

BUSINESS TAXES 101



Steve Perry, MSA, EA, CTRC
Books, Taxes & More, LLC



steve@bookstaxesatl.com



www.bookstaxesatl.com



678-717-9818

Steve Perry
Books, Taxes & More, LLC



- ❖ **Masters of Science Accounting**
- ❖ **Enrolled Agent**
- ❖ **Certified Tax Representation Consultant**
- ❖ **10 plus years in Tax Resolution**
- ❖ **Preparing tax returns for over 40 years**
- ❖ **Published Author**





Agenda

01

Sales and Use Tax

02

State & Federal Income Tax

03

Local Tax

04

Filing Deadlines

05

Penalties

06

What To Do When There Is A Problem



Sales Tax

- **Subject to sales tax in Georgia**
 - ✓ **Tangible personal property**
 - ✓ **Accommodations**
 - ✓ **In-state transportation**
 - ✓ **Admissions and participation charges for amusement activities**
 - ✓ **Charges added to the sale to facilitate the sale**
 - ✓ **Products used for a service (think tanning oil)**
 - ✓ **Restaurants including mandatory gratuities**
- **Reporting**
 - ✓ **Must be reported and paid MONTHLY**
 - ✓ **Failure to pay is considered theft in GA**



Use Tax

- **Non-exempt items brought into Georgia**
- **Refers to items used in business**

Reporting

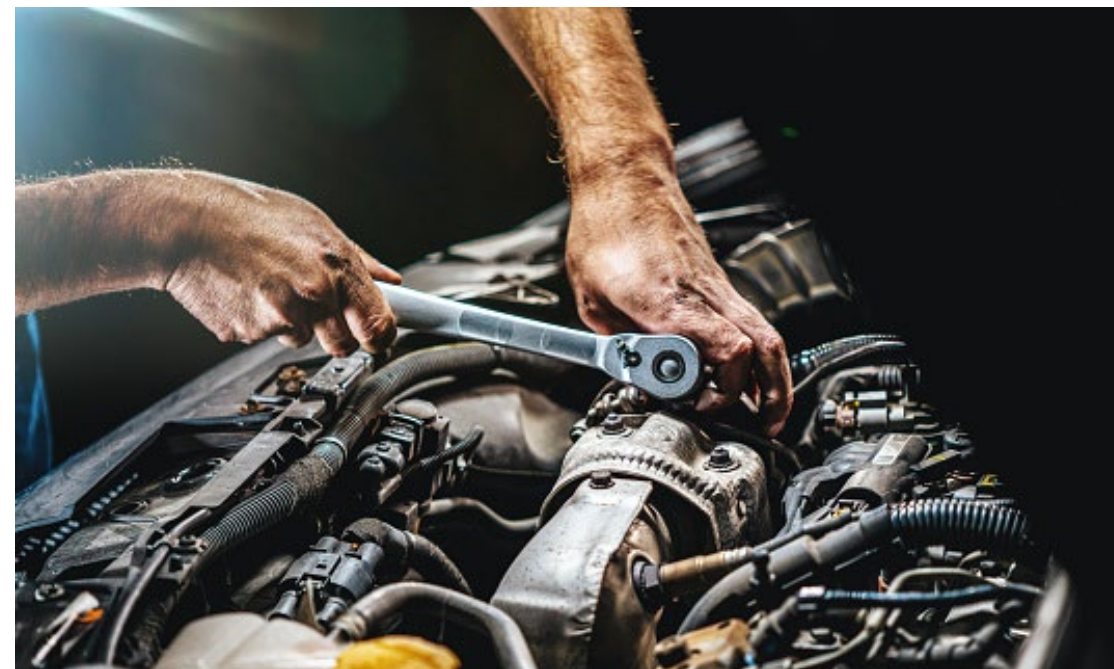
- **Must be reported and paid MONTHLY**
- **Failure to pay is considered theft in GA**



Income Tax – Sole Proprietor



- LLCs are disregarded entities and will not be discussed
- Single owner
- Schedule C on the standard 1040 and GA 500
- Return generally due on April 15th
- Must send in quarterly estimated tax payments.
- Owner pays self-employment tax (both sides of FICA & Medicare)
- Employee vs Contractor key issue



Income Tax - Partnerships



- **Two or more people or entities engaged in a business venture**
- **MANDATORY IRS Form 1065 and GA Form 700 filed by the 15th day of the third month after the end of the fiscal year.**
- **Profit or loss flows to each partner according to their share of the business**
- **All partners are considered self-employed**
- **Reported on K-1**
- **Partnership agreement is critical**
- **Annual meeting with minutes is critical**
- **The IRS has a special section just to look at partnerships**



Income Tax S – Corporations



- **Named after the portion of the Internal Revenue Code authorizing the entity**
- **Allows a business to be treated as a corporation without the double taxation**
- **Owners are employees**
- **More options for reducing taxable income**
- **MANDATORY IRS form 1120S and GA Form 600S filed by the 15th day of the third month after the end of the fiscal year**
- **Profit and loss flow through to the shareholders in accordance with number of shares held**
- **Major target of the IRS is reasonable compensation received by owners**
- **Corporate minutes essential**

Income Tax C - Corporations

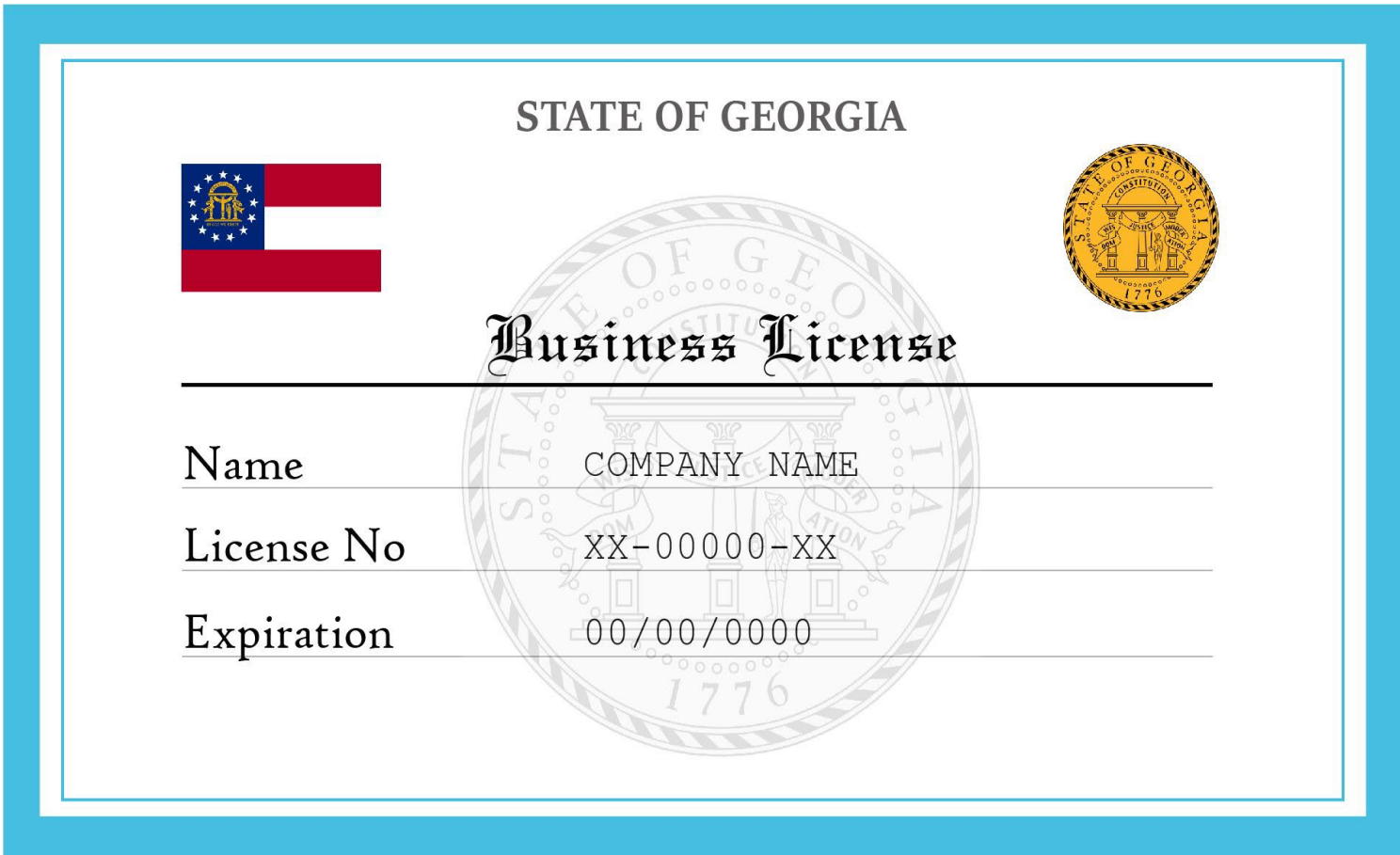


- Named after the portion of the Internal Revenue Code authorizing the entity
- Is a stand-alone taxpayer
- Often results in double taxation of profit of a company
- Owners are employees
- Seldom a good choice for the small business owner
- IRS form 1120 and GA Form 600 filed by the 15th day of the fourth month after the end of the fiscal year
- Corporate minutes essential

Local Taxes – Business Licenses



- Tax paid to local city or county depending on the location of the business
- Paid annually
- In Rockdale County must be renewed by December 31st
- Payment must be made by February 1 each year
- Fee or Occupational Tax based on number of employees including owner



Sales & Use Tax Penalties



- **Civil – Most Cases**
 - **Failure to File by due date: Greater of 5% of taxes owed or \$5 per month up to 25% or \$25**
 - **Failure to Pay: Greater of 5% of taxes owed or \$5 per month up to 25% or \$25**
 - **False or Fraudulent Return: 50% of taxes due**
- **Criminal Penalties**
 - **Failure to File:**
 - **First offense: Misdemeanor, up to \$5,000 fine and / or 1 year in jail**
 - **Subsequent convictions: Felony, up to \$10,000 fine and / or 5 years in prison**
 - **Failure to pay:**
 - **First offense: Misdemeanor, up to \$5,000 fine and / or 1 year in jail**
 - **Subsequent convictions: Felony, up to \$10,000 fine and / or 5 years in prison**

Individual Tax Penalties



Failure to file 1040 either on time or by extension date

- 5% of unpaid taxes for each month or part of a month that a return is late up to 25%**
- Interest is added in accordance with the current stated rate**

Failure to pay taxes due on time (THERE IS NO EXTENSION TO PAY)

- 0.5% of the unpaid taxes for each month or part of a month up to 25%**
- Interest is added in accordance with the current stated rate**

Penalties – Income Tax Information Returns



- **Failure to file 1065 (Partnership Return) either on time or by extension date**
 - **\$220 for each month or part of a month (max 12) times the total number of “persons” who were partners during any part of the tax year.**
 - **Interest is added in accordance with the current stated rate**
- **There is no failure to pay penalties since partnerships do not pay taxes**

- **Failure to file 1120S (S-Corp Return)**
 - **\$195 per month or part of a month (max 12) times the number of “persons” who were shareholders during any part of the tax year.**

Penalties – Trust Fund



- **Employer Responsibilities**
 - **Withhold appropriate amounts from employees pay**
 - **Matching FICA and Medicare**

- **Employee Trust Fund (withholding taxes)**
 - **Trust Fund Recovery Penalty can be assessed to anyone who had a duty and the power to perform payroll duties.**
 - **Penalty = unpaid balance of the trust fund tax + employee’s portion of the withheld FICA taxes.**
 - **Trust Fund Recovery Penalties and recovering the missing Trust Fund payments are very high priority for the IRS**

W-2 2018 Wage and Tax Statement Copy C – For the employee's records		
Employee's name, address, and ZIP code Kaitlyn Spindel 123 Any St. Berkeley, CA 94704		Employer's name, address, and ZIP code Taco Train 1455 Market St. San Francisco, CA 94103
Employee's social security number 123-45-678		Employer identification number (EIN) 12-3456789
1 Wages, tips, other compensation 16500.25	2 Federal income tax withheld 1663.79	
3 Social security wages 16500.25	4 Social security tax withheld 1023.02	
5 Medicare wages and tips 1024.00	6 Medicare tax withheld 239.25	
7 Social security tips	8 Allocated tips	
10 Dependent care benefits	11 Nonqualified plans	
12a	12b	14 Other SDI 148.51
12c	12d	
13 <input type="checkbox"/> Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> 3rd party sick pay		
15 State CA		Employer's state ID number 123-4567-8
16 State wages, tips, etc. 16500.25		17 State income tax 184.01
18 Local wages, tips, etc. 1000.00	19 Local income tax	20 Locality name

PROBLEM PREVENTION



The best way to prevent problems in the tax arena is to:

- **Hire a trusted advisor**
- **Meet with that advisor either virtually or in person every quarter at least**
- **Ensure tax returns are filed on time**
- **Pay tax estimates and final payments before they are due**
- **Have a professional payroll service take care of paying employees.**





PROBLEM RESOLUTION

- **Problems surface:**
 - **Business owner discovers or is made aware by the bookkeeper**
 - **A letter from the Department of Revenue or the IRS.**

- **Steps to resolve the problem:**
 - 1. DON'T PANIC**
 - 2. Sit down with a tax resolution specialist to understand the problem**
 - 3. Develop a plan with your resolution specialist**
 - 4. Let the specialist do the heavy lifting**
 - 5. DON'T TALK TO THE IRS OR THE DOR!!!**
 - 6. There will be pain, and it will cost money, but life will go on.**

Thank You!



Steve Perry, MSA, EA, CTRC
Books, Taxes & More, LLC



steve@bookstaxesatl.com



www.bookstaxesatl.com



678-717-9818