

So You Want To Go Into Business for Yourself?

Here are a few things you need to know before you decide

1. No one will be withholding **income tax** for you, so you will need to put aside money to make quarterly tax payments to the IRS.
2. In addition to income tax, you will **also have to pay 15% SELF-EMPLOYMENT tax to the IRS**. This is your payment to Social Security and Medicare and should also be set aside for quarterly tax payments. Consult with our office to determine how much of your earnings needs to be set aside.
3. If you will be doing business in Washington, you need to get a business license from Washington State. Register with the State by completing a **Master Business Application**, by going to: <http://www.bls.dor.wa.gov/>
4. Businesses in Washington State must pay **Business & Occupation taxes** on gross business revenue. Some businesses must also charge sales tax to their customers and remit those sales taxes to the State. Washington State Department of Revenue will require Monthly, Quarterly or Annual Tax Reports and Payments.
5. If you will be paying any self-employed person for **services** (e.g. subcontractors, legal fees, janitorial, bookkeeping, consulting, rent), you must get from those vendors an IRS *Form W-9*, <http://www.irs.gov/pub/irs-pdf/fw9.pdf> and their UBI number. For vendors paid \$600 or more, total, in the calendar year, a Federal **Form 1099** must be filed at year-end. The purpose of that form is to notify the IRS of income earned by the vendor. The vendor is due a copy of the form by the end of January each year. You can file Form 1099 at www.yearli.com
6. You will need to devise a system to **track all of your business expenses** (which will help reduce tax amounts listed in #1 and #2, but will NOT reduce taxes paid to Washington State). Consult with our office about what constitutes a business expense. More information is also available on this website by going to **Tax Preparation Organizers – Individual Organizers – Schedule C, Business Income & Expenses**.
7. Business MILEAGE is often the biggest missed deduction for most people – make sure you keep track.
8. If you decide to hire **employees**, everything becomes much more complicated. Be sure to consult with us to set up your payroll process.
9. When you become an **Employer**, life changes! Be sure to consult with someone before taking this step. You can set up an appointment with our qualified staff. Contact us.