

You've just started your new corporation or LLC...

NOW WHAT?

A bare bones guide.

by Ameri Tax Service
www.AmeriTaxCA.com
Since 2001

NEXT STEPS & THINGS TO DO:

READ THIS ENTIRELY

Keep A Start Up folder

You must keep your start up documents in an organized and safe place. Keep both a signed and dated digital back up as well as a signed and dated paper back up

>Articles of Corporate (State)

>Member or Operating Agreement

>Ein # letter

>S Corp approval letter

>Statement of Information (annually if a corporation, every other year if LLC)

>Annual minutes

Open a Corporate/LLC bank account

You must keep your business and personal funds separated...no co-mingling! The IRS highly frowns on this AND if you don't keep your personal and business assets and expenses separated, you risk "piercing the corporate veil" and losing the liability protections provided by these specialize business entities.

>Use your new EIN #

>The bank will want to see your operating agreement and articles of incorporation

>You may need a Fictitious Business Name.

>Check with your bank

>FBN (also known as DBAs) are done through your county recorders office

>Most have ability to do this online/thru the mail

>Maybe better to go in person as the form looks very simple but is easy to fill it out incorrectly resulting it being sent back and wasting time.

Open a Corporate Credit Card

Run all your expenses through a credit card versus a debit card. Credit cards offer fraud protection.

Use only your new corporate credit card or debit card, business checks, or online bank business transfer feature for ALL business transactions from buying gas to business supplies. This provides a great source of back up if asked to prove expenses in an audit.

If you collect through Venmo, cash apps, Paypal and the like please be sure all income gets deposited first into your business account. You can take the funds you need out of the business account—not the cash app.

>Do not pay expenses out of your cash apps. Do that out of your business account through Zelle or something similar.

>The IRS is now requiring these new “banking” vehicles to report deposits the same way as credit card companies report sales.

Review your incorporation with an attorney

As a single member corporation or LLC choosing to operate as an S Corp, your incorporation/LLC docs may need updating as soon as:

>you add a partner

>you have a change of life status (marriage)

When you become a multi member or share holder organizations, things like divorce and exit strategies, death and partners selling out to others all require attorney review.

Start Tracking Expenses

As a corporation or multi member LLC you must do double entry bookkeeping provided by companies like Quickbooks from your very first month (or you must back in the months/expenses not in the system).

>Code the expenses from your credit cards (do not ledger credit cards as a lump sum)

>Most bookkeeping programs can be set up to bring in your bank and credit card expenses automatically. They do not do a great job of classifying them. As an owner, you will need to be sure your expenses are classified correctly to avoid “red flags”

Understand how you will pay your taxes

If your entity is a “flow through” entity (S Corp, Partnership LLC), you will file a tax return which will generate a K1 showing your share of profit or loss from the company. This K1 showing the profit (income) or loss, like a W2, gets added to your personal tax return and then you calculate your federal and state taxes on your personal return and pay them from your personal bank account.

As your business entity flourishes, you will have to think ahead about how to pay taxes during the year caused by the profit your business entity generates. Most of the time you should be forecasting your profits and paying quarterly taxes. Your tax accountant can help you calculate how much to pay through out the year and provide coupons or vouchers on Form 1040es to submit with your payment. You can pay online through www.pay1040.com and for CA you can register for the Franchise Tax Board account and pay through that (go to FTB.ca.gov and search “pay online”).

Build Your Village

Sometimes the biggest mistakes are made because you don't know what you don't know. Dr. Google can only help so much.

You should build a team of trusted advisors including:

>Your business attorney and/or trust attorney (Your ownership interest in this business entity should very likely be incorporated into your trust/will.)

>Your tax accountant

>Your bookkeeper (sometimes your tax accountant or your tax firm also is your bookkeeper)

>Your HR team and payroll firm

>Your business insurance agent (Liability, workers compensation, umbrella policies)

The last thing you want is to need something in an emergency and have no team to go to for help and advice.

Know your write offs

>Things like automotive and housing expenses are handled differently in a specialize business entity than in your personal return. Every year you should discuss upcoming expenses and your P&L to determine better strategies to maximize your deductions.

>Meals are typically deducted at 50%

>Handling capital expenditures like equipment purchases, building improvements, purchases of automobiles, can be handled many ways and the best one is typically determined when all the facts of the year both personal and business are considered. This is where creative accounting comes into play most often.

Know your deadlines

>For single member LLCs also known as disregarded entities (April 15th)

>For S Corps March 15th

>For when you have to pay your annual State Franchise Tax Fees (\$800 in CA. Varies by state)

>For you statement of information filing requirements (varies by type of entity)

>For your sales tax return deadlines if you collect sales tax (sales tax is a specialty type of tax return separate from an income tax return)

>Set a target date for writing your corporate/LLC minutes annually and keep this record on file with your other important business entity documents.

GOOD LUCK

PERSEVERE

DON'T GIVE UP

PLAN ANNUALLY