Great Lakes Inter-Tribal Council, Inc.
Small Business Technical Assistance Program
Presented by: Jan Anderson

Business Tax Liabilities
Personal Income and
Understanding Taxes—

Native Entrepreneurs Assistance Program Workshop Series
Other taxes to consider

How does the IRS collect?

How do individuals and businesses pay taxes?

What taxes do businesses pay?

What taxes do individuals pay?

What taxes does the IRS collect?

What is the Internal Revenue Service?

What we discuss in this session:
What is the Internal Revenue Service?
Federal unemployment taxes
Taxes on business income
Medicare taxes
Social Security taxes—FICA taxes
Personal income taxes

What taxes does the IRS collect?
Employment Income
Medicare taxes on wages and salaries and self-

Self-employment Income
Social security taxes on wages and salaries and

Dividends, Gains on sales of assets,
Commissions, self-employment income,
Income taxes on earnings—wages, salaries,

What taxes do individuals pay?
What taxes do business pay?

- Income taxes on net earnings
- Social security taxes and Medicare taxes in amounts that match what the employees pay
- Federal Unemployment taxes
How do individuals and businesses pay taxes?
How does the IRS collect?
income taxes, or may owe additional tax. The taxpayer may be due a refund for overpayment of tax. This form is used to compute the actual tax liability. Return—FORM 1040 (or 1040A or 1040EZ).

By April 15th, individuals prepare Personal Federal tax payments.

Self-employed individuals remit estimated quarterly monthly payroll taxes. Employers from employee paychecks. Security and Medicare taxes are deducted by employers. For most individuals, estimated payments for Federal Social Security and Medicare tax liability?

How do individuals pay income, Social Security and Medicare tax liability?
Federal Unemployment taxes are computed and remitted quarterly. Federal Unemployment taxes are remitted along with the employers’ payroll deductions immediately after each payroll is paid.

Payroll taxes—usually, employer match to employee Social Security and Medicare taxes are remitted at least quarterly. Estimated payments for Federal Income taxes are remitted quarterly.

How do businesses pay income taxes?
Adjusted Gross Income (AGI)

Income to compute an income amount the IRS

Income Deductions from

Subject to Federal tax.

Reducing the amount of your income that is

Exemptions—You get an exemption for yourself,

Filing Status

Tax Filer Identification Section

Form 1040
Refund/Amount Owed—Compare total tax to total payments.

Earned income credit (3), other credits listed for which you qualify,
Payments—you have already made (2).
You enter these taxes due, and add up to arrive at your total tax.
Securities and Medicare or other income or payroll-related taxes,
Other taxes—if you owe more self-employment payroll taxes (Social
Tax credits,
!!! And you can reduce your tax liability if you are eligible for certain
!!! You determine your income tax liability.
!!! Taxable income.
!!! AGI is reduced by (1) your standard deduction or your itemized

Form 1040
Form 1040

You can claim and receive those refundable credits even if you have zero tax liability.

NOTE that credits you are eligible for listed in the Payments section are "refundable."
and Taxes Owed

Reporting Business Income
Income section of Form 1040.

From Schedule C is entered on a line in the

taxable business income. Net taxable income

Report Business Income and Expenses and net

Sole proprietors complete 1040 Schedule C to

Individual Income Tax Return—Form 1040.

Report their income from business on their

Sole proprietors and partners in a partnership
individual income tax return.

share of partnership income or loss on his
The K-1 is used by each partner to report his
income sharing percentage in the partnership.
or each partner's ownership percentage, or
his/her share of income and expenses based
Form K-1. Form K-1 informs each partner with
The tax preparer provides each partner with
Form 1065. This does not compute a tax due.
Partnerships file an "Information" tax return—
TT20S, and provide the shareholders with K-Ts.

Chapter 5 “Corporations file and information return—Form 1120S. These serve as partnerships for tax purposes. These are corporations that meet certain criteria and elect to be treated as partnerships. Expenses and corporate income tax due.

This form reports business income and corporation files a tax return—Form 1120. If your business is a corporation, the
Most members of LLCs will report business income. Members can elect to register with the state as an LLC, and corporations have a limited liability that allows them to register as a smaller business. The owners of LLCs are called members. The owners of corporations are stockholders. The owners of LLCs will report business income as a corporation.

What about LLCs?
Sales and Use Taxes

Use taxes are payable if goods are purchased for manufacture or product or for sale to ultimate consumers, but are instead put into use by the purchaser rather than sold. Use tax would be payable by the purchaser/user of the goods.

Quarterly, some annually.

(Quarterly, some annually.)

Some larger businesses may remit of monthly sales tax returns. (Quarterly, some annually.)

Sales taxes are imposed by governments (states, municipalities, and certain service providers. Sales taxes are collected by the sellers and at the point of sale on retail purchases of goods and services.)

If your business buys materials for production and sale, you do not pay sales tax, provided you have an exemption certificate from the state.
Partnership Return—Form 3
Corporate Income Tax Return—Form 4
Individual Income Tax Return—Form 1 (or 1A)
Unemployment taxes.
Employers deduct from employees' checks to
State of Wisconsin Income Taxation