

This Month:

- ◆ 4th Quarter 2008 Due Dates
- ◆ Choosing a Business Structure
- ◆ Verifying Social Security Numbers
- ◆ Running Your Business is Stressful!
Simplify it with PADGETT CONNECT

4th Quarter 2008 Due Dates

October 1:

- *Businesses:* Deadline for establishing a new SIMPLE retirement plan

October 15:

- *Individuals:* 2007 Form 1040 due if on extension
- *Partnerships:* 2007 Form 1065 due if on extension

October 31:

- *Employers:* File form 941 for 3rd quarter 2008

During November:

- *Employers:* Request new Form W-4s from employees whose withholding allowances will be different in 2009
- *Employers:* Request Form W-5 from each eligible employee who wants to receive advance payments of the Earned Income Credit during 2009

December 15

- *Calendar-year C Corporations:* 4th Installment of 2008 estimated tax due

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 for your company. 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. Business formation is controlled by the law of the state where your business is organized.



The most common legal forms of businesses are:

- Sole Proprietorships
- Partnerships
- Corporations
- Limited Liability Companies (LLC)

While state law controls the formation of your business, federal tax law controls how your business is taxed. Federal tax law recognizes an additional business form, the Subchapter S Corporation.

All businesses must file an annual return. The form you use depends on how your business is organized. Sole proprietorships and corporations file an income tax return. Partnerships and S Corporations file an information return. For an LLC with at least two members, except for some businesses that are automatically classified as a corporation, it can choose to be classified for tax purposes as either a corporation or a partnership. A business with a single member can choose to be classified as either a corporation or disregarded as an entity separate from its owner, that is, a "disregarded entity." As a disregarded entity the LLC will not file a separate return; instead all the income or loss is reported by the single member/owner on its annual return.

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The answer to the question “What structure makes the most sense?” depends on the individual circumstances of each business owner.

The type of business entity you choose will depend on:

- Liability
- Taxation
- Recordkeeping

As an entrepreneur, thoughtful deliberation should be given when deciding upon which form of entity to operate under, as your decision will have a significant impact on how income tax rules and regulations affect you and the way you are protected under the law.

The right choice will depend on individual circumstances. Because these circumstances change, the entity you choose upon starting your business may need to change somewhere down the line. So whether you are a startup or an existing business, the choice of entity is an important consideration.

For more information on choosing the right entity for your small business, please contact our office.

Verifying Social Security Numbers

All businesses should verify social security numbers (SSNs) of all employees and subcontractors. The IRS and the Social Security Administration have made it easy to do this via the internet. You can verify up to 10 names and SSNs (per screen) online and receive immediate results. This option is ideal to verify the SSNs of current or former employees and contractors, and prior to issuing W-2s and 1099s. *Do not use the service to verify SSNs of potential new hires or contractors.* Social Security will advise you when a submitted name and SSN does not match their records.

You must register to use the Social Security Number Verification Service through Business Services Online. To use the option and for additional information, go to www.socialsecurity.gov/employer/ssnv.htm.

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Padgett Business Services is dedicated to meeting the tax, government compliance, profit & financial reporting and payroll needs of businesses with fewer than 20 employees in the retail and service sector of the economy. This publication suggests general business planning concepts that may be appropriate in certain situations. It is designed to provide complete and accurate information to the reader. However, because of the complexities of the tax law and the necessity of determining whether the material discussed herein is appropriate to your business, it is important you seek advice from your Padgett office before implementing any of the concepts suggested in this newsletter.

PENALTY NOTICE: As required by U.S. Treasury regulations, you are advised that any written tax advice contained herein was not written or intended to be used (and cannot be used) by any taxpayer for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code.