



HINTONBURDICK
CPAs & ADVISORS

Accounting Issues With Starting a New Business

Office Locations

Richfield, UT
Cedar City, UT
St George, UT
Mesquite, NV
Gilbert, AZ

Presented by

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• <https://tax.utah.gov/training/workshops/employment-taxes>

Small Business Employer Tax Workshop

In this workshop, you will get to hear from a tax CPA expert, as well as relevant federal and state agencies, all in one place.

- CPA firm (independent contractors versus employees)
- Utah State Tax Commission
- Utah Department of Workforce Services
- Utah Labor Commission
- U.S. Department of Labor
- Workers Compensation Fund of Utah

Registration is required—see below.

To help cover costs, the Small Business Development Center charges a minimal fee for this workshop. The fee is assessed when you register.

- Early registration: \$20.00
- Regular registration: \$25.00
- Same-day registration: \$30.00
- See the website listed below for registration cut-off dates & times

Scheduled Dates

All workshops are taught from 8:30 a.m. to 5:00 p.m. (Check in at 8:00 a.m.)

- Thursday, February 20, 2020
- Thursday, May 21, 2020
- Thursday, September 17, 2020
- Thursday, November 19, 2020

Location

Small Business Development Center
Salt Lake Community College – Larry H. Miller Campus
Corporate Partnership Center Building, Room 333
9690 South 300 West
Sandy, Utah 84070

Information

- Information and registration: 801-957-5441
- Refreshments are provided during this workshop

To Register

Online: <https://clients.utahsbdc.org/events.aspx>
Phone: 801-957-5441

- <https://tax.utah.gov/training/workshops/sales-use-tax>

Sales & Use Tax Workshop

This free workshop helps new business owners understand the basics of Utah's sales and use tax, including:

- Licensing requirements
- Tax rates
- Filing returns
- Remitting tax
- The basics of what is taxable versus what is exempt

Registration is required—see below.

Scheduled Dates

All workshops are taught from **9:00 a.m. to 11:30 a.m.** Live classes are held at the location below. GoTo Meetings are held online and you'll receive instructions when registering.

- **Wednesday, August 19, 2020** – Online course, class limit 100
- **Wednesday, October 14, 2020** – Live presentation, class limit 55

Location

Utah State Tax Commission Office
Room 1026
210 North 1950 West
Salt Lake City, Utah

To Register

Email: taxtraining@utah.gov

Phone: 801-297-6299 or 800-662-4335 ext. 6299

Registration requests are accepted until one week before each class

Resources for Getting Started

- State of Utah resources
 - Website for Doing Business in Utah
 - <http://www.utah.gov/business/>
- Small Business Administration resources
 - <http://www.sba.gov/smallbusinessplanner/index.html>
- SBDC
 - <https://utahsbdc.org/locations/st-george/>
- Seek competent help

Do you have a product or service that people want?



Business Plans

Do you have a business plan? Have you considered.....

- Description of the business; Marketing, Competition, Operating procedures; Personnel; Business insurance.
- Little mistakes, such as entity selection or software selection can cost you dearly later on....
- Company policies and philosophies.
- Why will people buy your product or service?
- How will you get the money you need to begin/continue business plans and goals?

Failing to plan ahead may lead to some unexpected consequences



Failing to Plan

- Every business needs a detailed map of where they are going. This will contain, among other things, key indicators for infrastructure acquisition, tied to financial events.
- Strategic/business plans should be revisited and updated every 3-5 years.
- All major decisions should correspond with your plan. They should not be spontaneous!

Entity Selection

- Which legal entity will you use?
 - Sole proprietorship
 - Partnership
 - Limited Liability Company (LLC) (may be taxed as a partnership or S-corp or C-corp)
 - C corporation
 - S corporation

Some Key Factors in Choosing a Legal Entity

- Liability protection
- Number of owners
- To be publicly traded
- Type of income expected (passive, LTCG)
- Flexibility in allocating income
- Fiscal vs. calendar year
- Flow-through losses (and income)
- Tax-free fringe benefits

TYPE OF ENTITY	LIMITED LIABILITY PROTECTIONS?	TAX TREATMENT	LEVEL OF GOV'T REQUIREMENTS
Sole proprietorship	No	Taxed at personal tax rate	Low
General partnership	No	Taxed at personal tax rate	Low
Limited partnership	For limited partners only	General partners taxed at personal tax rate	Medium
S-corporation	Yes	Taxed at personal tax rate	High
C-corporation	Yes	Must pay corporate taxes (but beware of double taxation on dividends)	High
Limited liability company	Yes	Can choose how you want to be taxed	Medium

Entity Type	Liability Protection	Number of Owners	Flow Through Inc/Loss	Flexibility Allocating Income	Subject to SE Tax(15.3%)	Preferred Type of Income	Getting Money Out
Sole Proprietorship (Schedule C)	No	1	Yes	n/a	Yes	Active	Take what you have
Real Estate Rental (Schedule E)	No	1	Yes	n/a	No	Passive	Take what you have
Partnership	No	2 or more	Yes	Yes	Yes	Passive	Agreement or ownership
Limited Partnership (Seldom Used)	Some	2 or more	Yes	Yes	Yes, for general partner	Passive	Agreement or ownership
C-Corporation	Yes	Unlimited	Double Taxation	No	No	Active	Dividends
S-Corporation	Yes	100 or less	Yes	No	No, reasonable wage	Active	Per share per day (Pro Rata)
LLC Taxed as:							
Sole Proprietorship	Yes	1	Yes	n/a	Yes	Passive	Take what you have
Partnership	Yes	2 or more	Yes	Yes	Yes	Passive	Agreement or ownership
S-Corporation (Form 2553)	Same as above						
C-Corporation (Form 8332)	Same as above						

Other Construction Issues to Consider

1. Internal Control: The Fraud Triangle (need, opportunity, rationalization).....of these three, what does the company control?
2. Land development vs. Long-Term Capital Gain (“Land Banking”).
3. Land donations for open space, parks, cities, schools, churches, etc.



Other Entity Selection Items

Partnership Agreement/Articles of Incorporation- these documents will help guide your business during critical times.

Things to consider:

- What will each partner/shareholder contribute? (Services vs Capital)
- How will each partner/shareholder get money out? (Allocation of income, wages, etc.)
- Who keeps the books?
- Responsibilities/Authority (What are responsibilities of each member?)
- Withdrawal/Death/Addition of other members
- How/When company gets into debt
- Amending the agreement

Owner Benefits

- Travel
- Continuing Education Courses (in Hawaii, Puerto Rico, etc...)
- Mileage Reimbursement versus actual depreciation
- Health Insurance
- Computer/Internet/Phone
- Retirement Plans (401K, Simple IRA, Roth IRA, IRA, Defined Benefit Plans, 412i)
- Vehicles

Secure 2.0 Act – New tax law effective 2023

Higher dollar limits on Retirement plans and IRA's

- Max 401(k) contribution is \$22,500 (if over 50). Born before 1974 can add \$7,500 more.
- The contribution limit on SIMPLEs is \$15,500 plus \$3,500 (if over 50)
- Payin cap for traditional and Roth IRA's increases to \$6,500 plus \$1,000 as an additional catch-up contribution for over 50.
- Income ceilings on Roth IRA payins go up. Contributions phase out at AGIs of \$218,000 to \$228,000 for couples and \$138,000 to \$153,000 for singles.

Regulatory Requirements

- Patent or trademark issues
- Business registration with the State
- Licensing with the Division of Occupational and Professional Licensing
- Local business licenses
- Sales taxes

More Regulatory Requirements

- Payroll taxes
 - Employee vs. Independent Contractor
- Income taxes

Don't put a bull's-eye on your chest for the IRS!



Bookkeeping and Tax Reporting

- Software selection
- Chart of accounts
- Reconciliations
- Financial reporting requirements
- In-house bookkeeping vs. outsourcing
- Internal controls/segregation of duties
- Selecting a certified public accountant and business advisor
- Tax return preparation

Okay, now that I have earned money do I owe taxes?



Running a Business does not need to be Risky...



Some businesses are more stable than others. Part of being a good businessman is simply exercising common sense

Continuing to Have a Successful Business Requires...

- Responding to changes in the market
- Responding to changes in technology
- Protecting your most valuable resources
- Become an industry expert
- Businesses depend on fostering relationships...
- BE YOURSELF.....

Common sense should be your guide





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