



Griffing & Company, P.C.
Certified Public Accountants & Consultants



September 2014

New Business? Consider These Things First

Your experience and knowledge about the industry are great assets for the business. However, you might be less familiar with the tax and accounting requirements to start and run a business. Together with your legal adviser, Griffing & Company, P.C. can help get your new business off to a good start.

Call Us to get started.

In the meantime, here are several things to consider:

Entity Choice

Entity choice can have tax implications and affect legal liabilities. An informed decision may lead to efficient tax strategies and allow for better understanding of the legal liability associated with the business. Together with your legal adviser, we can help you decide on the best entity structure for your business.

Start-up & Organizational Costs

Start-up costs are expenses that occur before operations truly commence, when the revenue has not been received to offset these costs. These start-up costs are capitalized and amortized over time similar to a fixed asset such as machinery and equipment. Similar treatment is given to organizational costs. It is important to keep track of these initial expenditures to maximize future tax deductions.

Accounting Software

Accounting software is a tool to track the financial health of the company. The choice depends on the industry, the needs, and the resources of the company. There are several different options, with the two biggest players being QuickBooks and Sage 50 (Peachtree). Each of these systems has several options that could be tailored toward the type of business and size of the company. We can help you evaluate the right accounting software for your business.

Cash vs Accrual Method of Accounting

These are the two main accounting methods available for most businesses. In the cash method the company only recognizes revenue and expenses when funds change hands. In the accrual method the company recognizes revenue when earned and expenses when owed. Certain types of business are required to use the accrual method of accounting. We can advise you on the best accounting method for your business.

Tax Identification Number (EIN or SSN)

Your new business will generally be required to obtain an employer identification number (EIN). If the business will be operated as a sole proprietorship, you can generally use your

social security number. However, if there are payroll tax liabilities in the business, you will be required to obtain an EIN.

Tax Year

Although most businesses have a calendar tax year (ending December 31), some may benefit from a fiscal tax year (a 12-month period ending on the last day of the month other than December). A new business may adopt either a calendar or a fiscal year on their first tax return, but certain tax payers are required to adopt a specific tax year. For example, sole proprietors must use a calendar year, and certain types of business, such as personal service corporations, generally must also use the calendar year. We can help you determine the right tax year for your business.

Income Taxes

Your new business will be required to file a federal income tax return, as well as state income tax return if applicable in the states where the business is located and operated. Which tax forms to file will depend on the type of legal entity. Keep in mind that a legal entity is created at the state level, and often times could elect to be taxed as a different type of entity for federal tax purposes. For example, a Limited Liability Company (LLC) could elect to be taxed as an S Corporation for federal income tax purposes.

Other Taxes

Additional taxes that your company may be subject to:

- **Self-Employment Taxes:** If you operate your business as a sole proprietor, you will be subject to self-employment taxes on the net income from the business.
- **Payroll Taxes:** When you hire employees in your business, your company will be obligated to pay the employer's portion of the social security taxes, as well as has tax withholding responsibilities for the employees income and social security taxes. In addition, the company will also be subject to federal and state unemployment taxes.
- **Sales Tax:** Certain types of revenue are subject to sales tax. If applicable, your company will be required to collect the sales tax from your customers and file a monthly or quarterly report to remit the collected sales tax.
- **Franchise Tax:** Don't forget about **franchise taxes**, which are often thought of state taxes.
- **Property Taxes:** Real Property taxes will be assessed on the company-owned real estate, either as a business or investment property. Personal Property taxes will be assessed on the tangible business property owned by the company (see below).

More on Personal Property Taxes

Personal Property tax is assessed based on a rendition submitted by the business that contains the information regarding the value of the assets, excluding land and buildings which are taxed through Real Property taxes. This rendition includes all tangible assets held by the company on the first day of the calendar year. A separate rendition is required for vehicles owned by the company.

Knowledge of the annual rendition may affect other choices made by a new company, such as deciding at what threshold assets should be capitalized and depreciated. For example, a company could expense all items under \$100. If the business will incur higher cost items with relatively short useful life, you might have a policy to expense all items under a higher

amount. This will affect the value of assets to be reported on the Personal Property rendition report.

It is important to have a written policy regarding the treatment of expenses and capitalization, and to follow such policy with consistent practice.

There are additional tax and accounting requirements that are specific to your business. Call us to make an appointment.

*Griffing and Company, P.C. has successfully advised numerous entrepreneurs in the process and considerations for starting new businesses.
Let us be YOUR trusted adviser!*

Molly Criswell, CPA & QuickBooks ProAdvisor

Molly is a Certified Public Accountant and a certified QuickBooks ProAdvisor with more than 13 years of diversified experience in accounting, auditing and consulting. Molly's industry experience with financial statement audits, reviews and compilations includes health care, manufacturing, construction, retail and wholesale businesses, restaurants, computer consulting, homeowners associations, financial institutions, automobile dealerships, and not-for-profit organizations. Molly is also experienced in the areas of corporate and individual taxation and has extensive hands-on experience with various accounting software packages.



Katie Stakemiller, Staff Accountant

Katie is an Accountant pursuing her certification as a CPA. While working with our team, she has gained experience with such industries as contracting, healthcare, technology, financial, and oil & gas. Katie's work for Griffing & Company, P.C. has included experience with an assortment of accounting software, with the most significant amount of time focused on Quickbooks and Sage 50/Peachtree.



Tax planning and accounting decisions are important factors when starting a business. Call Griffing & Company, P.C. to set up an appointment with our knowledgeable staff.



Griffing & Company, P.C.
One Sugar Creek Center Blvd., #450
Sugar Land, TX 77478
(281) 491-8866

info@griffing.com
www.griffing.com