



# A Guide to Starting a Small Business

This Small Business Guide is intended to provide quick references about Federal tax considerations when opening and running a small business.



# TABLE OF CONTENTS

- Business Types . . . . .1
- Information About. . . . .1
- Stages of Owning and Running a Business . . . . .1
- Preparing Taxes. . . . .2
- Filing/Paying Taxes . . . . .2
- Tax Information, Tools and Resources for Businesses and Self-Employed . .2
- Online Learning Products . . . . .3
- General Topics . . . . .3
- Helpful List of Downloadable Publications . . . . .3
- Forms and Instructions . . . . .5
- For Further Online Information . . . . .6

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## Business Types

When beginning a business, a taxpayer must decide what form of business entity to establish. The type of business entity impacts which income, employment tax and information returns to file. Legal and tax considerations help select the best business structure.

The most common forms of business are:

- **Sole Proprietorship** – Someone who owns an unincorporated business by themselves.
- **Partnership** – A relationship existing between two or more persons who join to carry on a trade or business.
- **Corporation** – A legal entity that's separate and distinct from its owners.
- **S Corporation** – Corporations that elect to pass corporate income, losses, deductions and credits through to their shareholders for federal tax purposes.
- **Limited Liability Company or LLC** – A business structure allowed by state statute whereby the members of the company cannot be held personally liable for the company's debts or liabilities.

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## Information About

Resources for taxpayers who file Form 1040 or 1040-SR, Schedules C, E, F or Form 2106, small businesses with assets under \$10 million, as well as employment tax returns and information returns include:

- **Self-Employed Individuals Tax Center**
- **Independent Contractor or Employee**
- **Business Structures**
- **Businesses with Employees**

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## Stages of Owning and Running a Business

Listed below are links to basic federal tax information when starting and operating a business. The list is not all-inclusive. Other steps may be appropriate for a specific type of business.

- **Starting a Business**
- **Is it a Business or a Hobby?**
- **Operating a Business**
- **Closing a Business**
- **Address changes**
- **Business Name Change**

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## Preparing Taxes

Good records will help monitor the progress of the business, prepare financial statements, identify sources of income, keep track of deductible expenses, keep track of basis in property, prepare tax and information returns and support items reported on the tax and information returns.

- [Business Tax Credits](#)
- [Deducting Business Expenses](#)
- [Recordkeeping](#)
- [Tax Withholding for Individuals Employment Taxes](#)
- [Income Tax Withholding Assistant for Employers](#)
- [Excise Taxes](#)
- [Gift Taxes](#)

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## Filing/Paying Taxes

Following are some links to information about filing and paying business taxes.

- [Filing and Paying Your Business Taxes](#)
- [IRS Tax Calendar for Businesses and Self-Employed](#)
- [Filing Past Due Tax Returns](#)
- [Information Return Reporting](#)
- [Employment Taxes](#)
- [Income Tax Withholding](#)
- [Estimated Taxes](#)
- [Order Forms Online](#)
- [Electronic Federal Tax Payment System \(EFTPS\)](#)

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## Tax Information, Tools and Resources for Businesses and Self-Employed

- [Employer ID Numbers \(EINs\)](#)
- [Forms and Publications](#)
- [Understanding Employment Taxes](#)
- [Self-Employment Taxes](#)
- [e-File Employment Tax Forms](#) – e-file any of the following employment tax forms: 940, 941, 943, 944 and 945.
- [Foreign Account Tax Compliance Act \(FATCA\)](#)
- [Work Opportunity Tax Credit](#)

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## Online Learning Products

- [IRS Video Portal](#)
- [Small Business Events](#)
- [Online Learning & Educational Products](#)
- [Small Business Tax Workshop](#)
- [Subscribe to e-News](#)
- [Webinars for Small Businesses](#)
- [Tax Cuts and Jobs Act \(TCJA\) Training Materials](#)

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## General Topics

- [A-Z Index for Business](#)
- [Affordable Care Act \(ACA\)](#)
- [Gig Economy \(Sharing Economy\)](#)
- [Report of Foreign Bank and Financial Accounts \(FBAR\)](#)
- [Retirement Plans for Small Entities and Self-employed](#)
- [Tax Reform Provisions that Affect Businesses](#)

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## Helpful List of Downloadable Publications

- [Publication 15, Circular E, Employer's Tax Guide](#)
- [Publication 15-A, Employer's Supplemental Tax Guide](#)
- [Publication 15-B, Employer's Tax Guide to Fringe Benefits](#)
- [Publication 51, Circular A, Agricultural Employer's Tax Guide](#)
- [Publication 80, Circular SS, Federal Tax Guide for Employers in the U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands](#)
- [Publication 334, Tax Guide for Small Business](#)
- [Publication 505, Tax Withholding and Estimated Tax](#)
- [Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities](#)
- [Publication 517, Social Security and Other Information for Members of the Clergy & Religious Workers](#)
- [Publication 531, Reporting Tip Income](#)
- [Publication 583, Starting a Business and Keeping Records](#)
- [Publication 926, Household Employer's Tax Guide](#)

- **Publication 957, Reporting Back Pay and Special Wage Payments to the Social Security Administration**
- **Publication 966, Electronic Federal Tax Payment System (A Guide to Getting Started)**
- **Publication 1281, Backup Withholding for Missing and Incorrect Name/TIN(s) (Including instructions for reading tape cartridges and CD/DVD Formats)**
- **Publication 1635, Understanding Your EIN**
- **Publication 1779, Independent Contractor or Employee**
- **Publication 1779, Independent Contractor or Employee (Spanish Version)**
- **Publication 1976, Do You Qualify for Relief under Section 530?**
- **Publication 3114, Compliance Check, Audit, Examination, or Review?**
- **Publication 3144 – Tips on Tips (A Guide to Tip Income Reporting) for Employer**
- **Publication 3148 – Tips on Tips (A Guide to Tip Income Reporting)**
- **Publication 3148 (SP) Reporting your Tip Income, Spanish**
- **Publication 3953, Q&A's About Tax Court Proceedings for Determination of Employment Status Under IRC Section 7436**
- **Publication 4902 – Tax Tips for the Cosmetology and Barber Industry**
- **Publication 4902 (SP) – Tax Tips for the Cosmetology and Barber Industry, Spanish**
- **Publication 4902 (VN) – Tax Tips for the Cosmetology and Barber Industry, Vietnamese**
- **Publication 4932 – Gaming Industry Tip Compliance Agreement (GITCA)**
- **Publication 4936 – Your Guide to Maintaining and Complying with GITCA**
- **Publication 4985 – Gaming Industry Tip Compliance Agreement – for Tipped Employees**
- **Publication 4985 (SP) – Gaming Industry Tip Compliance Agreement – for Tipped Employees – Spanish Version**
- **Publication 5111 – Gaming Industry Tip Compliance Agreement (GITCA) Benefits to Participants**
- **Publication 5112 – Tip Rate Determination Agreement (TRDA) Benefits to Participants**
- **Publication 5146 – Employment Tax Returns: Examinations and Appeal Rights**
- **Publication 5504 – Free Small Business Virtual Tax Workshop**

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## Forms and Instructions

The following list includes most federal tax forms and instructions a business is likely to need to process payroll and file necessary returns with the IRS. The forms and instructions are downloadable from the links. Some of the forms are information copies only and cannot be used for filing. A full list of all IRS forms, instructions and publications is also available.

- **Form SS-4, Application for Employer Identification Number (with instructions)**
- **Form SS-8, Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding**
- **Form W-2, Wage and Tax Statement (with instructions)** – Issued to recipients of wages and filed with the Social Security Administration (SSA).
- **Form W-2C, Corrected Wage and Tax Statement (Form W-2 and W-3 instructions)** – Used to correct Form W-2 information.
- **Form W-3, Transmittal of Wage and Tax Statements** – Used to transmit the Form W-2 to the SSA.
- **Form W-3C, Transmittal of Corrected Wage and Tax Statements** – Used to transmit Forms W-2c to the SSA.
- **Form W-4, Employee's Withholding Certificate** – Must be furnished to each employee upon hiring to determine correct withholding. Employee may submit new certificate at any time.
- **Form W-9, Request for Taxpayer Identification Number and Certification (with instructions)** – Must be furnished to each person who receives a payment from a government entity to verify the recipient's taxpayer identification number.
- **Form 843, Claim for Refund and Request for Abatement (with instructions)** – Used to request a refund or an abatement of certain taxes, interest and penalties, including those related to Federal Unemployment Tax Act (FUTA) and certain excise taxes.
- **Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return** – Information about Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return, including recent updates, related forms and instructions on how to file.
- **Form 941, Employer's Quarterly Federal Tax Return (with instructions)** – Must be filed each quarter by an employer, including a government entity who pays wages during a calendar quarter.
- **Form 941-X, Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund (with instructions)** – Amended return to correct information reported on a previous quarter Form 941.
- **Form 944, Employer's Annual Federal Tax Return (with instructions)** – May be filed by certain employers with small payrolls who've been notified by the IRS that they can file on an annual basis, instead of filing Form 941 quarterly.
- **Form 945, Annual Income Tax Withholding Return (with instructions)** – Must be filed by each employer, including a government entity, to report withholding (including back up withholding) on payments other than wages.
- **Form 1099-G, Certain Government Payments (with instructions)** – Used by federal, state or local governments to report payments of unemployment compensation, tax refunds, taxable grants and certain other payments.
- **Form 1099-MISC, Miscellaneous Income (with instructions)** – Must be filed by any payer, including a government entity, who makes certain payments for services to recipients who are not employees.

- **Form 1099-NEC, Nonemployee Compensation (with instructions)** – Used to report nonemployee compensation, nonqualified deferred compensation and cash payments for fish.
- **Form 1096, Annual Summary and Transmittal of U.S. Information Returns** – Used to transmit Form 1099-MISC to the IRS.
- **Form I-9, Employment Eligibility Verification** – Required for all new hires. This form is available from U.S. Citizenship and Immigration Services.
- **Form SSA-1945, Statement Concerning Your Employment in a Job Not Covered by Social Security** – Newly hired public employees must sign this form, indicating they’re aware of a possible reduction in their future Social Security benefit entitlement.

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## For Further Online Information

- [Here's What To Do if You Must Close Your Business | English | Spanish | Chinese](#)
- [Employment Tax Forms](#)
- [Forms and Publications by U.S. Mail](#)
- [Prior Year Forms, Instructions and Publications](#)
- [e-News Subscriptions](#)