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## Small Business Tax Guide: Starting Your Business the Right Way

Starting your business means taking on new responsibilities — especially when it comes to taxes. This guide helps you set up your small business the right way, minimize mistakes, and keep more of what you earn.

### 1. Choose the Right Business Structure

- **Sole Proprietorship** – Simple to form, but taxes flow directly to your personal return.
- **LLC** – Offers liability protection; can elect S-Corp status for tax benefits.
- **S-Corp** – Allows you to split income between salary and distributions to reduce self-employment taxes.
- **Corporation** – Best for larger businesses or those seeking investors.

### 2. Register for Tax IDs and Licenses

- Apply for an Employer Identification Number (EIN) at [IRS.gov](https://www.irs.gov).
- Check your state and local requirements for business tax registration.
- Obtain any necessary sales tax, payroll, or professional licenses.

### 3. Open a Business Bank Account

Separate business and personal funds to simplify bookkeeping and protect your liability status. Choose a bank that integrates with accounting software for efficiency.

## 4. Set Up an Accounting System

- Choose accounting software (QuickBooks, Xero, etc.) with tax reporting features.
- Create a chart of accounts to categorize income and expenses properly.
- Record transactions regularly to avoid year-end stress.
- Reconcile your accounts monthly to ensure accuracy.

## 5. Understand Key Business Tax Deductions

- **Home Office** – Deduct a portion of rent, utilities, and internet if used exclusively for business.
- **Vehicle Mileage** – Track total and business miles to find the best deduction method.
- **Startup & Organizational Costs** – Deduct up to \$5,000 in qualified costs.
- **Equipment & Technology** – Use Section 179 or bonus depreciation for purchases.
- **Professional Fees** – Accountant, attorney, and consultant fees are deductible.
- **Marketing & Advertising** – Social media, ads, and print materials count too.

## 6. Know Your Tax Obligations

- Estimate and pay quarterly taxes (April 15, June 15, September 15, January 15).
- File annual federal and state business returns by the appropriate deadlines.
- Maintain all records and receipts for at least seven years.
- Stay informed on payroll taxes if you have employees.

## 7. Plan Ahead with a CPA

- Avoid costly filing mistakes.
- Maximize deductions specific to your industry.
- Determine the best entity and tax strategy as your business grows.
- Stay compliant with new tax laws and filing requirements.

## Ready to start your business the right way?

Book a Startup Strategy Session today and let DeborahCPA help you build a tax-smart foundation for success.

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