



IRS Summertime Tax Tip 2016-18: Five Tips for Starting a Business

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IRS Tax Tips

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Inside This Issue

Five Tips for Starting a Business

Understanding your tax obligation is one key to business success. When you start a business, you need to know about income taxes, payroll taxes and much more. Here are five IRS tax tips that can help you get your business off to a good start:

1. **Business Structure.** An early choice you need to make is to decide on the type of [structure for your business](#). The most common types are sole proprietor, partnership and corporation. The type of business you choose will determine which tax forms you file.
2. **Business Taxes.** There are four general [types of business taxes](#). They are income tax, self-employment tax, employment tax and excise tax. In most cases, the types of tax your business pays depends on the type of business structure you set up. You may need to make [estimated tax payments](#). If you do, you can use [IRS Direct Pay](#) to make them. It's the fast, easy and secure way to pay from your checking or savings account.
3. **Employer Identification Number (EIN).** [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

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you do need one, you can [apply for it online](#).

4. **Accounting Method.** An [accounting method](#) is a set of rules that you use to determine when to report income and expenses. You must use a consistent method. The two that are most common are the cash and accrual methods. Under the cash method, you normally report income and deduct expenses in the year that you receive or pay them. Under the accrual method, you generally report income and deduct expenses in the year that you earn or incur them. This is true even if you get the income or pay the expense in a later 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. You're eligible for the credit if you have fewer than 25 employees who work full-time, or a combination of full-time and part-time. 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 more information on your health care responsibilities as an employer, see the [Affordable Care Act for Employers](#) page on IRS.gov.

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

[IRS Tax Tips](#) provide valuable information throughout the year. IRS.gov offers tax help and info on various topics including common [tax scams](#), [taxpayer rights](#) and more.

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