

Five Basic Tax Tips for New Businesses

IRS Summertime Tax Tip 2014-09

If you start a business, one key to success is to know about your federal tax obligations. You may need to know not only about income taxes but also about payroll taxes. Here are five basic tax tips that can help get your business off to a good start.

1. **Business Structure.** As you start out, you'll need to [choose the structure of your business](#). Some common types include sole proprietorship, partnership and corporation. You may also choose to be an S corporation or Limited Liability Company. You'll report your business activity using the IRS forms which are right for your business type.
2. **Business Taxes.** There are four general [types of business taxes](#). They are income tax, self-employment tax, employment tax and excise tax. The type of taxes your business pays usually depends on which type of business you choose to set up. You may need to pay your taxes by making estimated tax payments.
3. **Employer Identification Number.** You [may need to get an EIN](#) for federal tax purposes. Search "do you need an EIN" on [IRS.gov](#) to find out if you need this number. If you do need one, you can apply for it online.
4. **Accounting Method.** An [accounting method](#) is a set of rules that determine when to report income and expenses. Your business must use a consistent method. The two that are most common are the cash method and the accrual method. Under the cash method, you normally report income in the year that you receive it and deduct expenses in the year that you pay them. Under the accrual method, you generally report income in the year that you earn it and deduct expenses in the year that you incur them. This is true even if you receive the income or pay the expenses in a future year.
5. **Employee Health Care.** The [Small Business Health Care Tax Credit](#) helps small businesses and tax-exempt organizations pay for health care coverage they offer their employees. A small employer is eligible for the credit if it has fewer than 25 employees who work full-time, or a combination of full-time and part-time. Beginning in 2014, the maximum credit is 50 percent of premiums paid for small business employers and 35 percent of premiums paid for small tax-exempt employers, such as charities.

For 2015 and after, employers employing at least a certain number of employees (generally 50 full-time employees or a combination of full-time and part-time employees that is equivalent to 50 full-time employees) will be subject to the [Employer Shared Responsibility provision](#).

Get all the tax basics of [starting a business](#) on [IRS.gov](#) at the [Small Business and Self-Employed Tax Center](#).