business. Below are some tax tips to consider.

- **Structure:** When starting your business, you must choose a business structure that is right for you. Your choices are many, including sole proprietorships, limited liability companies, partnerships and corporations. The most common type of business structure is a limited liability company or corporation because of the potential benefit of liability protection offered to owners.

Business structure will also determine how business taxes will impact your business. Generally, there are four types of business taxes: income, self-employment, employment and excise tax. Depending on the type of business you operate, there may be additional state and local taxes that could apply. It's important to determine those obligations at the start of your business so you can register with the appropriate federal or state agencies and obtain any licenses or permits necessary to run your business.

- **Accounting:** Another item to consider when starting your new business is an accounting method, which your business will need to track the organization's income and expenses. In most cases, you can choose the cash method or accrual method, as long as you use a consistent method.

As a business owner, you should know how each method works as well as the advantages and disadvantages of each so you can choose the better one for your business.

- **Health care:** If your new business is going to have employees, make sure to consider the tax issues that come with employee health care. Depending on the number of employees you have, you may be subject to the [Affordable Care Act](#) and information reporting responsibilities to the [Internal Revenue Service](#) regarding minimum essential coverage that you offer.

These are just a few of the decisions that you will consider

when starting your new business. With proper information and planning, you can get your new business up and running and minimize the risk of being caught off guard later.