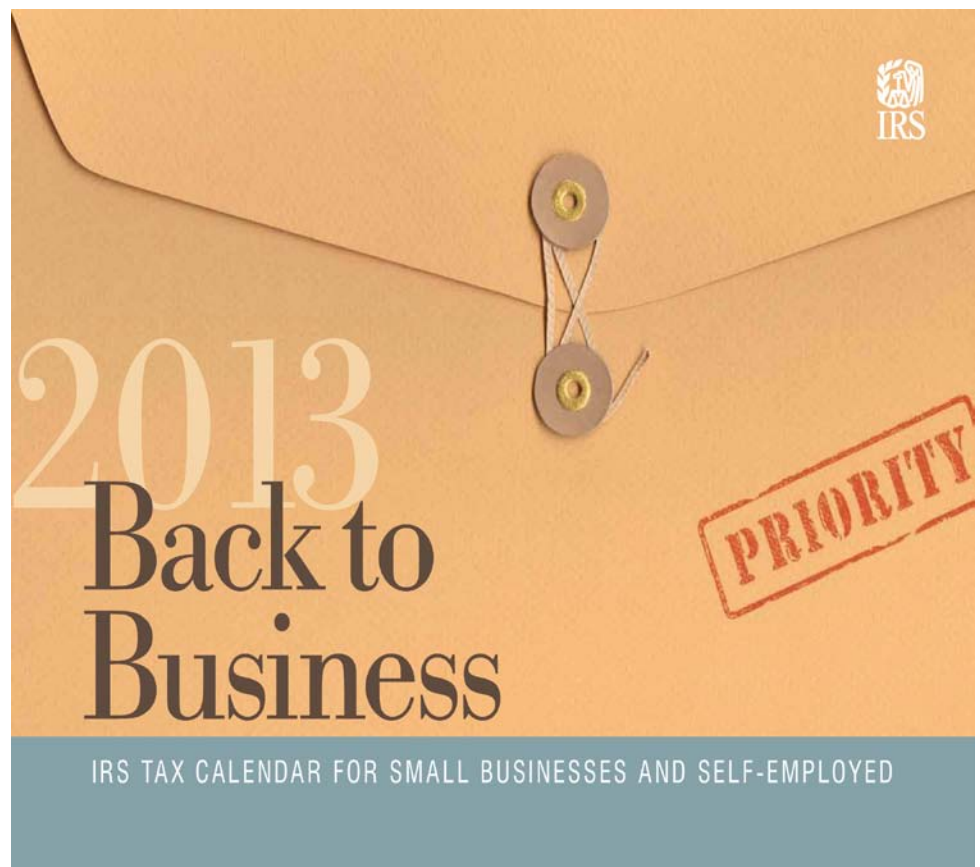


Publication 1518

2013 Back to Business

**(IRS Tax Calendar for Small Businesses and
Self-Employed)**

Volume 1 of 2



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Back to Business

WELCOME to the 2013 IRS Tax Calendar for Small Businesses and Self-Employed.

Available in both English and Spanish (**Publication 1518SP**), this calendar is filled with useful information to address your small business concerns.

Each month highlights a different tax topic. Tax reminders and instructions are shown by date, and you can add your own notes—such as state tax dates or business appointments.

In addition to the monthly topics, look to the last few pages for Online Resources, a list of Forms and Publications, a tear-out sheet of quick reference items and other ways that the IRS can help you. The tax calendar is also available in an online version.

Get it all at **IRS.gov**, search: **tax calendar**.

MONTHLY TOPICS

January:
Preparation and
Setting Up

February:
Accounting Methods
and Periods

March:
Retirement Planning

April:
Tallying Business Expenses

May:
Employee and
Worker Issues

June:
Keeping Good Records

July:
Your Rights as a Taxpayer

August:
Electronic Ways
to File and Pay

September:
Disaster Recovery
Assistance

October:
Saving Up to Pay Taxes

November:
Correcting Errors

December:
Tips on Wage Reporting

The IRS is Working to Help Prevent Identity Theft

Identity theft occurs when someone uses an individual's personal information without their permission to commit fraud or other crimes. When it comes to federal taxes, taxpayers may not be aware they have become victims of identity theft until they receive a letter from the Internal Revenue Service stating more than one tax return was filed with their information or that IRS records show wages from an employer the taxpayer has not worked for in the past.

The IRS is continually reviewing processes and policies to prevent identity theft, to detect refund fraud before it occurs, and to help those who find themselves victimized by it. This is an ongoing battle, as identity thieves continue to create new methods of stealing personal information and using it for their gain. Identity theft cases are among the most complex handled by the IRS.

A special section on [IRS.gov](https://www.irs.gov) is dedicated to identity theft matters, including tips and a

special guide to assistance ranging from contacting the IRS Identity Protection Specialized Unit to ways to protect against “phishing” schemes.



If you receive a notice from the IRS indicating identity theft, follow the instructions in that notice. If you believe you are at risk of identity theft due to lost or stolen personal information, you should contact the IRS Identity Protection Specialized Unit at 800-908-4490 immediately so the agency can take action to secure your tax account. You will be asked to complete the *IRS Identity Theft Affidavit, Form 14039*, and follow the instructions on the back of the form based on your situation.

Be aware that the IRS does not request personal taxpayer information through email. If you receive such a request, identity thieves may be attempt into elicit your private tax information.

PROTECT YOUR SOCIAL SECURITY NUMBER,

- Don't carry your Social Security card or any document(s) with your SSN on it.
- Don't give a business your SSN just because they ask. Give it only when required.
- Protect your financial information.
- Check your credit report every 12 months.
- Secure personal information in your home.
- Protect your personal computers by using firewalls and/or anti-spam/virus software. Update security patches, and regularly change passwords for Internet accounts.
- Don't give personal information over the phone, through the mail or on the Internet unless you have initiated the contact or you are sure you know who you are dealing with.

BE CAREFUL WHEN CHOOSING A TAX PREPARER,

If you don't prepare your own return, be careful in choosing your tax preparer because that individual will have access to your personal financial records. Avoid preparers who claim they can obtain larger refunds than other preparers, or who guarantee results or base fees on a percentage of the refund amount.

Headline News!

Health Care Tax Credit Legislation Enacted in 2011,

Small businesses and tax-exempt organizations providing health insurance coverage may qualify for a special tax credit. Included in the health care reform legislation, the Patient Protection and Affordable Care Act encourages small business employers to offer health insurance coverage for the first time or maintain coverage they already have. In general, the credit is available to small

business employers paying at least half the cost of single coverage for their employees.

Go to **IRS.gov** and search: **Health Care Tax Credit**.

The Voluntary Classification Settlement Program,

The Voluntary Classification Settlement Program, developed by the IRS, allows small business taxpayers to reclassify their workers as employees for future tax periods with partial relief from federal employment taxes. Under this program, taxpayers will pay an amount which equals slightly more than 1 percent of the amount paid to these workers. Taxpayers will not be liable for any interest or penalties on the liability, nor will they be subject to an employment tax audit regarding the worker classification of the VCSP reclassified workers for prior years.

To participate in the VCSP, the small business taxpayer must meet certain eligibility requirements, apply to participate in VCSP, and enter into a closing agreement with the IRS.

Go to **IRS.gov** and search: **VCSP**.

Understanding Merchant Card and Third Party Network Payments,

Third-party information reporting on forms in the 1099 series is designed to increase voluntary compliance and improve collections. The first year for this reporting was for tax year 2011. The new legislation requires reporting of income in two areas: merchant payment card reporting (credit, debit and certain electronic transactions) and Securities Basis Reporting.

Verification that tax returns are correct and complete is required in the reporting process. IRS offers assistance using these processes:

- Use the IRS Taxpayer Identification Number (TIN) Matching Program to ensure the Forms 1099-K you submit have the correct TIN. The program permits you to verify the TIN furnished by the taxpayer before you file the Forms 1099-K.

Go to **IRS.gov**, search: **TIN Matching**.

- The name control (a sequence of characters derived from a taxpayer's name) and TIN on an electronically filed return must match our records.

Go to **IRS.gov**, search: **Reasonable Cause Regulations for Missing Name**.

Last year IRS offered transitional relief for 2012 1099-K filings provided that the filer makes a good faith effort to file accurately. However, for payments made after December 31, 2012, IRS will require backup withholding on payments to payees who failed to provide an accurate TIN.

Go to **IRS.gov**, search: **Pub 1281**.

You can find out more about the Payment Card/ Third Party Reporting and other information returns at the IRS Third Party Reporting Information Center.

Go to **IRS.gov** and search: **Third Party Reporting**.

Increased Information Reporting Requirements,

Recognizing the importance of compliance with the Internal Revenue Code for revenue collections, Congress enacted a number of provisions to enhance tax filing accuracy. The legislation requires new information reporting to the IRS and taxpayers for issues contributing to the federal tax gap. These new requirements may relate to your business.

Banks and third party networks must report payment card and other payments made to merchants and payees. These organizations are required to issue Form 1099-K for payments starting January 1, 2011.

Effective for corporate stock sales starting January 1, 2011, brokers must report the basis of “specified” securities sales, and if the sale is a short or long-term gain/loss. The **Form 1099-B** was revised to reflect these changes.

Go to **IRS.gov**, search: **Third Party Reporting Center** for more information.

Earned Income Tax Credit,

Help your employees increase their take-home pay at no cost to you!

Please help us alert your employees about a valuable tax credit that could put up to \$5,891 in their pockets this year. If you have employees who earned less than \$50,270 in 2012, they may qualify for the Earned Income Tax Credit, or EITC. IRS estimates that one out of five individuals eligible to claim EITC does not. This leaves millions of individuals potentially going without receiving a benefit that could make a difference to them. With your assistance, we can reduce that number.

Please note, before taxpayers can receive EITC, they must first file federal income tax returns, even if they are not otherwise required to file. Some states and cities have a similar tax credit, increasing the dollars due these employees.

IRS has several resources to help you inform your employees about EITC. Go to **IRS.gov**, search: **EITC for Employers** for links to

technical information, communication toolkits and marketing materials.

Some relatively inexpensive ways you can alert your employees about EITC include:

- Posters in employee break rooms.
- Messages on your company intranet site.
- Articles in your company newsletter.
- A link from your intranet site to EITC information on www.irs.gov.
- Email messages to your workforce.
- Stuffers with your Form W-2 mail-out.
- Leveraging other internal communication channels.
- Including EITC information in new employee orientations.

The previous information is geared towards small business employers and does not speak to self-employed individuals. All self-employment income as well as related expenses must be reported.

Reminder: Business Package Mailings No Longer Being Mailed Out,

Business taxpayers will no longer receive additional tax packages in the mail from the IRS. Businesses may go to **www.irs.gov**, then click on Forms and Publications and follow the directions for getting their forms, instructions and publications.

Additionally, most business forms are available through tax professionals and tax software.

Sketch Out A Strategy

Okay, you've got an idea for a new product, service, or app... and you've sketched out a general approach on how to develop your new business. Before you get underway, you'll need to know a few basics to make sure your business is properly set-up and ready to report income.

Choosing a Tax Professional,

With your new responsibilities, you may decide to hire a professional tax preparer to assist with your taxes. Enrolled agents, tax attorneys, and certified public accountants have training and expertise in federal taxes. When selecting a tax professional, ask a few questions to see if they offer what you are looking for:

Experience: Does the tax professional have experience in working with similar size and type businesses? Is the professional familiar with your particular line of business?

Services: Does the tax professional offer electronic filing—the safest and most efficient way to file your tax returns?

Price: What does the tax professional charge for services? If the IRS examines your return, what is the tax professional's policy on assisting you? Is the tax professional authorized to practice before the IRS?

Qualifications: New regulations require all paid tax return preparers to register with the

IRS and obtain a Preparer Tax Identification Number (PTIN). Ensure that the tax professional you choose has a valid PTIN. The IRS is phasing in a test requirement to make certain that those who are not an enrolled agent, CPA or attorney have met minimal competency requirements. Those subject to the test will become a Registered Tax Return Preparer once they pass it.

Employer Identification Number (EIN),

You are required to have an EIN if you answer “yes” to any of the following six questions:

1. Do you have employees?
2. Do you operate your business as either a corporation or partnership?
3. Do you file any of these tax returns: employment, excise, or alcohol, tobacco and firearms?
4. Do you withhold taxes on income, other than wages, paid to a non-resident alien?

5. Do you have a Keogh plan?
6. Are you involved with any of the following types of organizations?
 - a. Trusts (except certain grantor-owned revocable trusts, IRAs and Exempt Organization Business Income Tax Returns) ,
 - b. Estates,
 - c. Real estate mortgage investment conduits,
 - d. Non-profit organizations,
 - e. Farmers' cooperatives,
 - f. Employee Retirement or Health Benefit Plans,

If you do need an EIN, use one of these four methods to apply:

- Go to [IRS.gov](https://www.irs.gov) and search: Online EIN ,
- Call toll-free 800-829-4933,
- Fax a completed Form SS-4 to the FAX number in the SS-4 instructions ,

- Mail a completed Form SS-4 to the address in the SS-4 instructions ,

Choosing a Business Structure,

Of all the choices you make when starting a business, one of the most important is the type of legal organization you select. This decision can affect how much you pay in taxes, the amount of paperwork your business is required to do, the personal liability you face and your ability to borrow money. Common business structures are:

Sole proprietor – an individual who owns an unincorporated business by themselves.

Partnership – a relationship where two or more persons join together 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.

Corporation – a relationship where prospective shareholders exchange money, property, or both, for the corporation's capital stock. Profits are taxed to the corporation

when earned and then taxed to the shareholders when distributed as dividends.

S corporation – a corporation, meeting certain criteria, that elects to be treated as an S corporation. Generally an S corporation is exempt from income tax; the shareholders report the S corporation's income, deductions, losses and credits on their individual tax returns.

Limited Liability Company (LLC) – an entity— statutorily authorized in certain states— that is characterized by limited liability for debts similar to that of a corporation, management by members or managers, and pass-through taxation similar to that of a partnership.

| SUNDAY | MONDAY | TUESDAY | WEDNESDAY | THURSDAY | FRIDAY | SATURDAY |
|--------|-------------------------------------|--|---|--|---|----------|
| | | 1 New Year's Day | 2 | 3 Deposit payroll tax for payments on Dec 26-28 if the semiweekly deposit rule applies. | 4 Deposit payroll tax for payments on Dec 29-Jan 1 if the semiweekly deposit rule applies. | 5 |
| 6 | 7 | 8 | 9 Deposit payroll tax for payments on Jan 2-4 if the semiweekly deposit rule applies. | 10 Employers: Employees are required to report to you tips of \$20 or more earned during Dec 2012 | 11 Deposit payroll tax for payments on Jan 5-8 if the semiweekly deposit rule applies. | 12 |
| 13 | 14 | 15 Individuals: Pay the final installment of your 2012 estimated tax. Use Form 1040-ES. Farmers and fishermen: Pay your estimated tax for 2012. Use Form 1040-ES. Employers: Deposit payroll tax for Dec 2012 if the monthly deposit rule applies. | 16 Deposit payroll tax for payments on Jan 9-11 if the semiweekly deposit rule applies. | 17 | 18 Deposit payroll tax for payments on Jan 12-15 if the semiweekly deposit rule applies. | 19 |
| 20 | 21 Martin Luther King's Birthday | 22 | 23 | 24 Deposit payroll tax for payments on Jan 16-18 if the semiweekly deposit rule applies. | 25 Deposit payroll tax for payments on Jan 19-22 if the semiweekly deposit rule applies. | 26 |
| 27 | 28 | 29 | 30 Deposit payroll tax for payments on Jan 23-25 if the semiweekly deposit rule applies. | 31 File Form 720 for the fourth quarter of 2012. Furnish Forms 1098, 1099 and W-2G to recipients for certain payments during 2012. Furnish Form W-2 to employees who worked for you during 2012. File Form 730 and pay the tax on wagers accepted during Dec 2012. Deposit any FUTA tax owed through Dec 2012. File Form 2290 and pay the tax for vehicles first used in Dec 2012. File Forms 940, 941, 943, 944 and/or 945 if you did not deposit all taxes when due. File your tax return if you did not pay your last installment of esimated tax by January 15th. | | |

JANUARY
2013



DECEMBER

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FEBRUARY

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Decisions, Decisions....

There are a number of ways to structure your business, and it's best to figure this out before you get underway. Here is a simple exercise that shows your two major decisions, and some notes to help take the guesswork out.

Choosing an Accounting Method,

Every business taxpayer is required to have an accounting method to report income and expenses. The two most commonly used methods are cash and accrual

Once you choose your accounting method, you must follow it consistently. Generally, you may not change your method of accounting unless you obtain permission from the IRS.

CASH METHOD,

Due to its simplicity, the cash method is a popular choice for small businesses. To determine gross income, add up the cash, checks, and fair market value of property and services you receive during the year.

If you receive a check on December 28, 2012, but decide not to cash or deposit it until 2013, you must still count the check as income in the year you received it.

Business expenses are usually deducted in the year they are paid. For example, you order office supplies in October 2012 and they arrive in December 2012. You send a check to pay for them in January 2013. Under the cash method, you should claim that business expense deduction on your 2013 tax return because that is the year you paid for the supplies. Certain businesses cannot use the cash method. In addition, special rules apply for the accounting of inventory.

ACCRUAL METHOD

With the accrual method, income is reported in the year in which all events that fix the right to receive it have occurred, and the amount can be determined with reasonable accuracy, even if income was received in a different year. For example, the accrual method calls for income to be reported when a service is performed.

It doesn't matter that the customer doesn't pay until the following year. Similarly, you deduct business expenses in the year the liability arises, regardless of when they are actually paid.

Using the office supply example, under the accrual method, you may deduct the business expenses for supplies on your 2012 tax return, the year you ordered the supplies and they were delivered, even though you sent a check to pay for them in 2013. You may deduct the expenses in 2012 because that is when you became liable for the expense.

See **Publication 538**, *Accounting Periods and Methods*.

Choosing a Tax Year, CALENDAR VS. FISCAL

Each taxpayer must figure taxable income on the basis of an annual accounting period for keeping records and reporting income and expenses. Two choices are available:

Calendar year – runs from January 1 through December 31 and generally may be

adopted by anyone. In some instances, a calendar year is required.

Fiscal year – runs for 12-consecutive months ending on the last day of any month except December.

The selected tax year must be used on your first tax return and all subsequent returns unless you get IRS approval to change. You can request a change to your tax year by filing Form 1128, *Application to Adopt, Change, or Retain a Tax Year*.

See **Publication 538**, *Accounting Periods and Methods*.

| SUNDAY | MONDAY | TUESDAY | WEDNESDAY | THURSDAY | FRIDAY | SATURDAY |
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| | | | | | 1 Deposit payroll tax for payments on Jan 26-29 if the semiweekly deposit rule applies. | 2 |
| 3 | 4 | 5 | 6 Deposit payroll tax for payments on Jan 30-Feb 1 if the semiweekly deposit rule applies. | 7 | 8 Deposit payroll tax for payments on Feb 2-5 if the semiweekly deposit rule applies. | 9 |
| 10 | 11 Employers: Employees are required to report to you tips of \$20 or more earned during Jan. File Forms 940, 941, 943, 944 and/or 945 if you timely deposited all required payments. | 12 | 13 Deposit payroll tax for payments on Feb 6-8 if the semiweekly deposit rule applies. | 14 | 15 File a new Form W-4 if you claimed exemption from income tax withholding in 2012. Furnish Forms 1099-B, 1099-S and certain Forms 1099-MISC to recipients. Deposit payroll tax for Jan if the monthly deposit rule applies. Deposit payroll tax for payments on Feb 9-12 if the semiweekly deposit rule applies. | 16 Begin withholding on employees who claimed exemption from withholding in 2012 but did not file a W-4 to continue withholding exemption in 2013. |
| 17 | 18 Presidents' Day | 19 | 20 | 21 Deposit payroll tax for payments on Feb 13-15 if the semiweekly deposit rule applies. | 22 Deposit payroll tax for payments on Feb 16-19 if the semiweekly deposit rule applies. | 23 |
| 24 | 25 | 26 | 27 Deposit payroll tax for payments on Feb 20-22 if the semiweekly deposit rule applies. | 28 File information returns, including Forms 1098, 1099 and W-2G for payments made during 2012. File Form W-3 with Copy A of all Forms W-2 issued for 2012. File Form 8027 if you are a large food or beverage establishment. File Form 730 and pay the tax on wagers accepted during January. File Form 2290 and pay the tax for vehicles first used in January. |  | |

FEBRUARY

2013

JANUARY

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MARCH

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Book Your Retirement IRA, SEP, SIMPLE and 401(k) Plans,

Whether your retirement days are near or far, you should be aware of the types of retirement plans available to you and your employees. The most common are Individual Retirement Arrangements, SEP, SIMPLE IRA and 401(k) plans. In addition to providing you with income during your retirement, they offer significant tax benefits today.

Individual Retirement Arrangement,

IRAs allow you to set aside money for your retirement. Banks, financial institutions, mutual funds and stockbrokers are among those who offer IRA accounts.

TRADITIONAL IRA,

To contribute to a traditional IRA, you must be under age 70½ at the end of the tax year and have taxable compensation greater than or equal to your contribution during the year.

Contributions may be tax deductible in full or in part, depending on your circumstances. The amounts earned by your IRA contributions are usually not taxed until you withdraw the money. Generally, you can't withdraw money from your IRA before you turn age 59½ without paying income taxes and a 10 percent additional tax.

ROTH IRA,

Regardless of your age, you may be able to set up a Roth IRA. You can't deduct your contributions, but if certain requirements are met, distributions will be tax-free.

For more information on IRAs, see **Publication 590**, *Individual Retirement Arrangements*.

SEP Plan,

The Simplified Employee Pension (SEP) plan was specifically designed for small employers and has few administrative burdens or costs. Employer contributions are made directly to IRAs that the employer sets up for the employees. For additional information, see

Publication 4333, *SEP Retirement Plans for Small Businesses*.

SIMPLE Plan,

Generally, employers can set up a Savings Incentive Match Plan for Employees if they have 100 or fewer employees and meet other requirements. A SIMPLE plan is an arrangement under which an employer makes contributions to employees' SIMPLE retirement accounts. Additionally, employees can make salary reduction contributions.

The two types of SIMPLE plans are the SIMPLE IRA and SIMPLE 401(k) plans. For additional information, see **Publication 4334**, *SIMPLE IRA Plans for Small Businesses*.

401(k) Plan,

401(k) plans are the most popular type of retirement plan today. They can be a powerful tool in promoting financial security in retirement for employees and are a valuable option for businesses considering a retirement plan. Employees may defer a

portion of their salary as either a pre-tax or an after-tax contribution. Depending on the type of 401(k) plan, the employer can make either non-elective or matching employer contributions. For additional information, see **Publication 4222**, *401(k) Plans for Small Businesses*.

For assistance in determining what type of plan might be best for you and your small business, see **Publication 3998**, *Choosing a Retirement Solution for Your Small Business*.

IRS Retirement Plans Navigator,

The IRS Retirement Plans Navigator is an easy-to-use Web guide for employers that focuses on choosing, maintaining and correcting a retirement plan. Go to [IRS.gov](https://www.irs.gov) and search: Retirement Navigator.

Retirement Plan Fix-It Guides,

You can find tips on how to find, fix and avoid common mistakes in SEP, SIMPLE IRA Plan and 401(k) plans in our Fix-It Guides. Go to **IRS.gov** and search: **Fix-It Guides**.

For additional information on employer-sponsored retirement plans, call Employee Plans Customer Account Services at 877-829-5500.

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| SUNDAY | MONDAY | TUESDAY | WEDNESDAY | THURSDAY | FRIDAY | SATURDAY |
|-----------|---|-----------|--|-----------|---|-----------|
| | | | | | 1 Deposit payroll tax for payments on Feb 23-26 if the semiweekly deposit rule applies. Farmers and Fisherman: File Form 1040 and pay any tax due. However, you have until Apr 15 to file if you paid your 2012 estimated tax payments by Jan 15, 2013. | 2 |
| 3 | 4 | 5 | 6 Deposit payroll tax for payments on Feb 27-Mar 1 if the semiweekly deposit rule applies. | 7 | 8 Deposit payroll tax for payments on Mar 2-5 if the semiweekly deposit rule applies. | 9 |
| 10 | 11 Employers: Employees are required to report to you tips of \$20 or more earned during February. | 12 | 13 Deposit payroll tax for payments on Mar 6-8 if the semiweekly deposit rule applies. | 14 | 15 Corporations: File Form 1120 for calendar year and pay any tax due. For automatic 6-month extension, file Form 7004 and deposit estimated tax. Employers: Deposit payroll tax for Feb. if the monthly deposit rule applies. S Corporations: File Form 1120S for calendar year and pay any tax due. Furnish a copy of Sch. K-1 to each shareholder. File Form 2553 to elect S Corporation status beginning with calendar year 2013. Electing Large Partnerships: Furnish Sch. K-1 (Form 1065-B) to each partner. Deposit payroll tax for payments on Mar 9-12 if the semiweekly deposit rule applies. | |
| 17 | 18 | 19 | 20 Deposit payroll tax for payments on Mar 13-15 if the semiweekly deposit rule applies. | 21 | 22 Deposit payroll tax for payments on Mar 16-19 if the semiweekly deposit rule applies. | 23 |
| 24 | 25 | 26 | 27 Deposit payroll tax for payments on Mar 20-22 if the semiweekly deposit rule applies. | 28 | 29 Deposit payroll tax for payments on Mar 23-26 if the semiweekly deposit rule applies. | 30 |
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MARCH

2013



FEBRUARY

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APRIL

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Planes, Boats, Trains...

...automobiles, lodging, meals...When you make visits to clients, trips to vendors, have lunch with prospective contacts, some of these expenses may be tax deductible. Just be sure you've got it all down on paper.

Car Expenses,

To take a business deduction for the use of your car, you must determine what percentage of the vehicle you used for business. No deduction is allowed for strictly personal use, such as commuting.

Deductible car expenses can include the cost of: 1) traveling from one workplace to another, 2) making business trips to visit customers or attending business meetings away from your regular workplace, and 3) traveling to temporary workplaces.

It is important to keep complete records to substantiate items reported on your tax return. In the case of car and truck expenses, the records required depend on whether you

claim the standard mileage rate or actual expenses.

Standard mileage rate: To claim the standard mileage rate, appropriate records include documentation that identifies the vehicle and provides ownership or lease, and shows miles traveled, destination and business purpose. The 2013 standard mileage rates for the use of a car (including vans, pickups or panel trucks) are on **IRS.gov**, search: **standard mileage rate**. If you want to use the standard mileage rate for a car you own, you must choose to use it in the first year the car is available for use in your business. Then in later years, you can choose to use either the standard deduction or actual expenses.

Actual expenses: To claim actual expenses, add your annual car operating expenses, including gas, oil, tires, repairs, license fees, lease payments, registration fees, garage rental, insurance and depreciation. Multiply the car operating expenses by the percentage of business use to arrive at your deductible expense. Business-related parking and road

tolls are fully deductible expenses that you do not have to reduce by the business-use percentage.

See Publication 463, *Travel, Entertainment, Gift and Car Expenses*, for additional information.

Travel Expenses,

Travel expenses are “ordinary and necessary” expenses while away from home for the primary purpose of business. Keep all receipts and relevant documentation to substantiate where you went, why, for how long, and the amount spent. If you combined business and personal travel, show how much is related to business.

Lodging receipts should show the location, duration of your stay, and your expenses. Keep records for cleaning, laundry, phone charges, tips, and other charges not shown separately.

Transportation receipts include airplane, train or bus ticket stubs, travel agency

receipts, rental car or taxi receipts, etc., showing the amounts, dates and destinations.

Meal receipts must show the name and location of the restaurant, the number of people served, and the date and amount of the expense. Generally, you must keep a log of your meal expenses and save receipts for amounts of \$75 or more. Either track the actual costs of your meals, or use the standard meal allowance, if you qualify. You may only claim a deduction for 50 percent of the unreimbursed cost of your meals.

Business Use of Your Home,

If you use part of your home for business, you may be able to deduct expenses for the business use of your home. These expenses may include mortgage interest, insurance, utilities, repairs, security system and depreciation. To qualify, you must meet both of the following tests.

- The business part of your home must be used exclusively and regularly for your trade or business. However, there are

exceptions for daycare facilities or storage of inventory/product samples.

- The business part of your home must be:
 - Your principal place of business, or,
 - A place where you meet or deal with patients, clients or customers in the normal course of your trade or business, or ,
 - A separate structure (not attached to your home) used in connection with your trade or business.

For a full explanation of tax deductions for your home office refer to **Publication 587**, *Business Use of Your Home*.

Entertainment Expenses,

Entertainment includes any activity generally considered to provide entertainment, amusement, or recreation. Generally, to be deductible for tax purposes, you must show that entertainment expenses (including meals) are directly related to, or associated with, the conduct of your trade or business. You must also have records to prove the

business purpose (under the applicable test) and the amount of each expense, the date and place of the entertainment, and the business relationship of the persons entertained. Entertainment expenses are usually subject to a 50 percent limit.

Gift Expenses,

If you give gifts in the course of your trade or business, you can deduct all or part of the cost. Generally, you can deduct no more than \$25 for business gifts you give directly or indirectly to each person during your tax year.

See **Publication 463**, *Travel, Entertainment, Gift and Car Expenses*, and Publication 535, *Business Expenses*, for additional information.

| SUNDAY | MONDAY | TUESDAY | WEDNESDAY | THURSDAY | FRIDAY | SATURDAY |
|-----------|---|--|---|-----------|--|-----------|
| | 1 Electronically file Forms W-2, W-2G, 1098, 1099, and 8027. File Form 2290 and pay the tax for vehicles first used in February. File Form 730 and pay the tax on wagers accepted during February. | 2 | 3 Deposit payroll tax for payments on March 27-29 if the semiweekly deposit rule applies. | 4 | 5 Deposit payroll tax for payments on March 30-Apr 2 if the semiweekly deposit rule applies. | 6 |
| 7 | 8 | 9 | 10 Employers: Employees are required to report to you tips of \$20 or more earned during March. Deposit payroll tax for payments on Apr 3-5 if the semiweekly deposit rule applies. | 11 | 12 Deposit payroll tax for payments on Apr 6-9 if the semiweekly deposit rule applies. | 13 |
| 14 | 15 Individuals: File Form 1040, 1040A, or 1040EZ. For automatic 6-month extension file Form 4868 and deposit estimated tax. Pay the first installment of 2013 estimated tax. Partnerships: File Form 1065 and furnish a copy of Sch. K-1 to each partner. Electing Large Partnership Status: File Form 1065-B calendar year return. Household Employers: File Sch. H with Form 1040 if you paid \$1,800 or more to a household employee. Corporations: Deposit the first installment of your 2013 estimated tax. Employers: Deposit payroll tax for March if the monthly deposit rule applies. | 16 | 17 Deposit payroll tax for payments on Apr 10-12 if the semiweekly deposit rule applies. | 18 | 19 Deposit payroll tax for payments on Apr 13-16 if the semiweekly deposit rule applies. | 20 |
| 21 | | 23 | 24 Deposit payroll tax for payments on Apr 17-19 if the semiweekly deposit rule applies. | 25 | 26 Deposit payroll tax for payments on Apr 20-23 if the semiweekly deposit rule applies. | 27 |
| 28 | 29 | 30 File Form 720 for the first quarter of 2013. File Form 730 and pay the tax on wagers accepted during March. File Form 2290 and pay the tax on vehicles first used in March. Employers: File Form 941 for the first quarter of 2013. Deposit FUTA tax owed through March if more than \$500. | | | | |



APRIL
2013

MARCH

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Forms Follow Function

Business is underway, and you've hired some help. You'll need to take care of employees by making sure that the right tax forms are completed, and a payroll system established. Employee status will dictate which forms to u

Your Payroll,

Maintaining good payroll records is critical for both you and your employees.

Keep detailed employment tax records. See **Publication 15, (Circular E)**, *Employer's Tax Guide*, for more information.

Tip income that employees receive from customers is taxable. Employees must report cash, check, debit or credit card tips to you by the 10th of the month after the month the tips were received. If tip income is below a threshold amount, no withholding will be required. Large food or beverage establishments may be required to file **Form 8027**, *Employer's Annual Information Return of Tip Income and Allocated Tips*. See

Publication 531, *Reporting Tip Income*, for more details.

Keep track of federal income, Social Security, Medicare, state and local taxes withheld and the net amount paid to each employee during the year.

Important Employer Tax Forms,

Form I-9, *Employment Eligibility Verification*, must be completed for each newly hired employee to demonstrate the employer's compliance with the law and the employee's work authorization.

Form W-2, *Wage and Tax Statement*, is the annual statement you give to employees showing their earnings and withholdings for the year. Generally, you must provide the statement by January 31 of the following year. Copy A of **Form W-2** is due to the Social Security Administration on the last day of February, although electronic filers have until the last day of March.

Form W-4, *Employee's Withholding Allowance Certificate*, must be completed and

returned by new employees showing their filing status and withholding allowances. Verify the employee's Social Security number with their Social Security card.

Form W-11, *Hiring Incentives to Restore Employment (HIRE) Act Employee Affidavit* is used to confirm that an employee is a qualified employee under the HIRE Act.

Form 940, *Employer's Annual Federal Unemployment (FUTA) Tax Return*. Generally, federal unemployment tax is computed on the first \$7,000 of each employee's earnings. If the FUTA tax liability is more than \$500, you must deposit at least one quarterly payment.

Form 941, *Employer's Quarterly Federal Tax Return*, is your quarterly report of wages paid, tip income received by employees, income tax withheld, and both the employer's and the employee share of Social Security and Medicare taxes.

Form 944, *Employer's Annual Federal Tax Return* (a variation of **Form 941**), is an annual wage report for employers whose total annual liability for income tax withheld,

Social Security, and Medicare taxes is \$1,000 or less. If you qualify to file **Form 944**, the IRS will notify you. Beginning with tax year 2010, employers that otherwise would be required to file **Form 944** can notify the IRS if they want to elect to file **Form 941** quarterly instead of **Form 944** annually. For additional guidance, go to IRS.gov and search: **Form 944**.

Family Help,

Employment tax requirements for family employees may vary from those that apply to other employees. Special rules exist for hiring a spouse, child or parent. For additional information, go to **IRS.gov** and search: **Family Help**.

Independent Contractor or Employee?

It is critical that you, the employer, correctly determine whether the individuals providing services are employees or independent contractors. Generally, you must withhold income taxes, withhold and pay Social Security and Medicare taxes, and pay

unemployment tax on employee wages. You do not generally have to withhold or pay taxes on payments to independent contractors.

Generally, whether a worker is an employee or an independent contractor depends upon how much control you have as a business owner. The IRS uses three broad categories to determine this: behavioral control, financial control, and the type of relationship.

Publication 1779, *Independent Contractor or Employee*, provides guidance. If, after reviewing these categories, the determination remains unclear, you may file **Form SS-8**, *Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding* and the IRS will determine the worker's status.

If you have an independent contractor, you may be required to issue **Form 1099-MISC** for payments totaling \$600 or more in a calendar year. **Form W-9**, *Request for Taxpayer Identification Number and Certification*, may be used to obtain the payee's taxpayer identification number and to

certify that no backup withholding is required. For more information, go to **IRS.gov** and search: **Independent Contractor**.

Also see: **Publication 15, (Circular E)** *Employer's Tax Guide*, and **Publication 15-A, Employer's Supplemental Tax Guide**.

| SUNDAY | MONDAY | TUESDAY | WEDNESDAY | THURSDAY | FRIDAY | SATURDAY |
|-----------|----------------------------------|-----------|---|--|---|-----------|
| | | | 1 Deposit payroll tax for payments on Apr 24-26 if the semiweekly deposit rule applies. | 2 | 3 Deposit payroll tax for payments on Apr 27-30 if the semiweekly deposit rule applies. | 4 |
| 5 | 6 | 7 | 8 Deposit payroll tax for payments on May 1-3 if the semiweekly deposit rule applies. | 9 | 10 Employers: Employees are required to report to you tips of \$20 or more earned during April. File Form 941 for the first quarter if you timely deposited all required payments. Deposit payroll tax for payments on May 4-7 if the semiweekly deposit rule applies. | 11 |
| 12 | 13 | 14 | 15 Deposit payroll tax for Apr if the monthly deposit rule applies. Deposit payroll tax for payments on May 8-10 if the semi-weekly deposit rule applies. | 16 | 17 Deposit payroll tax for payments on May 11-14 if the semiweekly deposit rule applies. | 18 |
| 19 | 20 | 21 | 22 Deposit payroll tax for payments on May 15-17 if the semiweekly deposit rule applies. | 23 | 24 Deposit payroll tax for payments on May 18-21 if the semiweekly deposit rule applies. | 25 |
| 26 | 27 Memorial Day | 28 | 29 | 30 Deposit payroll tax for payments on May 22-24 if the semiweekly deposit rule applies. | 31 File Form 730 and pay the tax on wagers accepted during April. File Form 2290 and pay the tax for vehicles first used during April. Deposit payroll tax for payments on May 25-28 if the semiweekly deposit rule applies. | |

MAY
2013

APRIL
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Keep A Paper Trail

Keeping good records is a very important part of the growth and maintenance of your business. Good records will help you:

- Monitor the progress of your business ,
- Prepare your financial statements ,
- Identify source of receipts ,
- Keep track of deductible expenses ,
- Prepare your tax returns ,
- Support items reported on tax returns ,

Monitor the progress of your business,

You need good records to monitor the progress of your business. Records can show whether your business is improving, which items are selling, or what changes you need to make. Good records can increase the likelihood of business success.

Prepare your financial statements,

You need good records to prepare accurate financial statements. These include income (profit and loss) statements and balance sheets. These statements can help you in dealing with your bank or creditors and help you manage your business.

An **income statement** shows the business income and expenses for a given period of time

A balance sheet shows the assets, liabilities, and your equity in the business on a given date.

Identify source of receipts,

You will receive money or property from many sources. Your records can identify the source of your receipts. You need this information to separate business from non-business receipts and taxable from nontaxable income.

Keep track of deductible expenses,

You may forget expenses when preparing your tax return unless you record them when they occur.

Prepare your tax return,

You need good records to prepare your tax returns. These records must support the income, expenses, deductions and credits you report. Generally, these are the same records you use to monitor your business and prepare your financial statement.

Support items reported on tax returns,

You must keep your business records available at all times for inspection by the IRS. If the IRS examines any of your tax returns, you may be asked to explain the items reported. A complete set of records will speed up the examination.

So what's the best way to keep records?

Use any recordkeeping system that clearly and accurately reflects your income and expenses. Keep in mind your tax records must support all the income, tax deductions and credits listed on your tax return. Be sure to separate your business and personal receipts and your taxable and nontaxable income.

RECORDING EXPENSES,

Record your expenses when you pay or incur them, depending on your method of accounting. It's easy to forget last year's expenses when you're filling out this year's return. Don't overlook deductions for which you qualify.

KEEPING A RECORD OF YOUR BUSINESS ASSETS,

Your business assets are the property and equipment you own and use for your business. Keep a complete and detailed record of these assets showing when you

acquired them, how much you paid for them, and how you use the assets in your business. This record will allow you to depreciate your assets properly and report the correct gain or loss when you dispose of them.

HOW LONG SHOULD I KEEP RECORDS?

The length of time you should keep a document depends on the action, expense, or event the document verifies. Generally, you must keep records that support an item of income or deductions on a tax return until the period of limitations for that return runs out.



HOW LONG SHOULD I KEEP EMPLOYMENT TAX RECORDS?

You must keep all records of employment taxes or at least four years after the date the tax becomes due or is paid, whichever is later.

ARE THE RECORDS CONNECTED TO ASSETS?

Keep records relating to property until the period of limitations expires for the year in which you dispose of the property in a taxable disposition. You must keep these records to figure any depreciation, amortization or depletion deduction and to figure the gain or loss when you sell or otherwise dispose of the property.

WHAT SHOULD I DO WHEN I NO LONGER NEED MY RECORDS FOR TAX PURPOSES?

When your records are no longer needed for tax purposes, do not discard them until you check to see if you have to keep them longer for other purposes. For example, your insurance company or creditors may require you to keep them longer than the IRS does.

See **Publication 583**, *Starting a Business and Keeping Records*.

| SUNDAY | MONDAY | TUESDAY | WEDNESDAY | THURSDAY | FRIDAY | SATURDAY |
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| 2 | 3 | 4 | 5 Deposit payroll tax for payments on May 29-31 if the semiweekly deposit rule applies. | 6 | 7 Deposit payroll tax for payments on Jun 1-4 if the semiweekly deposit rule applies. | 8 |
| 9 | 10 Employers: Employees are required to report to you tips of \$20 or more earned during May. | 11 | 12 Deposit payroll tax for payments on Jun 5-7 if the semiweekly deposit rule applies. | 13 | 14 Deposit payroll tax for payments on Jun 8-11 if the semiweekly deposit rule applies. | 15 |
| 16 | 17 Individuals outside the U.S.: File Form 1040. Individuals: Pay the second installment of 2013 estimated tax. Employers: Deposit payroll tax for May if the monthly deposit rule applies. Corporations: Deposit the second installment of your 2013 estimated tax. | 18 | 19 Deposit payroll tax for payments on Jun 12-14 if the semiweekly deposit rule applies. | 20 | 21 Deposit payroll tax for payments on Jun 15-18 if the semiweekly deposit rule applies. | 22 |
| 23 | 24 | 25 | 26 Deposit payroll tax for payments on Jun 19-21 if the semiweekly deposit rule applies. | 27 | 28 Deposit payroll tax for payments on Jun 22-25 if the semiweekly deposit rule applies. | 29 |
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JUNE
2013



MAY

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JULY

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Handled With Care

When contacting IRS, employees will explain and protect your rights. Information provided will not be disclosed to anyone except as authorized by law. You have the right to know why the IRS is asking for information, how it will be used, and what happens if you do not provide the requested information. Refer to **Publication 1**, *Your Rights as a Taxpayer*.

Representation,

You may represent yourself, or with proper written authorization, have someone else represent you. Your representative must be a person allowed to practice before the IRS—an attorney, certified public accountant or enrolled agent.

Examination,

Most tax returns are accepted as filed. If IRS asks about your return or selects it for examination, this does not suggest you are dishonest. The inquiry or examination may result in more tax owed, no change to the return, or you may even receive a refund.

Appeals and Judicial Review,

Publication 5, *Your Appeal Rights and How to Prepare a Protest If You Don't Agree*, explains your right to disagree with an examiner's proposed changes and request the case be reviewed by the IRS Appeals Office. If you disagree with the Appeals findings, you may take your case to the United States' Tax Court, Court of Federal Claims or District Court.

Collection,

Paying your taxes in full and on time saves you penalty and interest charges. If you can't pay in full, file on time, pay what you can and request a payment plan (installment agreement). **Publication 594**, *The IRS Collection Process*, explains what to do when you owe taxes. More information is available at **IRS.gov**, search: **Collection Procedures**.

Fresh Start,

As part of the Fresh Start initiative, IRS has made the streamlined Installment Agreement process available to more small businesses.

Small businesses with \$25,000 or less in unpaid tax that can full pay the balance due within 24 months can participate.

IRS has also significantly increased the dollar thresholds of when Notices of Federal Tax Liens are generally filed, and modified its procedures that make it easier for taxpayers to obtain lien withdrawals. Liens may now be withdrawn once full payment of taxes is made if the taxpayer requests it in writing. For more details, visit **IRS.gov**, search: **Fresh Start**.

What is an Offer in Compromise?

An Offer in Compromise agreement is between you and the IRS to settle your tax liabilities for less than the full amount owed.

Generally, an offer will not be accepted if IRS believes that your liability can be paid in full as a lump sum or through a payment agreement. Your income and assets are looked at to determine your ability to pay.

A streamlined OIC is being expanded to allow taxpayers with annual incomes up to \$100,000 to participate. In addition,

participants must have tax liability of less than \$50,000.

Help from the Taxpayer Advocate Service,

The Taxpayer Advocate Service is an independent organization within the IRS that assists taxpayers with tax problems unresolved through normal channels or who believes that an IRS system or procedure is not working.

Contact TAS at:

- 877-777-4778,
- 800-829-4059 TTY/TDD,
- **IRS.gov**, search: **taxpayer advocate**,

Small Business Regulatory Enforcement Fairness Act,

If you believe your small business has been the subject of excessive or unfair regulatory enforcement or compliance actions from any federal agency, you may file a complaint with

the Small Business Administration's National Ombudsman.

Contact the SBA at 888-734-3247 or email ombudsman@sba.gov.

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| SUNDAY | MONDAY | TUESDAY | WEDNESDAY | THURSDAY | FRIDAY | SATURDAY |
|-----------|--|-----------|---|------------------------------|--|-----------|
| | 1 File Form 730 and pay the tax on wagers accepted during May. File Form 2290 and pay the tax for vehicles first used during May. File Form 11-C to register and pay annual tax if you are in the business of taking wagers. | 2 | 3 Deposit payroll tax for payments on Jun 26-28 if the semiweekly deposit rule applies. | 4 Independence Day | 5 | 6 |
| 7 | 8 Deposit payroll tax for payments on Jun 29-Jul 2 if the semiweekly deposit rule applies. | 9 | 10 Deposit payroll tax for payments on Jul 3-5 if the semiweekly deposit rule applies Employers: Employees are required to report to you tips of \$20 or more earned during June. | 11 | 12 Deposit payroll tax for payments on Jul 6-9 if the semiweekly deposit rule applies. | 13 |
| 14 | 15 Deposit payroll tax for Jun if the monthly deposit rule applies. | 16 | 17 Deposit payroll tax for payments on Jul 10-12 if the semiweekly deposit rule applies. | 18 | 19 Deposit payroll tax for payments on Jul 13-16 if the semiweekly deposit rule applies. | 20 |
| 21 | 22 | 23 | 24 Deposit payroll tax for payments on Jul 17-19 if the semiweekly deposit rule applies. | 25 | 26 Deposit payroll tax for payments on Jul 20-23 if the semiweekly deposit rule applies. | 27 |
| 28 | 29 | 30 | 31 Deposit payroll tax for payments on Jul 24-26 if the semiweekly deposit rule applies. File Form 720 for the second quarter. File Form 730 and pay the tax on wagers accepted during June. File Form 2290 and pay the tax for vehicles first used during June. Employers: File Form 5500 or 5500-EZ. Deposit FUTA owed through June if more than \$500. File Form 941 for the second quarter. | | | |



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Rip Right Through

IRS e-file for Business and Self-Employed Taxpayers,

IRS *e-file* has become the most-used option for filing individual and business tax returns. The IRS will confirm receipt of your return within just 48hours. E-filers receive refunds in about half the time as do paper filers—even faster with direct deposit. IRS *e-file* also offers the convenience of filing tax returns early and delaying payments owed until the due date. In most states you may e-file your federal and state returns at the same time. Forms include:

- Employment taxes – **Forms 940, 941 and 944**
- Partnerships – **Forms 1065 and 1065-B,**
- Estates and trusts – **Form 1041,**
- Information returns – **Forms 1042-S, 1098, 1099, 5498, 8027, and W-2G ,**
- Corporations – **Forms 1120 and 1120-S,**

- Excise tax – **Form 720**,
- Heavy Highway Use Vehicle Tax – **Form 2290**
- Claim for Refund of Excise Taxes – **Form 8849**
- Charities and nonprofits – **Forms 990, 990-EZ, 990-N, 990-PF and 1120-POL** ,
- Extensions of Time to File – **Forms 7004 and 8868**

Methods to Electronically File your Employment Taxes include:

- Using an authorized IRS *e-file* provider;
- Using a payroll service provider (reporting agent); or ,
- Using a third-party transmitter.

Benefits of Paying Business Taxes by Electronic Funds Withdrawal,

E-filing a return with a balance due via an electronic payment is a safe and convenient way to be assured of on-time receipt and

acknowledgement. Paying business taxes by Electronic Funds Withdrawal can be made for:

- **Form 720**, *Quarterly Federal Excise Tax Return*,
- **Forms 940, 941 and 944**,
- **Form 1041**, *U.S. Income Tax Return for Estates and Trusts*,
- **Form 1120** and **Form 1120-S**, *U.S. Corporation Income Tax Return and Schedule K-1* (including amended returns)
- **Form 2290**, *Heavy Highway Vehicle Use Tax Return*,
- **Form 7004**, *Application for Automatic 6-month Extension of Time to File Certain Business Income Tax, Information and Other Returns* ,
- **Form 8868**, *Application for Extension of Time to File an Exempt Organization Return* ,
- **Form 990-PF**, *Return of Private Foundation or Section 4947(a)(1)*

Nonexempt Charitable Trust Treated as a Private Foundation ,

▪ **Form 1120-POL.**

Payments can also be made for penalties related to **Form 1065** and **Form 1065-B**, partnership returns.

Payments scheduled for withdrawal on or before the return due date will be considered timely. Payments for **Forms 720, 940, 941, 944 and 2290** cannot be scheduled in advance.

Electronic Federal Tax Payment System Pays All Your Federal Taxes Securely,

EFTPS allows taxpayers to schedule their payments up to 120 days in advance of a due date for business taxes, and 365 days for individual taxes. EFTPS is safe and easy to use, you receive an immediate acknowledgement number as a receipt for every transaction, and you can get a 16-month payment history online.