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# THE IMPORTANCE OF SMALL BUSINESS CORPORATE TAX AND REPORTING



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Every business must file returns and pay taxes at the federal and state levels, including in its formation state as well as any other state where it transacts business. Your business may also be responsible for collecting taxes paid by others and remitting those to the government. Each business has its own specific requirements, which are determined by its business activity, location, and other details.

Sometimes, businesses are unaware that they need to register to collect and pay these taxes. Failure to register can result in penalties and fees. Since each jurisdiction is different, it's important to understand the [local requirements](#). This can even apply to online and home-based businesses. Doing business exclusively on the internet doesn't always exempt your business from local taxes.

On the flipside, registering to collect taxes your business doesn't need to collect wastes time and money.

## WHAT TYPE OF TAXES YOU MAY NEED TO COLLECT

**Sales tax:** Imposed on the retail sale of various types of tangible personal property as well as services, rentals, admissions fees, and other less tangible items.

**Unemployment tax:** Employers are required to obtain unemployment insurance and fund compensation programs.

**Use tax:** Imposed on the use, storage, or consumption of tangible personal property that is not subject to sales tax.

**Withholding tax:** A business employing people in states with an income tax must withhold this tax from their wages.

## TAX REGISTRATION ISSUES

Because requirements are constantly changing, ensuring your registrations are correct is an ongoing effort.

## SALES AND USE

Requirements for sales and use tax registrations can vary from state to state, and county to county. For example: taxes in Arizona are collected by the Department of Revenue for the county and most cities. But many of the larger cities in the state administer and collect their own sales and use taxes.

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### UNEMPLOYMENT AND WITHHOLDING

Hiring employees makes a small business liable for certain taxes. It's important to understand the state definitions of employment to determine unemployment and withholding taxes. After determining which taxes need to be paid, locating the proper application is not always easy. The application process for each state's payroll tax registration varies greatly.

### OTHER REGISTRATION ISSUES

Other issues with registration include:

- ▶ Current information can be hard to find—or even unavailable—online
- ▶ Determining the correct forms to use for registration
- ▶ Submitting your applications in the required formats, timeframes, and locations
- ▶ Tracking completion so that you're kept informed of registration status

### TAX COMPLIANCE TIPS

Various factors must be considered when determining if a foreign corporation is required to qualify in a state because of its relationship with another corporation or firm that is doing business in the state.

1. The first step to ensuring your business is staying compliant with corporate tax and reporting requirements is to choose the [correct legal structure](#) for your business.
2. In addition, make sure you are registered to pay taxes at the right time. Not paying taxes when they are due can lead to fees and penalties. Registering when you don't need to means you're spending unnecessary time and energy on compliance.
3. Documentation is a key part of staying compliant. Keep timely, complete, and accurate records. If there's a problem in the future, you'll need to refer to those records to determine where the issue started and the best course of action to correct it.

4. Know how your employees and vendors affect your taxes. Classifying someone as an independent contractor can save a business money, but labeling an employee as a contractor will create financial issues such as adjusted back taxes. Understanding both the Affordable Care Act and pending overtime changes from the Department of Labor will help you determine how to classify those helping you in your business.



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5. To avoid unnecessary penalties, [plan your estimated tax payments](#). Estimate on the high side to avoid coming up short when these taxes are due.
6. Seek expert advice. Work with a professional who can help you keep on top of inconsistent and constantly changing state income tax and withholding rules.

### CONCLUSION

Staying on top of corporate tax registration doesn't have to be difficult. The best way to ensure you've registered to collect the correct taxes is to find a partner. A good compliance partner will help you track requirements, submit your applications in the right format, meet application deadlines, and provide confirmation and status updates.

### LEARN MORE:

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