

# Tax

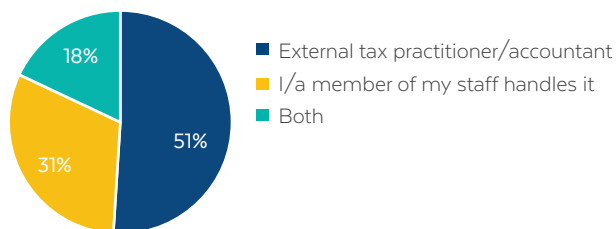
Work with your CPA to minimize taxes and save enough funds to meet tax obligations.

## Why does handling of taxes matter?

Every business must deal with tax obligations. There are many different types of taxes, and their application to your business, collection of funds and reporting to taxing authorities can be quite complex. Planning involves setting aside the cash flow to pay taxes as well as building the financial expertise to produce accurate, well-documented financial reports that support federal, state and local taxes including sales, real estate and income taxes. Work with your CPA to minimize taxes and secure the funds to meet tax obligations.

### How do you prepare your company's taxes?<sup>1</sup>

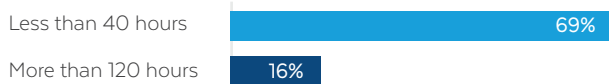
% of small businesses use this method:



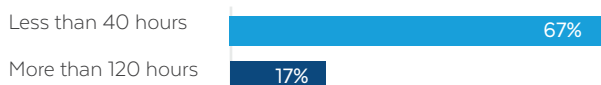
### Time spent on taxes and payroll filings each year<sup>1</sup>

% of small businesses:

#### Tax preparation:



#### Payroll processing:



## Key actions to take:

Recognize, estimate and plan for tax obligations to avoid any surprises.

- Consider the link between your business legal structure and taxes:** Your business legal structure has a significant impact on your taxes, particularly on both the filing method and tax rate. For example, S corporations distribute the company's income each year to each owner along with a form called a K-1. Owners then file the K-1 as part of their tax return. For sole proprietors, the owner is personally liable for any taxes and includes business income directly on the owner's personal tax return. Both business structures tax income once at the owner's ordinary income tax rate. Corporations, on the other hand, pay business income tax and make distributions to owners who also pay taxes at each owner's dividend tax rate. Your industry and business goals guide your selection of business structure that is best for you, a choice that can be revisited as your company circumstances change. Talk to your CPA, attorney or other business advisors to determine the structure that is best for you.
- Maintain accurate records for proper income and tax reporting:** Since your business will be taxed on the amount of income it brings in, you (and the taxing governments) have a strong interest in accurate collection and proper categorization of that income. Ideally, you have separated personal and business accounts, but if any personal transactions have made their way into your business records, you need to properly separate them in your bookkeeping. Accurate records of expenses are equally important. Entertainment, business meals and depreciable equipment, to name a few, all have different tax treatments, and your CPA or tax advisor can only help you handle these items correctly if they are properly identified.

Many taxes have special and often complex bookkeeping and filing needs. For example, sales and use taxes are usually mandated and taxed at the state and local level. The specific requirements of taxable items and remittance/filing requirements need to be carefully reviewed and planned for. There can be special fees collected for your industry, e.g., tire retailers often collect “disposal fees”, hotel operators have special “occupancy taxes”, etc., so be sure and dig deeply in to the applicable tax codes to avoid compliance issues.

Conversely, there can be special incentives or credits for meeting hiring targets, making certain business investments or locating in an economic development zone. Research the availability of federal, state and local credits, sometimes targeted to specific industries, and check with your CPA to understand their applicability to your business.

- **Pay attention to payroll taxes:** If you have employees, you will be responsible for payroll taxes. While your hiring and onboarding process should incorporate collection of the necessary tax paperwork, you must properly calculate and report employer and employee portions of federal, state and local payroll taxes (income tax withholding, Social Security/Medicare, unemployment taxes, disability insurance, other insurances/taxes, etc.) Most companies use an online payroll system to easily calculate these taxes and prepare filing paperwork.
- **Plan for the cash flow impact of tax payments:** Careful planning for the cash flow impact of and specific timing for tax payments can greatly reduce the stress of filing your business tax filing. The following steps provide an

example of the steps a business might take to prepare. Consult with your CPA to determine what is appropriate for your business:

- 1) Create a spreadsheet of tax deadlines and taxes owed and paid for each taxable year.
  - 2) At each month end, tally the amount of state, federal, sales & use, payroll, etc., taxes that will be due.
  - 3) Set the total amount of taxes due aside in a savings, money market account or other special account designed to house taxes owed and unpaid.
  - 4) Determine taxes due by each date for each taxing authority (often due quarterly, but with a schedule set by each taxing agency).
  - 5) Make the appropriate and timely tax payments as scheduled. Be mindful of convenience fees required for certain payments.
- **Use accounting software and seek advice:** Accounting software will not only help you keep track of your daily business activities, but it is the ultimate source for your financial information when you are ready to file your taxes. Most accounting software is fully compatible with tax reporting software, where you can import and export relevant tax data directly between your accounting and tax software. Work with your CPA or other tax expert well in advance of tax deadlines. These specialists will know the tax laws and the latest changes to help you determine the most favorable tax planning strategy.

## How SunTrust can help

Put the right accounts in place to reserve cash for tax payments, and take advantage of automated payroll process to streamline payroll tax reporting and filing.

Take the time and complexity out of managing your cash with a **SunTrust Business Checking Account**. SunTrust offers a variety of business checking accounts and cash management solutions to fit your business and the volume of transactions you handle. SunTrust Business Checking Accounts help you manage your finances securely and conveniently.

A **SunTrust Business Advantage Money Market Account** offers tiered interest rates to build your reserves to fund your tax payments. All accounts offer access to a variety of online and electronic services.

With **SunTrust Online Payroll**,<sup>2</sup> a feature within **Online Cash Manager**, you will have an easy-to-access one-stop payroll solution. Employees can have their paychecks deposited straight to their account, and they'll also have secure access to their paystubs, W2s and other documents online. And when it comes to federal, state and local tax payments and filing, Online Payroll handles all of it. Online Payroll allows you to enjoy automatic reports and the ability to download data into your financial accounting software.

A **SunTrust Business Credit Card**<sup>3</sup> can help manage payment of tax remittances while setting up a system for properly tracking many of your business expenses. It is easy to use, and monthly billing improves cash flow. You can use our web-based tool, *SunTrust Business Card Online*, to manage employee spending limits, track card usage and add or replace employee cards. Additional reports will help you track and manage your business spending and provide valuable transaction history.

**Click below for additional resource:**

**[Five Tips for Avoiding a Tax Audit](#)**

Stay on the IRS's good side with these tax prep tips.

Learn how SunTrust can help you plan for and manage tax filings.

- Drop by your SunTrust branch
- Call us at 800.752.2515
- Visit [suntrust.com/bizbestpractices](http://suntrust.com/bizbestpractices)

<sup>1</sup> SunTrust conducted research with 532 small business owners ranging from \$100,000 to \$2,000,000 in annual revenue during the first quarter of 2018.

<sup>2</sup> Additional charges may apply. See the Online Cash Manager Fee Schedule for details.

<sup>3</sup> All business credit cards are subject to credit approval.

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