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IRS tax tips for starting a business

Before [starting your own business](#), get all the tax basics at the [Small Business and Self-Employed Tax Center](#) on [IRS.gov](#). A key to your success in starting a business is to know your tax obligations and payroll tax rules. Below are five 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 the type of [structure](#) for your business. The type of business structure you choose will determine which tax forms you will file.
2. **Business Taxes** — There are four general [types of business taxes](#): 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, use [IRS Direct Pay](#) to pay them. It's the fast, easy and secure way to pay from your checking or savings account.
3. **Employer Identification Number** — You [may need to get an EIN](#) for federal tax purposes. To find out if you do need an EIN, search "do you need an EIN" on [IRS.gov](#). If 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 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. A small employer is eligible for the credit if it has 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.

The [employer shared responsibility provisions](#) of the Affordable Care Act affect employers employing at least a certain number of employees (generally 50 full-time employees or a combination of full-time and part-time employees). These employers are called applicable large employers. ALEs must either offer minimum essential coverage that is "affordable" and provides "minimum value" to their full-time employees (and their dependents), or potentially make an employer shared responsibility payment to the IRS. The vast majority of employers will fall below the ALE threshold number of employees and, therefore, will not be subject to the employer shared responsibility provisions.

Employers also have [information reporting responsibilities](#) regarding minimum essential coverage they offer or provide to their full-time employees. Employers must send reports to employees and to the IRS on new forms the IRS created for this purpose.

Each state has additional requirements for starting and operating a business. For information regarding state-level requirements for starting a business, please refer to [your state's website](#).

To find information about specific professions, visit the IRS [Industries/Professions Tax Centers](#) Web page.

NOTE TO EDITOR: Below are links to help taxpayers find the information they need.

Additional IRS Resources:

- [IRS Tax Calendar for Businesses and Self-Employed](#)
- [Publication 505](#), Tax Withholding and Estimated Tax
- [Publication 334](#), Tax Guide for Small Business
- [Publication 225](#), Farmers Tax guide
- [Publication 535](#), Business Expenses
- [Publication 587](#), Business Use of Your Home
- [Publication 510](#), Excise Taxes

IRS YouTube Videos:

- Small Business Health Care Tax Credit – [English](#) | [Spanish](#) | [ASL](#)
- IRS Online Tax Calendar – [English](#) | [Spanish](#) | [ASL](#)
- Simplified Home Office Deduction – [English](#) | [Spanish](#) | [ASL](#)

IRS Podcasts:

- Small Business Health Care Tax Credit – [English](#) | [Spanish](#)
- IRS Online Tax Calendar – [English](#) | [Spanish](#)
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