

# Items to Consider When Starting a New Business

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- **Choice of entity is important not only for liability protection purposes, but for tax purposes as well. Here is a *brief* synopsis of the different entity choices**
    - **C Corporations** – Income taxed at entity level.
      - Legal Services are considered personal services – taxed at highest corporate rate 35% plus the 5.5% Florida Income Tax
      - More flexible with allowance of deductions for owner benefits
    - **S Corporation** – Income flows out to owners and is taxed at individual level
      - Shareholders need to receive reasonable compensation via a W-2, cannot just take profit distributions
      - Benefits such as health insurance paid for a 2% or more shareholder are not allowed to be deducted unless included in that shareholder's income (Needs to be added to W-2)
    - **LLCs** – Can elect to be treated as a C Corp and taxed at entity level, can elect to be treated as a partnership and income flows out to partners, or can make an S Election and be treated as above
      - Must be two or more owners to be treated as a partnership
      - Single member LLCs are taxed on individual tax return of member
      - If treated as a partnership or single-member LLC, the income is subject to self-employment taxes (additional 15.3%) as well as the normal income taxes
  - **Depreciation**
    - Section 179 expensing election – Can write off 100% of the cost of new equipment/furniture/fixtures/computers, etc. in the year of purchase
    - Bonus depreciation – 50% of cost of new equipment, etc. can be written off in year of purchase – currently set to expire at 12/31/13
  - **Small Employer Health Insurance Credit**
    - Credit available for employers who pay 50% or more of their employees' health insurance premiums
  - **Auto Expenses**
    - Can deduct for costs of utilizing your vehicle for business purposes
    - Documentation of business use is key!
    - Lease vs. purchase a car inside or outside of the business?
  - **Travel and Entertainment Expenses**
    - IRS hot spot! Again documentation is key!
    - Must be reasonable

### ➤ Payroll

- Complicated with constantly changing federal, state and local tax laws
- Time consuming if chosen to do yourself
- Costly with high frequency of penalties for business owners

### ➤ Tangible Personal Property Tax Return

- Filed annually with the *county*
- Filed to report value of personal property owned by the business (computers, furniture, equipment)
- County assesses tax
- First \$25,000 of equipment is exempt from tax, however an initial return still must be filed

## Small Business Services

Dealing with the above issues can be overwhelming and time consuming, especially when you are just starting out and trying to grow your business. It is important to seek advice early and partner up with a service provider that will provide you with the resources and advice you can trust. You want to be able to focus your time and energies in developing your practice and not worrying about “back-office” issues.



*See how our Small Business Services Department  
can help your business grow at [bkhmcpa.com](http://bkhmcpa.com)*