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[Small Business Owners Crash Course on Taxes](#)

With so many Americans losing their jobs, a vast majority of them have started their own business. These ones quickly find out that having a business of their own entails lots of tax knowledge, something they never came across when they were in someone else's employment. They now realize the added responsibility they have being business owners. They now need to look into twice the amount of Social Security and Medicare taxes that they paid when they were employed. Now as business owners, they do not pay tax once a year like before, now it's every quarter.

No matter how small your business might be, it pays to consult a professional like an accountant to advise you about your tax and accounting obligations. It would also be imperative that you invest in some good accounting and tax software right from the start of your business. Do not think that you can handle bookkeeping and accounting manually all by yourself until your business grows bigger. These things have a habit of getting out of hand sooner than you think.

Here is a crash course on small business taxes to help you familiarize yourself with this.

Estimated Payments

This is the quarterly taxes you have to pay which is taken from the withholding tax from your employees' salaries. To simplify this process, you are advised to set aside between 30% and 40% of your revenue for estimated payments. Although this might be quite a substantial chunk of your earnings, it is better to set this amount aside consistently otherwise, you would have no funds to pay your taxes come April.

If you fail to set aside the estimated payments, you may end up having to take a loan to cover your tax payments and this is never a good business practice. Loans should be used to generate more revenue not pay off debts. Failure to remit your quarterly estimated payments would also subject you to interest charges by the IRS.

The most practical way to go about paying this quarterly tax is to set up a separate account for it. Do not leave your money all in a checking account as you would likely spend it in the course of business.

When it comes time to pay, sole proprietors would need to use Form 1040-ES Estimated tax for individuals whereas corporations would fill up Form 1120-W, Estimated Tax for Corporations, to calculate their payments.

Social Security and Medicare

As a business owner, you pay double the amount of Social Security and Medicare taxes than your employees do. One part comes from the deduction of these taxes from the salaries you pay your employees and the other part comes from you as the business owner.

Self-employment Taxes

This is a tax that needs to be paid quarterly as part of your estimated payments. To do so, complete Schedule SE, Self-Employment Tax, and attach it to your 1040 forms. Failure to pay this tax will also incur interest on the unpaid amount.