

This Month:

- ◆ Business Structures
- ◆ 4th Quarter Due Dates
- ◆ Child Care Tax Credit

4th Quarter 2009 Due Dates

October 1:

- *Businesses:* Deadline for establishing a new SIMPLE retirement plan

October 15:

- *Individuals:* 2008 Form 1040 due if on extension

November 2:

- *Employers:* File form 941 for 3rd quarter 2009

During November:

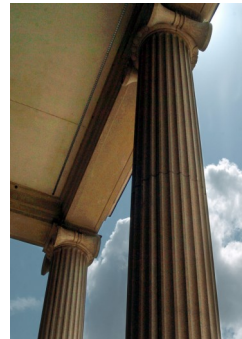
- *Employers:* Request new Form W-4s from employees whose withholding allowances will be different in 2010
- *Employers:* Request Form W-5 from each eligible employee who wants to receive advance payments of the Earned Income Credit during 2010

December 15:

- *Calendar-year C Corporations:* 4th Installment of 2009 estimated tax due

Choosing the Proper Business Structure

Of all the choices you make when starting a business, one of the most important is the type of legal organization you select for your company. This decision can affect how much you pay in taxes, the amount of paperwork your business is required to do, the personal liability you face and your ability to borrow money.



Business formation is controlled by the law of the state where your business is organized. The most common legal forms of businesses are:

- Sole Proprietorships
- Partnerships
- Corporations
- Limited Liability Companies (LLC)

While state law controls the formation of your business, federal tax law controls how your business is taxed. Federal tax law recognizes an additional business form, the Subchapter S Corporation.

All businesses must file an annual return. The form you use depends on how your business is organized. Sole proprietorships and corporations file an income tax return while partnerships and S Corporations file an information return. An LLC with at least two members, except for some businesses that are automatically classified as a corporation, can choose to be classified for tax purposes as either a corporation or a partnership. A business with a single member can choose to be classified as either a corporation or disregarded as an entity separate from its owner, that is,

CONTINUED ON NEXT PAGE

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a “disregarded entity.” As a disregarded entity the LLC will not file a separate return. Instead all the income or loss is reported by the single member/owner on its annual return.

The answer to the question “What structure makes the most sense?” depends on the individual circumstances of each business owner. The type of business entity you choose will depend on:

- Liability
- Taxation
- Recordkeeping

As an entrepreneur, thoughtful deliberation should be given when deciding upon which form of entity to operate under, as your decision will have a significant impact on how income tax rules and regulations affect you and the way you are protected under the law. The right choice depends on individual circumstances. Because circumstances change, the entity chosen in the beginning, may need to change in the future.

Whether you are a startup or an existing business, the choice of entity is an important consideration. For more information, please contact our office.

Child Care Tax Credit

Many parents who worked or were looking for work this summer had to arrange for care of their children under 13 years old during the school vacation. The Child and Dependent Care Credit is available for expenses incurred over summer break and throughout the rest of the year. Here are five facts you should know about this tax credit:

1. The cost of day camp can count as an expense towards the credit.
2. Expenses for overnight camps do not qualify.
3. If your childcare provider is a sitter at your home or a daycare facility outside the home, you'll get some tax benefit if you qualify.
4. The actual credit can be up to 35 percent of your qualifying expenses, depending upon your income.
5. You may use up to \$3,000 of the unreimbursed expenses paid in a year for one qualifying individual (\$6,000 for two or more) to figure the credit.

For information, including credit for your spouse or dependents over 13 that cannot take care of themselves, contact your local office.

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Padgett Business Services is dedicated to meeting the tax, government compliance, profit & financial reporting and payroll needs of businesses with fewer than 20 employees in the retail and service sector of the economy. This publication suggests general business planning concepts that may be appropriate in certain situations. It is designed to provide complete and accurate information to the reader. However, because of the complexities of the tax law and the necessity of determining whether the material discussed herein is appropriate to your business, it is important you seek advice from your Padgett office before implementing any of the concepts suggested in this newsletter.

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