

STARTING A BUSINESS

ENTITY COMPARISON AND ITEMS TO CONSIDER WHEN STARTING A BUSINESS FAST ANSWER CHARTS

TAX YEAR **2024**

Entity Classification Elections

Entity	Default Filing	Entity Options	Cannot Be Taxed as:
Individual	Sole proprietor, Sch. C (or Sch. F for farm business)	Corporation	Partnership
Partnership	Partnership, Form 1065	Corporation	Sole proprietor
Corporation (formed as a corporation under state law)	C corporation, Form 1120 ; or S corporation, Form 1120-S (with S election)	N/A	Sole proprietor; Partnership
LLC (single-member)	Sole proprietor, Sch. C (or Sch. F for farm business), as disregarded entity unless election is made to be treated as corporation.	Corporation	Partnership
LLC (multiple-owners)	Partnership, Form 1065	Corporation	Sole proprietor

Employer Identification Number (EIN)

Apply online	www.irs.gov/businesses/small-businesses-self-employed/apply-for-an-employer-identification-number-ein-online (Preferred method)
Phone	Domestic EIN requests received by phone will be referred to the online EIN Assistant. For international applicants, call 267-941-1099.
Fax Form SS-4 to:	Fax based on where the principal place of business or legal residence is located: One of the 50 states or the District of Columbia: Attn: EIN Operation..... Fax: 855-641-6935 No legal residence or place of business in any state: Attn: EIN Operation..... Fax: 855-215-1627
Mail Form SS-4 to:	Internal Revenue Service Attn: EIN Operation, Cincinnati, OH 45999

Business Agreements

Incorporation agreements, Partnership agreements, LLC agreements. Consult an attorney to ensure compliance with state laws when forming a business entity.

The following issues should be addressed in an agreement to form a business entity. This list is not all-inclusive.

The Business Entity	
<ul style="list-style-type: none"> Name, address of business. Names, addresses of shareholders. Description of business purposes. <ul style="list-style-type: none"> Products, services, market. 	<ul style="list-style-type: none"> Number and duties of employees. Special allocations for partnerships. Contributions to capital. <ul style="list-style-type: none"> Loans and repayment guarantees.
The Business Owners	
Responsibilities of owners <ul style="list-style-type: none"> Administrative duties. Services to be performed. Hours dedicated to the business. Time off. Length of commitment. Compensation of owners <ul style="list-style-type: none"> Wages/guaranteed/other payments. Contributions to retirement funds. Payment of expenses not covered by business operations <ul style="list-style-type: none"> Stop-loss agreements, percentage contributions in case of shortfall. Expenses to be paid personally by owners. Provisions for additional capital contributions. 	Divisions of responsibility <ul style="list-style-type: none"> Authority to hire, fire, train employees. Authority to make loans, purchase inventory and supplies, enter into contracts, and incur business debts. Draws <ul style="list-style-type: none"> Scheduled draws. Limits and restrictions on draws. Rights of owner withdrawal or transfer of interest <ul style="list-style-type: none"> Ability to withdraw. Requirements for sale of interest. Rights of first refusal. Ability to sell to outside party. Advance notice of retirement. Methods of evaluating owner share. Death of an owner <ul style="list-style-type: none"> Buy/sell agreements, succession plan. Rights and authority of relatives. Location of each owner's will. Right to divide interest of owner.
Decisions and disagreements	
<ul style="list-style-type: none"> Situations that will require a vote. Majority or unanimous vote requirements. Arbitration agreement. 	
Books and Records	
Responsibility <ul style="list-style-type: none"> Bookkeeping, accounting, and tax compliance. Legal compliance. 	Recordkeeping <ul style="list-style-type: none"> Fiscal or calendar year. Accounting method, tax elections. Location of books and records.
Amendment Provisions	
Circumstances, authority, procedures. <ul style="list-style-type: none"> Vote required for amendment. 	Situations when amendment is: <ul style="list-style-type: none"> Mandatory Optional

Which Forms to File

Taxpayer	Applicable Taxes	Forms to File	Taxpayer	Applicable Taxes	Forms to File
Sole proprietor	Income tax.....	Form 1040 and Schedules C or F	Partner in a partnership (individual)	Income tax.....	Form 1040 and Schedule E
	Self-employment tax.....	Form 1040 and Schedule SE		Self-employment tax.....	Form 1040 and Schedule SE
	Estimated tax.....	Form 1040-ES		Estimated tax.....	Form 1040-ES
	Employment taxes: Social Security and Medicare taxes and income tax withholding.....	Forms 941, 943, or 944	C corporation or S corporation	Income tax.....	Form 1120 (C corporation) Form 1120-S (S corporation)
	Federal unemployment tax (FUTA).....	Form 940		Estimated tax.....	Form 1120-W (C corporation)
	Excise taxes.....	Forms 720, 2290, 730, or 11-C		Employment taxes and excise taxes.....	Same as sole proprietor
Partnership	Annual return of income.....	Form 1065	S corporation shareholder (individual)	Income tax.....	Form 1040 and Schedule E
	Employment taxes and excise taxes.....	Same as sole proprietor		Estimated tax.....	Form 1040-ES

Note: File a separate form or schedule for each business. Additional forms and schedules may be needed.