



4 U TAX AND ACCOUNTING SERVICES

TAXES AND ACCOUNTING DONE 4 LESS!!!

# Starting A Business

Quick guide to starting your small business

**4 U Tax and Accounting Services**

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# Business Entities

There are several ways a small business can be treated.

**Sole Proprietor** – This is the least expensive way to establish your business. There are no fees to pay to set up a sole proprietor business. Your income and expenses are reported to the IRS on a schedule C as part of your regular 1040 tax return. It is recommended that you obtain an Employer Federal Identification Number (EFIN) so you can give this number to other businesses rather than your Social Security Number.

**Partnership** – A partnership is the relationship existing between two or more persons who join to carry on a trade or business. Each person contributes money, property, labor or skill, and expects to share in the profits and losses of the business.

A partnership must file an annual information return to report the income, deductions, gains, losses, etc., from its operations, but it does not pay income tax. Instead, it “passes through” and profits or losses to its partners. Each partner includes his or her share of the partnership’s income or loss on his or her tax return.

Partners are not employees and should not be issued a Form W-2. The partnership must furnish copies of Schedule K-1 (Form 1065) to the partners by the date Form 1065 is required to be filed, including extensions. Partners pay self-employment tax on the profits of the business as shown on the K-1.

**Limited Liability Company (LLC)** – An LLC can be treated as a sole proprietor, partnership, S-Corp or a C-Corp. Although the LLC offers some corporate protection it can be pierced by a lawyer if it is not being treated properly by the owner. Tax filing is dependent on how the LLC is treated. An LLC can have less paperwork than an S or C corporation.

**Corporations – C-Corporations vs. S-Corporations** – An eligible domestic corporation can elect to be taxed as an S-Corporation. An S-Corporation generally does not pay Federal income tax-its profits and losses pass through directly to shareholders. This avoids the C-Corporation double tax, and allows shareholders to deduct corporate losses on their individual returns.

|                        |   |   |   |   |
|------------------------|---|---|---|---|
| <b>Taxation</b>        | Schedule C income would be taxed at the personal rate plus social security rate at 15.3% (self employment tax). | Schedule C income would be taxed at the personal rate plus social security rate at 15.3% (self employment tax). | Double tax of profits. Income is taxed at the corporate level (\$0-50,000%); profits distributed as dividends are taxed at the individual.                                  | Profits are passed through directly to shareholders, escaping corporate-level tax.  |
| <b>Dividends</b>       | Not Applicable  | Not Applicable  | Dividends paid by C Corporation are generally taxed to the individual at the same rate as long-term capital gains (0% or 15%).  | S Corporation earnings passed through to a shareholder are taxed as ordinary income.  |
| <b>Ordinary Losses</b> | Losses from the business reduces other income on the individual tax return.                                     | Losses from the business reduces other income on the individual tax return.                                     | C Corporation losses are not passed through to shareholders. Losses can be deducted only at the corporation level as NOL (Net Operating Loss) carrybacks and carryforwards. | Losses are passed through directly to shareholders. Current-year losses are deductible up to the shareholders basis in the S Corporation. |
| <b>Capital Gains</b>   | Not Applicable  | Not Applicable  | Taxed at the same rate as ordinary income.  | Pass through to shareholders and are eligible for favorable capital gain tax rates for individuals.                                       |
| <b>SOLE PROPRIETOR</b> | <b>LLC</b>  | <b>C CORPORATION</b>  | <b>S CORPORATIONS</b>   |   |

**Capital Losses**

|                             |  |  |   |   |
|-----------------------------|--|--|---|---|
|                             |  |  | Allowed only to the extent of capital gains. Met capital losses are carried back 3 years and forward 5 years.   | Pass through to shareholders. Capital losses are deductible subject to limitations on the shareholder's return  |
| <b>Payroll Requirements</b> | None required unless there are employees. If there are W-2 wage earners then the paperwork is the same as a corporation. | None required unless there are employees. If there are W-2 wage earners then the paperwork is the same as a corporation. | Owner is an employee of the corporation and must take W-2 wages. Corporation must file unemployment for all employees. Payroll withholdings are required to be electronically deposited to the IRS on the 15 <sup>th</sup> of each month. Payroll (quarterly reports) are to be reconciled and filed with the IRS every 3 months. | Owner is an employee of the corporation and must take W-2 wages. Corporation must file unemployment for all employees. Payroll withholdings are required to be electronically deposited to the IRS on the 15 <sup>th</sup> of each month. Payroll (quarterly reports) are to be reconciled and filed with the IRS every 3 months. |
| <b>Owners Draw</b>          | Allowed  | Allowed  | Not Allowed   | Not Allowed   |
| <b>SOLE PROPRIETOR</b>      | <b>LLC</b>   | <b>C CORPORATION</b>   | <b>S CORPORATION</b>  |   |
| Not Applicable              | Not Applicable   |  |   |   |

# Set up Fees

[Should I file my business with the state?](#) Unless you establish your business as a sole proprietorship or a general partnership, you must register with the [Kansas Secretary of State](#). Corporations must file Articles of Incorporation, LLCs must file Articles of Organization, and Limited Partnerships must file Certificates of Limited Partnership. Filings are available online.

## Sole Proprietor

The IRS does not charge for an Employer Identification number.

The state of Kansas does not register sole proprietorships, d/b/a names, assumed names, trade names, or fictitious names.

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**4 U Tax and Accounting Services processing fee \$100**

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## Partnership (Limited partnership, Limited Liability Partnership)

The IRS does not charge for an Employer Identification number.

|               |              |
|---------------|--------------|
| Filing Fee    | \$160        |
| Expedited Fee | \$100        |
| <b>Total</b>  | <b>\$260</b> |

*Annual renewal fee is \$160*

**4 U Tax and Accounting Services processing fee \$100**

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## LLC

Fees needed to file the Articles of Organization online with the State of Kansas is:

|               |              |
|---------------|--------------|
| Filing Fee    | \$165        |
| Expedited Fee | \$100        |
| <b>Total</b>  | <b>\$265</b> |

*Annual renewal fee is \$165*

**4 U Tax and Accounting Services processing fee \$200**

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## Corporations

The fees needed to file the Articles of Incorporation for C or S corporations in Kansas are:

|                        |              |
|------------------------|--------------|
| Filing Fee             | \$85         |
| Expedited Fee          | \$100        |
| Payment Processing Fee | \$10.00      |
| <b>Total</b>           | <b>\$195</b> |

*Annual renewal fee is \$85*

**4 U Tax and Accounting Services processing fee \$200**

# Bookkeeping Fees

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## Complete Package

**\$300 a Month**

Weekly Payroll  
Monthly/Quarterly Payroll Reports  
Monthly Bank Reconciliation  
Monthly Profit & Loss Statement  
Monthly Balance Sheet

Sales tax (if applicable)  
Year-end W-2's and 1099's  
General Ledger  
Accounts Payable and Receivable

Payroll checks can be printed in our office and delivered to your business or totals can be  
Faxed or emailed and the business can write the checks.  
Monthly Filing and Payment of Federal and State withholdings are done electronically

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## Payroll Services only

**\$70 a month**

Weekly Payroll  
Monthly/Quarterly Payroll Reports  
Year-end W-2s and 1099's

Payroll checks can be printed in our office and delivered to your business or totals can be  
Faxed or emailed and the business can write the checks.  
Monthly Filing and Payment of Federal and State withholdings are done electronically

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## Bookkeeping only

**\$250 a month**

Monthly Bank Reconciliation  
Monthly Profit & Loss Statement  
Monthly Balance Sheet  
Sales tax (if applicable)

Year-end W-2's and 1099's  
General Ledger  
Accounts Payable and Receivable

We understand that being self-employed is very time consuming that is why we pick up bookkeeping from our clients home/business. We meet at times that work with your schedule in your home, business or our  
Wichita office.