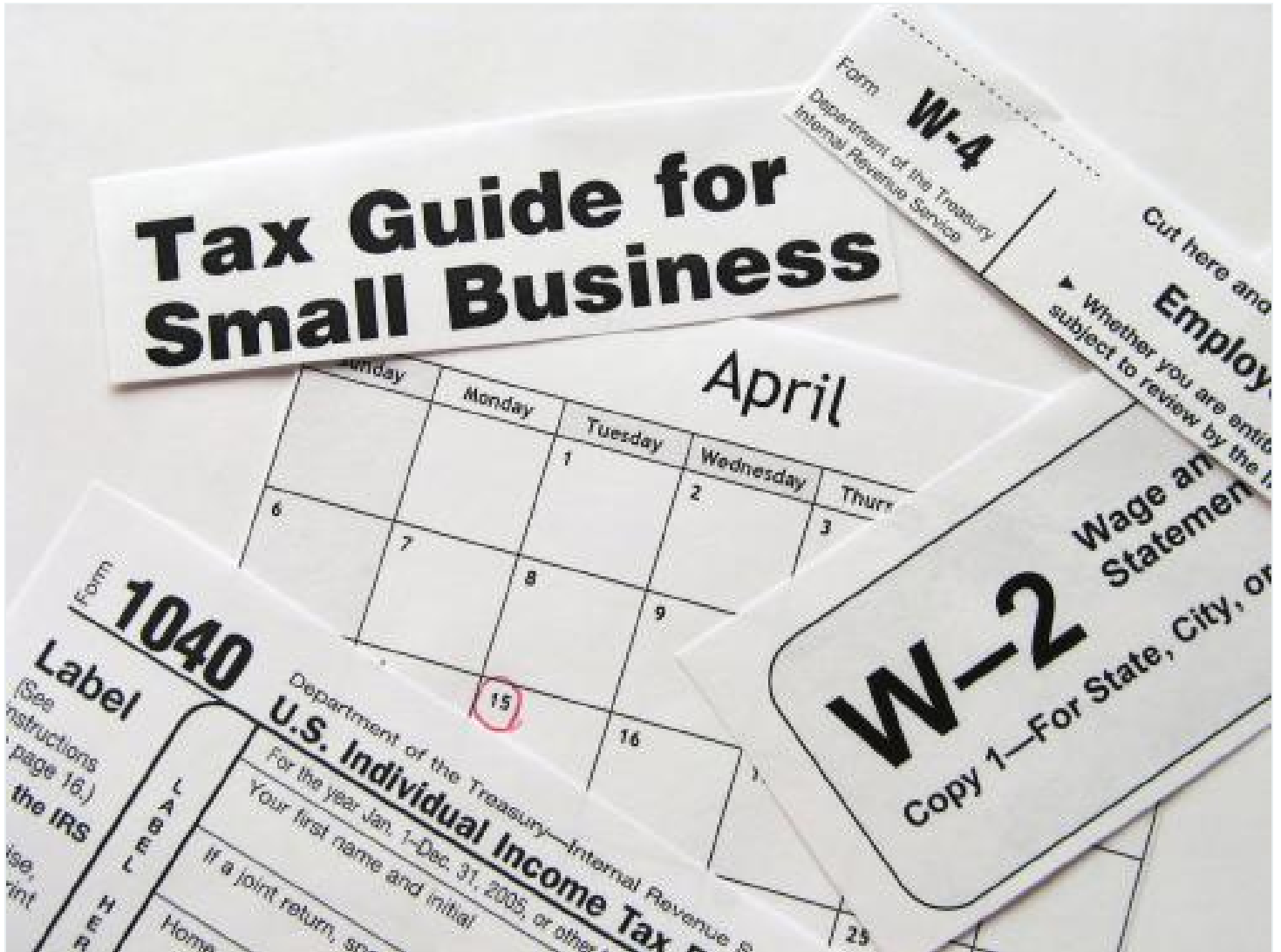


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Small businesses are the backbone of America's economy and, according to the U.S. Small Business Administration, nearly half a million new businesses are started each year. These new entrepreneurial ventures join the ranks of the nearly 28 million small businesses around the nation.

With tax season upon us, it's important that the taxpayers behind these new businesses, often organized as a Schedule C entity, know what to look for when

preparing their taxes. This can make a big difference in how much they owe come tax

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some tips for those entrepreneurs to keep in mind:

- Those who are self employed will have to pay into Social Security and Medicare. This means that approximately 15 percent of their earnings will go toward that contribution.
- The new business start-up costs can be deducted. There are two components of the method of availing deduction for start-up costs of your business. The IRS allows you to deduct a portion of the start-up cost in the first year of commencement of business. The remaining portion is amortized over the next 15 years / 180 months of business, beginning from the month in which your business becomes operational. You can claim the deduction of up to \$5,000 in the first year itself. However, the start-up cost of your business should not exceed \$50,000.
- Consider those doing work on your behalf, such as employees or contract labor. With contract labor, you do not have to pay into Social Security, Medicare, Unemployment and Workers Compensation. For this reason, it is usually to the advantage of the owner to have contract labor. The best rule of thumb in determining if you have contract labor or an employee is how much control you have over the work of the individual. The more control you have over the individual work, the more likely they will be classified as employees.
- If you started a business in 2014 it is a good idea to incorporate. By incorporating you can protect your personal assets.
- If you set up your business as a S Corporation you can avoid paying some of your profit into Social Security and Medicare. Your income that you receive from your corporation flows into your personal tax return and not subject to Social Security and Medicare tax. However, the IRS does expect you to take W-2 wages for the work that you perform for the corporation.

“Keeping some of these tips in mind can save new entrepreneurs a lot of money,” adds Gregory. “The first year in business is often the most challenging year for

people. The more you can do to lessen the tax burden situation, the better off you

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