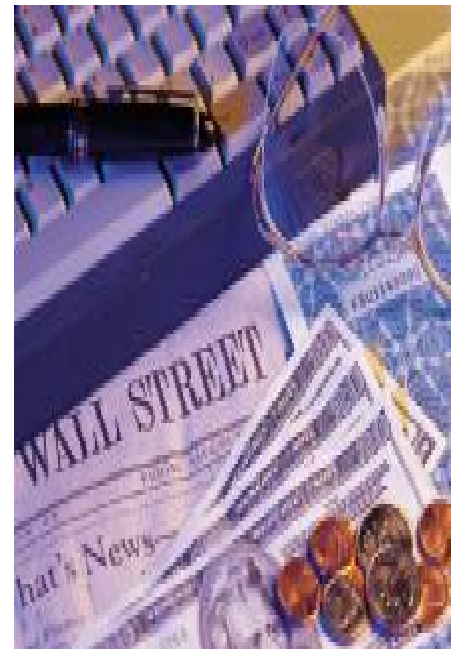


# NEW BUSINESS INFORMATION KIT



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The information in this kit was compiled by

## The Accounting Dept.

Accounting, Payroll and Tax Services  
QuickBooks® Training and Support

"Helping Small Business Owners Keep More Of What They Make."

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## *Getting Started*

### **ENTITY SELECTION**

The first step to beginning a new business venture is to decide what type of entity your company will be. This choice will determine how you should proceed in the formation of the company, what set of rules that you must operate under and how you compute and pay your income taxes on the company's profits. (See chart to follow for further information on the differences between each type of entity)

If you are a single owner company, you may choose to operate as a sole proprietor, a corporation, or a limited liability company. A business with multiple owners may choose to operate as a partnership, a corporation, or a limited liability company.

When you choose to set up a corporation, then you have the option of choosing to operate as a C Corporation or as a Subchapter S Corporation.

Limited Liability Companies and Corporations must file organizational articles with the Secretary of State to establish their legal entity. This can be done through an attorney, incorporation service, or you may choose to prepare and file these documents yourself. There is a filing fee that must be paid to the state (currently \$100 in Georgia) to process your organizational articles. (Our firm can assist you in choosing and setting up the best entity for your business).

Sole Proprietorships and Partnerships are not required to file organizational articles, however, we strongly recommend that anyone establishing a partnership draw up a partnership agreement that outlines the duties, responsibilities, ownership, and how the company will be divided if the partnership should ever decide to dissolve. This protects all parties involved.

The organizational chart on the next page outlines some of the differences between the different types of entities. For additional information on choosing the right entity for your company, attend our seminar entitled **"To Inc or Not To Inc- That is The Question"**



	Sole Proprietorship	Partnership	Limited Liability Company	C Corporation	S Corporation
Number of Owners	1	2 or more	1 or more	Unlimited	Less than 100
Owners Referred to as:	Owner	Partner	Member	Shareholder	Shareholder
How Owners are Compensated	Draws taken from the company	Draws taken from the company	Varies on how the company elects to be treated for tax purposes	Payroll for services rendered Dividends for profit distributions	Payroll for services rendered Distributions of profits
Legal Status	Company and Owner are considered one and the same.	Company and partners are considered one and the same	Company is a separate legal entity from its members	Company is a separate legal entity from its shareholders	Company is a separate legal entity from its shareholders
Tax Form Filed	Sch C and Sch SE on personal 1040	Form 1065	Varies depending on structure	Form 1120	Form 1120S
Who pays the taxes on profits	Owner pays on personal level (Income tax and Social Security/Medicare)	Partners pay on personal level (Income tax and Social Security/Medicare)	Varies depending on structure	Company pays taxes on profits—Shareholders pay on dividends received	Profits roll down to the personal returns of the shareholders and are taxed at the personal level

# ***Recordkeeping***

## **CASH VS ACCRUAL METHOD OF ACCOUNTING**

THERE ARE TWO METHODS FOR ACCOUNTING FOR YOUR INCOME AND EXPENSES. THE CASH METHOD ACCOUNTS FOR INCOME AS YOU RECEIVE IT AND EXPENSES WHEN YOU ACTUALLY PAY THEM. FOR EXAMPLE, IF YOU BILL A CLIENT IN NOVEMBER, BUT DO NOT COLLECT PAYMENT UNTIL JANUARY OF THE FOLLOWING YEAR, THE INCOME IS NOT COUNTED IN NOVEMBER, BUT IN JANUARY WHEN IT IS RECEIVED. LIKewise, YOU WOULD COUNT YOUR EXPENSES IN THE MONTH YOU ACTUALLY PAY THEM, REGARDLESS OF WHEN YOU WERE BILLED.

UNDER THE ACCRUAL METHOD, YOU ACCOUNT FOR THE INCOME AND EXPENSES WHEN THEY ARE ACTUALLY BILLED, SO IN THE ABOVE EXAMPLE, THE INCOME WOULD BE COUNTED AS INCOME IN NOVEMBER, REGARDLESS OF WHEN YOU ACTUALLY RECEIVE THE PAYMENT FOR THE SERVICES RENDERED. YOU WOULD COUNT YOUR EXPENSES IN THE MONTH YOU WERE BILLED, EVEN IF YOU DID NOT PAY THE BILL UNTIL A LATER PERIOD.

LARGER COMPANIES WHO CARRY AN INVENTORY MUST REPORT ITS INCOME AND EXPENSES UNDER THE ACCRUAL METHOD OF ACCOUNTING. SMALL SERVICE COMPANIES AND COMPANIES WHO DO NOT CARRY INVENTORY CAN CHOOSE THE CASH OR ACCRUAL METHOD.



## **HOW TO KEEP YOUR RECORDS**

You will need to keep good business records for your income and expenses. This is key to managing your company as well as reducing your tax liability. You can choose to do this manually, or use a computerized accounting software package. We recommend QuickBooks® because it is a complete accounting package that is relatively user friendly (See our list of QuickBooks® training, setup and support services). Or you can choose to outsource your bookkeeping to a firm that will serve as your accounting department. For information on bookkeeping services, please contact our office.

A good record keeping system should include records of your income, expenses, checking and credit card balances, loan balances, and all assets owned by the company. We strongly recommend that you keep a separate checking account and credit card for your business.

## **AUTOMOBILE EXPENSES**

If you drive your automobile for business purposes, you must keep a mileage log to reflect the total business miles driven and the business purpose of each trip. You will be able to take a deduction for your business mileage by either deducting the standard mileage rate times the number of business miles driven, or by taking the business percentage of your actual automobile expenses ( gas, repairs, maintenance, depreciation, etc). You also can deduct business parking and tolls. (Fines for traffic violations are not deductible)

If your business is a corporation, your company will need to reimburse you for business use of your personal vehicle in order to take the deduction. It can either reimburse you based on mileage, or give you an auto allowance. Just be aware that you will still need to keep a mileage log and that if the company pays you more than your business expenses, then the overpayment must be reported as income to you.

## **TRAVEL, MEALS AND ENTERTAINMENT**

You can also deduct travel expenses if you travel for business purposes. You should keep a record of the business purpose for each trip (to attend a seminar, meet with a client, buying inventory, etc). If you take family members with you, their expenses should be kept separate from yours. Also, if you extend the trip for personal reasons, the cost of the additional stay is not deductible.

Deductions for business meals and entertainment should also be recorded for the business purpose, who you met with, and why. Keep in mind that most meals and entertainment is only 50% deductible. And as with the auto expenses, if your company is incorporated, it will need to reimburse you for these expenses if you pay them personally in order to deduct them as a business expense.



## **OFFICE IN HOME DEDUCTION**

The tax code allows for a deduction for use of your home as a home office. In order to qualify for this deduction, you must have an area of your home that you use regularly and exclusively for business. It can be a home office area that you use to do your paperwork and answer phone calls or an area that you meet with clients or store inventory. If you are a sole proprietor, you can use this deduction to lower your taxable income, but cannot use it if your business has a loss for the year. To determine the amount of the deduction, you must calculate the square footage of the business use area and then divide it by the total square footage of living space in home. This will give you your business use percentage. You will be able to deduct this percentage of your home expenses (insurance, utilities, security system, interest, rent, etc) as a business expense, provided your company is showing a profit as mentioned above.

If your company is a corporation that has an office set up in your home, the company will need to pay you rent for use of the office space. You must include this rent as rental income on your personal tax return, and your company will deduct it as a rent expense.

## **EMPLOYEES**

If you hire employees for your business, you will need to keep good payroll records, including hours worked, gross pay, payroll deductions, and payroll taxes paid in.

You will need to have all new employees complete a W-4, G-4, I-9, and a New Hire Reporting Form. You will also need to be sure to register as an employer with the Georgia Dept. of Revenue and with the Georgia Dept. of Labor before hiring employees.

You will be required to withhold federal, state, social security, and medicare taxes from wages paid to employees. As the employer, you will be required to match the social security and medicare withholding as well as pay federal and state unemployment taxes on your employees wages.

You must remit the taxes to the proper agencies on a regular scheduled basis. You will also be required to submit payroll reports to the federal and state agencies quarterly and also complete year end payroll tax filings and W-2 forms.

You may also be required to carry Worker's Compensation insurance to cover your employees as well.

For more information on payroll requirements, attend our seminar "Payroll 101, Everything You Need To Know Before You Hire Employees".

**Want to outsource your payroll processing? Contact our office about payroll services.**

## **INDEPENDENT CONTRACTORS**

If you use contract labor, you will need each independent contractor to complete a W-9 and it keep on record. You should also request copies of the contractors workman's compensation insurance certificates.

To be treated as an independent contractor and not an employee, the person should be paid by the job and not by the hour, should work for other companies besides yours, and use their own tools and vehicles. If they work exclusively for you under your supervision, then they should be treated as an employee as outlined above. (For more information on what constitutes an independent contractor vs. an employee, see IRS Publication

At year end, you are required to prepare and file 1099 Forms for all unincorporated subcontractors that your company paid \$600 or more during the year. These forms are due out to contactors by Jan 31st and to the IRS by the last day of February.

## **Business Plans**

A business plan is a great tool to use when starting a new company. The plan should outline what your company seeks to accomplish, who its potential customers are and how they will market to them, how much capital it will need, and its projected income and expenses for the first two years. We recommend that all new companies take the time to put together a plan, especially if you will be seeking financing from a bank, private investor or SBA loan.

# ***Taxes***

## **INCOME TAXES**

You (or your company) will be liable for federal and state income taxes on the company's taxable profits for the year. Returns are due as follows:

Sole Proprietorships: Attach Sch C and Sch SE to your personal 1040 tax return due April 15th each year.

Partnerships: File Form 1065 (Federal ) and GA 700 (State of GA) by April 15th. Form K-1 is given to each partner to prepare their personal income tax return.

Corporations: C Corporations file Form 1120 (Federal) and GA 600 (State of Georgia) due March 15th if calendar year corporation. If company reports on a fiscal year, the returns are due by the 15th day of the 3rd month following the close of the fiscal year.

S Corporations file Form 1120S (Federal) and GA 600S (State of Georgia) by March 15th each year. K-1's are given to each shareholder to be included in their personal income tax filings.

Limited Liability Companies: Limited Liability Companies must elect how they choose to be treated for tax purposes and file the appropriate form based on this election.

## **Payroll Taxes**

As discussed in the employee section, employer's are liable to withhold and remit payroll taxes on employees wages on a regularly scheduled basis. Your schedule depends on the amount of payroll that you process each year.

Taxes include 941 Federal tax deposits, Georgia withholding payments, and payments of federal and state unemployment taxes.

**Remember that you are collecting tax for the government and it is very important that this tax gets paid in full in a timely manner. Penalties for not paying in these types of taxes are high.**

For assistance in preparing and filing your payroll tax forms, please contact our office.

## **SALES TAXES**

Companies who are liable to collect sales and use taxes must remit these taxes to the state on a regularly scheduled basis. Most companies are required to report and remit the taxes collected on a monthly basis.

In the State of Georgia, labor charges are not subject to sales tax, so most service companies are not required to collect and remit sales taxes. We do recommend that you check your status with the state prior to beginning your business.

## **PERSONAL PROPERTY/INVENTORY TAX**

If your company carries an inventory, or owns personal property such as office furniture, equipment, leasehold improvements, computer equipment, etc, then you are subject to Personal Property/Inventory Tax. It is paid to the county that your company is located in. Schedules vary, but for most Georgia counties, the reporting form is due in either March or April, and the tax liability is due to be paid in September. The tax is based on a depreciated value of the items owned. The reporting form calculates this value.

Contact your county's tax assessors office for additional information.

## **NEXUS**

If your company does business in more than one state, it may be required to pay income, property, sales, and payroll taxes in each state that it does business in. This will come into play if you have an office in more than one state, employees in other states, or sales reps who make sales in other states. It is important to check with each individual state that you do business with to find out what taxes your company may be liable for.

## *New Business Checklist*

- Review the different legal entities and decide which is the best choice for your company. (Attend our seminar—"To Inc or Not To Inc, That Is The Question" for more information on how to make the choice or schedule an appointment to discuss your options)
- If you are going to set up a corporation or limited liability company, contact an attorney or our office for assistance
- Choose the accounting method that is best for your company
- File Form SS-4 to obtain a federal ID number (Not required if your company is a Sole Proprietorship with no employees)
- File a DBA Statement with your county clerks office if necessary
- Once you obtain the federal ID, open your company checking account
- Prepare your business plan
- If you will have employees, apply for your state withholding number and for your department of labor employer ID number. You will also need to enroll with EFTPS and GA Epay.
- If you are selling items subject to sales tax, apply for your sales tax registration number
- If you are doing business in multi-states, check on your filing requirements for each state
- Obtain your business licenses
- Set up your recordkeeping system. If using QuickBooks® , you can purchase it at a discount on our website
- Register for our QuickBooks® Training Classes
- Or meet with our office to discuss outsourcing your bookkeeping tasks
- If you are hiring employees, attend our Payroll 101 Seminar to learn what you need to know before hiring employees
- Have all new employees complete Forms W-4, G-4, I-9 and the New Hire Reporting Form (Submit new hire forms to Dept of Labor)
- Be sure that you are aware of your payroll deposit requirements. For help in preparing payroll reporting forms, contact our office.
- Have all new contractors complete Form W-9 and keep on file along with their Workman's Comp insurance certificates
- Meet with your insurance agent to discuss business insurance needs.
- Purchase an auto mileage log to record business mileage.
- Meet with your accountant to discuss tax laws and estimated tax requirements for your entity. (Don't have an accountant, call our office for a free consultation)
- If you are incorporated, file your initial net worth tax return within 75 days of incorporating.
- If incorporated and wish to be an S Corp, File Form 2553 within 75 days of incorporating. If you are a LLC, file your Entity Election Classification form.
- File your initial corporate registration within 90 days of incorporating.
- Have your organizational meeting ( corporations and LLC's)

## *Important Numbers/ Contact Info*

- Georgia Secretary of State's Office: [www.sos.state.ga.us](http://www.sos.state.ga.us)  
404-656-2817
  
- Georgia Department of Revenue: [www2.state.ga.us/departments/dor](http://www2.state.ga.us/departments/dor)
  - Income Tax Division* 404-417-3205
  - Sales and Use Tax Division 404-417-6601
  - Withholding Tax Division 404-417-3210
  
- Georgia Department of Labor [www.dol.state.ga.us](http://www.dol.state.ga.us)  
404-656-3122
  
- SMALL BUSINESS ADMINISTRATION [WWW.SBA.GOV](http://WWW.SBA.GOV)  
**404-331-0100**
  
- Internal Revenue Service [www.irs.gov](http://www.irs.gov)  
1-800-829-1040

## *Forms and Applications*

Federal:

SS-4            Application for a Federal ID Number

**Form 2553      S Corporation Election**

W-4            Employee Withholding Certificate

W-9            Independent Contractor

State:

G-4            Georgia Withholding Certificate

GA 600        Georgia C Corporation Income Tax Form

GA 600S      Georgia S Corporation Income Tax Form

## *Dates To Note*

### **Income Taxes**

**March 15— Corporate Income Taxes Due**

**April 15— Partnership and Sole Proprietorships Due**

### **Payroll Tax Filings**

**April 30— First Quarter Payroll Tax Filings Due**

**July 31 - Second Quarter Payroll Tax Filings Due**

**October 31 - Third Quarter Payroll Tax Filings Due**

**January 31— Fourth Quarter Payroll Tax Filings Due**  
**W-2's Due to Employees**  
**1099's Due to Contractors**  
**Federal Unemployment Tax Return Due**

**Feb 28th - W-2's and 1099's due to IRS / Social Security Administration**

## *About Our Company*

The Accounting Dept., a division of Financial Concepts, Inc., is a locally owned firm that has served the Gwinnett County area for over 15 years.

Specializing in accounting and tax services for the small business, the firm offers the following services:

Bookkeeping (Real time and After The Fact)

Income Tax Preparation (Business and Personal Returns)

Payroll Processing / Payroll Tax Filings

QuickBooks® Training and Support Services

Sales and Use Tax Filing

Small Business Information Seminars

Incorporation Assistance Services

**It is our goal to help our clients keep more of what they make. We do this by helping them get a good recordkeeping system in place, and by proactive tax planning.**

\*QuickBooks® is a registered trademark of Intuit, Inc.

## Seminars For Small Businesses



### TO INC OR NOT TO INC, THAT IS THE QUESTION.

Find out what entity classification is right for your company.

2 hours  
Price: \$59.00



### PAYROLL 101—EVERYTHING YOU NEED TO KNOW BEFORE YOU HIRE EMPLOYEES

Payroll taxes, employment laws, form filing, and much more.

2 hours  
Price: \$59.00



### THE BOTTOM LINE—HOW TO READ YOUR FINANCIAL STATEMENTS

Learn what the numbers mean on your monthly financial statements and how to use them as business management tools.

2 hours  
Price: \$59.00



### 101 TAX TIPS

Learn how to keep more of what you make—LEGALLY. Guaranteed to save you \$\$ if you use our tips.

3 Hours  
Price: \$89.00

## QuickBooks® Training and Support



### QUICKBOOKS® QUICKSTART SEMINAR

Beginners seminar to learn the basics of QuickBooks® from set up to handling the day to day accounting tasks.

4 hours  
\$97.00

### ACCOUNTANTS REVIEW SRV

Let us review your QuickBooks® data, clean up your file, and prepare your payroll and sales tax forms, and prepare your financial statements.

Price: Starting at \$125 per month

### QUICKBOOKS® BEYOND THE BASICS

Covers some of the more advanced accounting issues such as assets, loans, depreciation, financial statements, sales tax, payroll and more.

4 hours  
\$97.00

### ONSITE INSTALLATION

Let us set up your file and provide training for your staff as well as technical support.

3 hours set up / 6 hours training/  
10 hours support  
Price: \$595

### QUICKBOOKS® FOR CONTRACTORS

Covers topics specific to contractors such as job costing, retainage, workman comp, and more.

3 hours  
\$97.00

### SUPPORT SERVICES

Designed to help you with your QuickBooks® questions and troubleshooting. Telephone and email support available.

Plans vary—ask for details