



## Michigan Small Business & Technology Development Center

### How To Make Your Small Business Taxes Easier

**F**rantically trying to figure out how to file your new company's business taxes for the first time? Has your company expanded and left you confused about which deductions you should take? Tax time can be an intimidating time of year for most small business owners. Unfortunately, tax return preparation is not always "user-friendly". There are many important documents a small business owner should keep track of during the year to ensure that they are prepared for tax time. Here are some tips to help you get through what can be a daunting time.

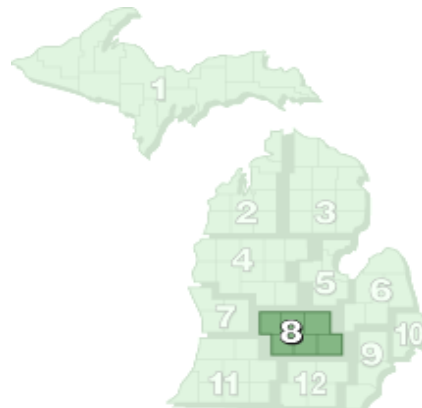
1. Accurate income and expenses records will reduce your stress and professional tax bill. Software, such as QuickBooks, is a great tool to help you record these transactions.
2. Keep all of your receipts--generally from the IRS' view point, no receipt means **no** deduction.
3. Be organized—having all your information organized will help you or your tax professional. It will also reduce your professional costs.
4. Keep a mileage log to record the business use of your vehicle. Record the business purpose of each trip, beginning and ending odometer readings. Don't forget to keep all gas and maintenance receipts.
5. Keep records of tangible assets (corporate vehicles, computers, office equipment, machinery, etc.) that your business purchases throughout the year. Document the date of purchase and original cost of the equipment.
6. If you hire subcontractors, please keep IRS Form W-9 on file for each subcontractor, obtain proof of business insurance, and a business card. The Form W-9 documents the subcontractor's name, address,

federal identification number or social security number, and form of business--everything you need to prepare a Form 1099 at the end of the year.

7. Keep record of all notes, loan or lease agreements, corporate records, tax returns, and payroll tax reports such as 941's, 940's, W-2's, 1017's, 1020's, etc. for 7 years. Never give original forms away. Always keep a copy for yourself. Helpful hint: Don't rely on a tax professional to keep your records for you especially if you change tax professionals.

#### Four warning signs that you may need help from a tax professional:

1. You don't know which deductions you should be taking as a small-business owner.
2. You're finding yourself stressed and overwhelmed when trying to file your business taxes.
3. You have significant capital gains/losses from stocks, selling a business or commercial real estate.
4. You have income from several sources, such as; consulting, royalties, rental income, interests in multiple businesses, or stocks and bonds.



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Region 8 of Michigan's MI-SBTDC is hosted by Lansing Community College



Angelia McGarry is a CPA and partner in Carolan & McGarry Certified Public Accountants. For more information on business taxes, plan to attend her free seminar "Tax Time: How to Avoid Business Tax Panic" on January 16<sup>th</sup> at 6:30pm. Call 517-483-1921 to register.

## Frequently Asked Questions:



### What is my market potential?



The principles of determining market share and market potential are the same for all geographic areas. First determine a customer profile (who) and the geographic size of the market (how many). This is the general market potential. Knowing the number and strength of your competitors (and then estimating the share of business you will take from them) will give you the market potential specific to your enterprise.

This Cooperative Agreement is partially funded by the U.S. Small Business Administration. SBA's funding is not an endorsement of any products, opinions, or services. All SBA funded programs are extended to the public on a nondiscriminatory basis.

## General Business Counseling: Business Structure

Choosing your business structure is one of the first and most important steps of starting your small business.

This article outlines the various structures and their advantages/disadvantages.

### Sole Proprietorship

The sole proprietorship is a simple, informal structure that is inexpensive to form; it is usually owned by a single person or a marital community. The owner operates the business, is personally liable for all business debts, can freely transfer all or part of the business, and can report profit or loss on personal income tax returns.

### Limited Liability Company (LLC)

The LLC is generally considered advantageous for small businesses because it combines the limited personal liability feature of a corporation with the tax advantages of a partnership and sole proprietorship. Profits and

losses can be passed through the company to its members or the LLC can elect to be taxed like a corporation. LLCs do not have stock and are not required to observe corporate formalities. Owners are called members, and the LLC is managed by these members or by appointed managers.

### General Partnership

Partnerships are inexpensive to form; they require an agreement between two or more individuals or entities to jointly own and operate a business. Profit, loss, and managerial duties are shared among the partners, and each partner is personally liable for partnership debts. Partnerships do not pay taxes, but must file an informational return; individual partners report their share of profits and losses on their personal return. Short-term partnerships are also known as joint ventures.

### C Corporation (Inc. or Ltd.)

This is a complex business structure with

more startup costs than many other forms. A corporation is a legal entity separate from its owners, who own shares of stock in the company. Corporations can be created for profit or nonprofit purposes and may be subject to increased licensing fees and government regulation than other structures. Profits are taxed both at the corporate level and again when distributed to shareholders.

Shareholders are not personally liable for corporate obligations unless corporate formalities have not been observed; such formalities provide evidence that the corporation is a separate legal entity from its shareholders. Failure to do so may open the shareholders to liability of the corporation's debts. Corporate formalities include:

- issuing stock certificates
- holding annual meetings
- recording the minutes of the meetings
- electing directors or ratifying the status of existing directors

## Small Business Tips: Name Your Business

**T**here is more to naming your business than just coming up with something that sounds good and you happen to like. Thought must be given to state and local requirements and making sure you don't infringe upon the rights of someone else's business name.

### Legal Requirements And Implications

Picking a name for your business requires much more than just creativity and a working knowledge of your target market. First you'll need to decide which business structure you will use, since each structure has its own peculiarities. For example, many states require a sole proprietor to use their own name for the business name unless they formally file another name as a trade name, or fictitious name.

Similarly, you will need to determine whether your trade name will be the same as the full legal name of your business. Of equal importance is finding out whether your name or a very similar name is being used by another business, and if so, what rights they may or may not have to use the name in the area where you do business. Keep in mind that some businesses only file trademarks within their locality, so it's possible that the same name can be used elsewhere.

### Search And Registration

Trade names can be registered through state Secretary of State Offices, and for wider marketplace protection, through the U.S. Patent and Trademark Office. (Businesses should first use the USPTO's online system to search all state and federal trademark registers to see if their proposed name is being used at [www.uspto.gov](http://www.uspto.gov)).

### Domain Names

For many businesses that operate on the Web, trade names are synonymous with domain names, such as Amazon.com and Monster.com. Domain names are not registered through state or local government; rather they can be obtained through numerous online registrars, most of which will allow you to conduct a name search prior to purchase to make sure your chosen name isn't taken.

More information here: <http://www.sba.gov/smallbusinessplanner/start/nameyourbusiness/index.html>

## Upcoming Trainings & Programs:

[www.gvsu.edu/misbtdc](http://www.gvsu.edu/misbtdc)

### Trainings

#### **Tax Time: How to Avoid Business Tax Panic**

January 16, 2008  
6:30PM—8:00PM  
Cost: FREE

#### **How to OutPerform and Outlast the Competition—Embracing Change and Thriving**

January 17, 2008  
6:30PM—9:00PM  
Cost: \$40 per person

#### **Creating an Effective Business Plan\***

March 6, 2008  
9:00AM-1:00PM  
Cost: FREE

#### **The Successful Marketing Plan\***

March 6, 2008  
2:00PM—4:30PM  
Cost: FREE

#### **Legal Issues in Starting a Small Business\***

March 6, 2008  
6:00PM—8:00PM  
Cost: FREE

#### **How to Finance Your Business**

March 25, 2008  
9:00AM-11:00AM  
Cost: FREE

#### **Financials with QuickBooks: Introductory Level**

May 5, 2008  
8:30AM-5:00PM  
Cost: \$125 per person or \$225 for 2 people from the same organization

#### **Financials with QuickBooks: Advanced Level**

May 16, 2008  
8:30AM—5:00PM  
Cost: \$125 per person or \$225 for 2 people from the same organization



To register for **PAID** seminars  
call (517) 483-9853

To register for **FREE** seminars  
Call (517) 483-1921

or visit <http://www.gvsu.edu/misbtdc> to register online.

\*Part of Entrepreneurship Series: Business Start Up 1-2-3.

## MI-SBTDC Staff in Region 8

### Regional Center

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### Affiliate Offices

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## MI-SBTDC Mission Statement

*The Michigan Small Business and Technology Development Center (MI-SBTDC) enhances Michigan's economic well being by providing counseling, training, and research, and advocacy for new ventures, existing small businesses and innovative technology companies. With regional, satellite and affiliate offices statewide the MI-SBTDC positively impacts the economy by strengthening existing companies, creating new jobs, retaining existing jobs, and assisting companies in defining their path to success.*



<http://www.sba.gov>



<http://www.lcc.edu>

### Michigan Small Business & Technology Development Center

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**Got a tip or story?  
Let us know!**

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E-mail: [sbtcdc@lcc.edu](mailto:sbtcdc@lcc.edu)

### Finding Solutions for Growing Businesses

#### **The MI-SBTDC Entrepreneurship Series Business Start Up 1-2-3**

Business Start Up 1-2-3 was designed to give entrepreneurs the information and tools necessary to start a business by offering three informative seminars all in one day. The series begins in the morning with "Creating an Effective Business Plan," a necessary first step for any entrepreneur. Then in the afternoon, you can attend "The Successful Marketing Plan," and learn how to find and attract customers for your business. The series ends in the evening with "Legal Issues in Starting a Small Business." This seminar addresses the legal concerns of a small business owner such as what form of business to choose and how to protect your intellectual property. However, if your schedule doesn't allow you to attend the full series, you can sign up for each seminar individually.

**March 6, 2008**

**Cost: FREE**

To register call (517) 483-1921  
Or visit [www.gvsu.edu/misbt/dc](http://www.gvsu.edu/misbt/dc)

The Michigan Small Business & Technology Development Center regional office at Lansing Community College is one of 12 offices statewide, providing services and support to the Michigan small business community in the areas of counseling, training and research.

The Lansing Community College's Michigan Small Business & Technology Development Center contributes to the promotion of economic development by assisting in the creation of new small business and the retention and expansion of existing small businesses. We achieve this mission by providing technical assistance to prospective and existing business owners and managers in Ingham, Eaton, Clinton, Ionia, Livingston, and Shiawassee

counties. We provide our clients with the education and training needed to establish and grow a successful small business.

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