

Taxes on Washington Businesses and Business Owners

SCORE GREATER SEATTLE CHAPTER

Version: 18 January 2025 – Lockhart

Objectives of the Workshop

Help you learn about:

- **The types of taxes that a Washington business and business owner may be required to pay.**
- **How to report and pay those taxes.**
- **How to keep good records to facilitate tax filings and payments.**

Your Presenter

Amelia Lockhart, MBA, JD

Volunteer with SCORE:

- Small Business Mentor since 2022, with expertise in Finance, Accounting and Taxes
- Workshop Instructor

Currently:

- CEO of Path to Profits Consulting, where we help entrepreneurs and organizations stabilize their finances and optimize operations through Fractional CFO and COO services
- Nearly two decades of experience in the accounting and finance industries

Education:

- MBA – University of Massachusetts Dartmouth
- JD – Seattle University School of Law



Introductions

Introduce yourself by typing in the Chat function, stating the following attributes about yourself:

- Your name
- Your business



SCORE's Business Success Resources

SCORE

- Our mission is to foster vibrant small business communities through mentoring and education.
- National non-profit organization with 300 chapters and 10,000 volunteers.
- Greater Seattle Chapter has 150 volunteers with a variety of different backgrounds and expertise.

SCORE Mentors

- Meet one-on-one with expert business mentors in many business specialties. Mentors advise, educate and encourage business owners to help them develop and be successful in their businesses.
- Register for mentoring at <https://www.score.org/seattle/local-mentors>

SCORE Small Business Workshops

- Register for workshops at <https://www.score.org/seattle/local-workshops>



SCORE Website

Information, business plan templates, newsletters, etc.

Online webinar training

<https://www.score.org/seattle>

SBA Website

<https://www.sba.gov/offices/district/wa/seattle>

Workshop Agenda

1. Introduction
2. Federal Taxes on Business Profits
3. Washington Taxes on Businesses
4. Local Taxes on Businesses
5. Paying Yourself as a Business Owner
6. Recordkeeping
7. Conclusion

“Profiting” from the Workshop

- Participation is encouraged!!
 - Ask questions as we go -- learn from your instructor and the other participants.
- Get the most out of this workshop by using these resources:
 - This presentation will be sent to you a day or two after the workshop.
 - Other materials will be sent to you after the workshop: Keep them for future reference.
- We may not have time to fully resolve every issue so consider getting a mentor!
- If you have a question after the workshop, email me at: amelia.lockhart@scorevolunteer.org

Sponsored by:



Washington State
DEPARTMENT OF
ENTERPRISE SERVICES

The Washington State Department of Enterprise Services (DES) manages over 200 statewide contracts each year. These contracts are awarded to more than 1,500 businesses, many of which are small and diverse. The state and local government agencies, tribal governments, and nonprofit organizations purchase around \$2.1 billion in goods and

Learn more about DES contracts.....

- **Special opportunities for minority and women owned businesses.**
 - Register your business at <https://omwbe.wa.gov/>
- **Types of Contracts**
 - **Goods:** Office supplies, vehicles, computers, furniture
 - **Services:** Consulting, IT support, maintenance, training
 - **Public Works:** Construction, facility repairs, infrastructure projects
- **Benefits for Businesses**
 - Potential for multi-year agreements
 - Steady income and partnership opportunities
 - Learn how your business could qualify at <https://www.des.wa.gov/>
 - Register your business <https://des.wa.gov/sell/how-work-state/register-bid-opportunities>

Why should a small business bid on a government contract?



Government contracts may be an untapped revenue stream for your small business. A common misconception is that they're only awarded to large businesses and corporations, but smaller companies have as good a shot as anyone else. It comes down to understanding how government contracts work – and where to find them. Getting into this market could change the trajectory of your business.

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Business Profits Pass Through to Owner(s)

Profits earned by businesses that are treated as sole proprietorships, partnerships or S-Corporations (i.e., “pass-through entities”) pass through to the owner(s).

Profits earned by “pass-through” entities are not taxed at the entity level.

Profits earned by “pass-through” entities are taxed at the owner(s) level.



Some Key Definitions

Profits = Sales minus all expenses of the business.

Deductions = All business-related expenses, with some small differences. (see next slide)

Taxable income = Profits, with some adjustments for certain business expenses which are not deductible.



Deductions

“Deductions” are all business-related expenses that are paid by or for the business, with the following major differences:

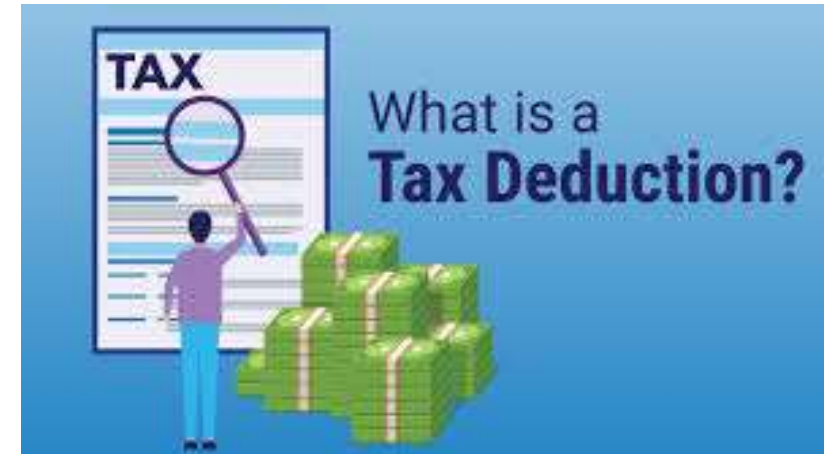
Common reductions from Deductions:

- Charitable contributions
- 50% of meals expenses

Common additions to Deductions:

- Business use of Home Deduction
- Business use of Personal Vehicle Deduction
- Depreciation, bonus depreciation and Section 179 deduction

Personal expenditures for meals, clothing, health clubs, personal care, etc. are NEVER deductions.



Key Federal Taxes on Business Owners Based on the Business's Profits

There are two key Federal taxes on the profits of small businesses that are paid by the owner(s):

- Self-Employment Tax
- Federal Personal Income Tax



Federal Self-Employment Tax

Self-employment tax is assessed on all business owners of businesses that are treated as either a:

1. Sole Proprietorship; or
2. Partnership



Self-Employment Tax Rate

Self-Employment Tax rate is:

15.3% on the first \$176,100 of business profits.

For all profits in excess of \$176,100, the tax rate is 2.9%.

Self-Employment Tax rate is comprised of:

Employer's and employee's share of Social Security Tax (12.4%)

Employer's and employee's share of Medicare Tax (2.9%)



Example of Self-Employment Tax

In 2025, ABC LLC had profits of \$80,000. ABC LLC has one owner, Bob Long, who works full time in the business.

Bob Long pays:

\$12,240 in Self-Employment Tax (15.3% of \$80,000).

However, Bob Long gets a deduction from his personal taxable income of \$6,120 (i.e., one-half of \$12,240), which will generally save him about \$1,350 Federal income tax.



Reporting of Federal Self-Employment Tax

Self-employment tax is calculated and reported on Schedule SE, which is attached to Form 1040.

The forms or schedules that need to be completed prior to completing Schedule SE are:

1. Schedule C for a sole proprietorship.
2. Form 1065 and Schedule K-1 for a partnership.

SCHEDULE SE
(Form 1040)

Self-Employment Tax

OMB No. 1545-0074
2023
Attachment Sequence No. **17**

Department of the Treasury
Internal Revenue Service

Attach to Form 1040, 1040-SR, 1040-SS, or 1040-NR.
Go to www.irs.gov/ScheduleSE for instructions and the latest information.

Name of person with self-employment income (as shown on Form 1065, 1040-SR, 1040-SS, or 1040-NR) _____
Social security number of person with self-employment income _____

Part I Self-Employment Tax

Note: If your only income subject to self-employment tax is church employee income, see instructions for how to report your income and the definition of church employee income.

A If you are a minister, member of a religious order, or Christian Science practitioner and you filed Form 4361, but you had \$400 or more of other net earnings from self-employment, check here and continue with Part I

Skip lines 1a and 1b if you use the farm optional method in Part II. See instructions.

1a Net farm profit or (loss) from Schedule F, line 34, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A _____ **1a**

1b If you received social security retirement or disability benefits, enter the amount of Conservation Reserve Program payments included on Schedule F, line 4b, or listed on Schedule K-1 (Form 1065), box 20, code AD _____ **1b**

Skip line 2 if you use the nonfarm optional method in Part II. See instructions.

2 Net profit or (loss) from Schedule C, line 31; and Schedule K-1 (Form 1065), box 14, code A (other than farming). See instructions for other income to report or if you are a minister or member of a religious order _____ **2**

3 Combine lines 1a, 1b, and 2 _____ **3**

4a If line 3 is more than zero, multiply line 3 by 92.35% (0.9235). Otherwise, enter amount from line 3 _____ **4a**

Note: If line 4a is less than \$400 due to Conservation Reserve Program payments on line 1b, see instructions.

b If you elect one or both of the optional methods, enter the total of lines 15 and 17 here _____ **4b**

c Combine lines 4a and 4b. If less than \$400, stop. You don't owe self-employment tax. **Exception:** If less than \$400 and you had church employee income, enter -0- and continue _____ **4c**

5a Enter your church employee income from Form W-2. See instructions for definition of church employee income _____ **5a**

b Multiply line 5a by 92.35% (0.9235). If less than \$100, enter -0- _____ **5b**

6 Add lines 4c and 5b _____ **6**

7 Maximum amount of combined wages and self-employment earnings subject to social security tax or the 6.2% portion of the 7.65% railroad retirement (tier 1) tax for 2023 _____ **7** 160,200

8a Total social security wages and tips (total of boxes 3 and 7 on Form(s) W-2) and railroad retirement (tier 1) compensation. If \$160,200 or more, skip lines 8b through 10, and go to line 11 _____ **8a**

b Unreported tips subject to social security tax from Form 4137, line 10 _____ **8b**

c Wages subject to social security tax from Form 8819, line 10 _____ **8c**

d Add lines 8a, 8b, and 8c _____ **8d**

9 Subtract line 8d from line 7. If zero or less, enter -0- here and on line 10 and go to line 11 _____ **9**

10 Multiply the smaller of line 6 or line 9 by 12.4% (0.124) _____ **10**

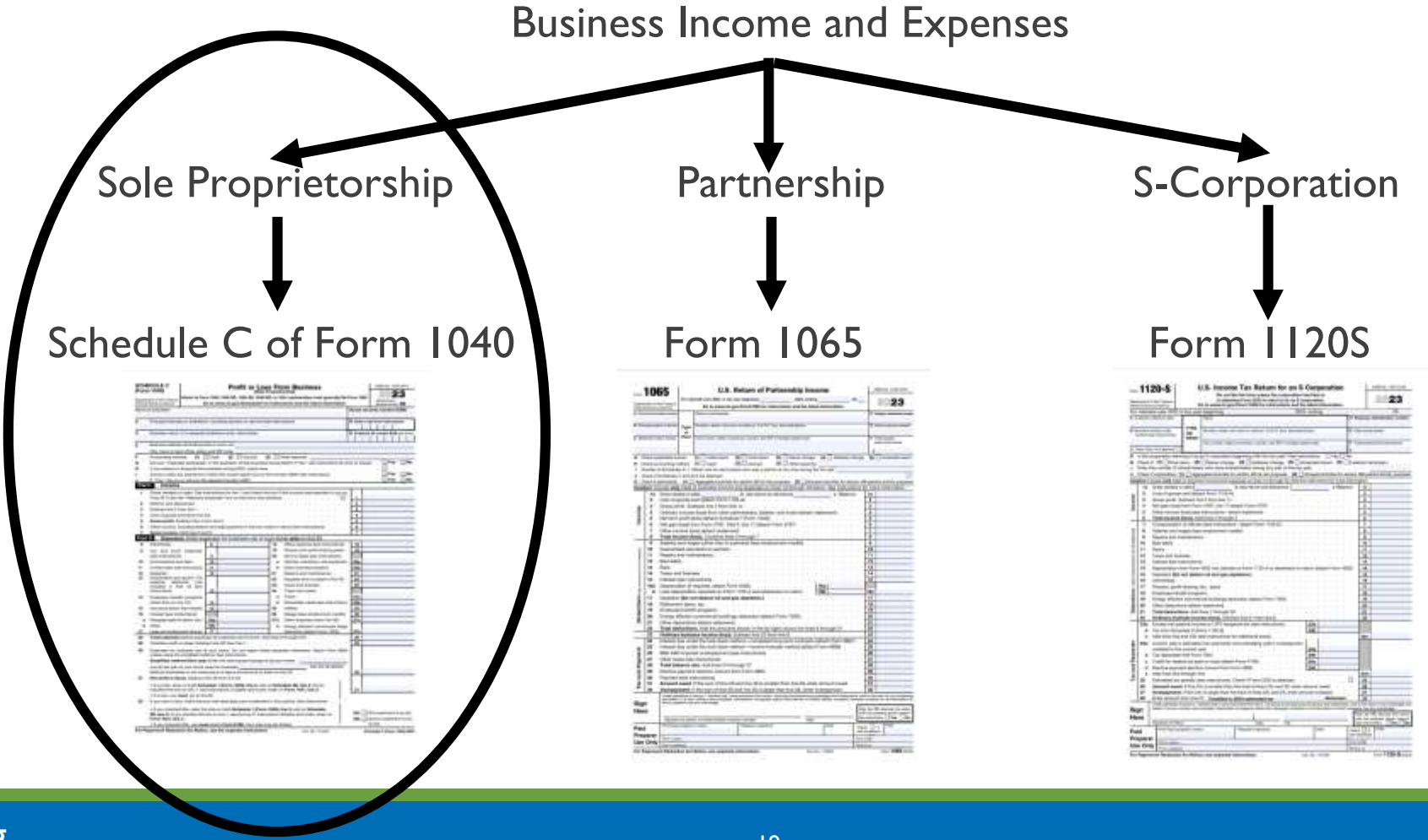
11 Multiply line 6 by 2.9% (0.029) _____ **11**

12 Self-employment tax. Add lines 10 and 11. Enter here and on Schedule 2 (Form 1040), line 4, or Form 1040-SS, Part I, line 3 _____ **12**

13 Deduction for one-half of self-employment tax. Multiply line 12 by 50% (0.50). Enter here and on Schedule 1 (Form 1040), line 15 _____ **13**

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 11396Z Schedule SE (Form 1040) 2023

Reporting a Business's Profits to the IRS



Example: Reporting of a Sole Proprietorship's Business Profits to the IRS

Schedule C, Line 31

Schedule I, Line 3

Form 1040, Line 8

Schedule C (Form 1040) Profit or Loss From Business. Line 31 is circled.

Schedule I (Form 1040) Additional Income and Adjustments to Income. Line 3 is circled.

Form 1040 U.S. Individual Income Tax Return. Line 8 is circled.

Example: Business Owner with Spouse Who Works at another Employer

	Amount
Form W-2 wages of Spouse A	\$ 95,000
Interest income	1,000
Sole proprietorship business profit of Spouse B	70,000
Less: Deduction for one-half Self-Employment Tax of \$10,710 ($\$70,000 \times 15.3\%$)	<u>(5,355)</u>
Subtotal	160,645
Less: Standard deduction – Married filing jointly	<u>(30,000)</u>
Subtotal	130,645
Less: Qualified Business Income Deduction (20% of the difference of \$70,000 - \$5,355)	<u>(12,929)</u>
Taxable Income	<u>\$117,716</u>
Federal Income Tax	\$15,726

Federal Personal Income Taxes

If the business is under the sole proprietorship, partnership or S-Corporation tax regimes, the owner(s) of the business pay Federal income tax on the business's profits (i.e., taxable income) using 2025 Federal personal income tax rates.

Unmarried			Married Filing Jointly		
Income Tax Rate	Taxable Income over	But not more than	Income Tax Rate	Taxable Income over	But not more than
10%	\$ -	\$11,925	10%	\$ -	23,850
12%	11,925	48,475	12%	23,850	96,950
22%	\$48,475	103,350	22%	\$96,950	\$206,700
24%	\$103,350	\$197,300	24%	\$206,700	\$394,600
32%	\$197,300	\$250,525	32%	\$394,600	\$501,050
35%	\$250,525	\$626,350	35%	\$501,050	\$751,600
37%	\$626,350		37%	\$751,600	

Example: Calculating the Federal Income Tax and Total Federal Taxes

On the second previous slide, the married couple had total taxable income of \$117,716 and their Federal Income Tax on that amount was \$15,726. The Federal Income Tax was calculated as follows along with the Total Federal Taxes:

	Amount of Tax
The first \$23,850 of taxable income is taxed at 10%	\$ 2,385
The next \$73,100 of taxable income is taxed at 12% (\$96,950 - \$23,850)	8,772
The last \$20,766 of taxable income is taxed at 22% (\$117,716 - \$96,950)	<u>4,569</u>
Total Federal Income Tax	\$15,726
Self-Employment Tax (\$70,000 X 15.3%)	<u>10,710</u>
Total Federal Taxes	\$26,436

When to Pay Federal Taxes

Instead of having Federal income taxes withheld from your gross wages, you the business owner pay estimated Federal Self-Employment and Federal income taxes together on the following dates:

- Quarter 1: April 15 (for Jan. through March period)
- Quarter 2: June 15 (for April through May period)
- Quarter 3: September 15 (for June through August period)
- Quarter 4: January 15 of the following year. (for Sept. through Dec. period)

How Much to Pay in Federal Taxes – Three Simple Methods

Method #1: The Simple but Bad Method

Wait until April 15 of the following year when you've completed your Form 1040 and pay all the tax at once.

Not a good idea as you will be subject to underpayment penalties for not paying taxes timely.

Underpayment penalties are interest at about 7% that's assessed on the amount you should have paid based on the quarterly due dates from that due date to the date you paid your Federal taxes in full.

How Much to Pay in Federal Taxes – Three Simple Methods

Method #2: The Simple Method

If current year's taxable income will be more than last year's taxable income, you can pay in the amount of the previous year's Federal Taxes and defer paying the rest until 15 April.

Use the following formula:

Total Federal taxes from prior year	\$20,000
Less: Any Federal income tax withholdings from W-2 wages	- 6,000
Total	<u>\$14,000</u>

Divide Total by 4 – Pay this amount at each due date **\$3,500**

How Much to Pay in Federal Taxes – Three Simple Methods

Method #3: The Very Good Method

If current year's taxable income will be less than last year's taxable income, you should compute your business's profit for each period and pay the necessary Federal taxes.

Example for the first period:

January net profit	\$5,000	
February net profit	8,000	
March net profit	<u>3,000</u>	
Total	16,000	
Estimated Tax Rate	<u>X 30%</u>	- get help from a tax professional to determine this %.
Tax to Pay on 15 April	<u>\$4,800</u>	

How to Pay Federal Taxes

Two ways to Pay:

- **Good:** Send in a completed IRS Form 1040-ES and check in the mail.

Form **1040-ES**
Department of the Treasury
Internal Revenue Service

2024 Estimated Tax

Payment Voucher **1** OMB No. 1545-0074

File only if you are making a payment of estimated tax by check or money order. Mail this voucher with your check or money order payable to "United States Treasury." Write your social security number and "2024 Form 1040-ES" on your check or money order. Do not send cash. Enclose, but do not staple or attach, your payment with this voucher.

Calendar year – Due April 15, 2024

Amount of estimated tax you are paying by check or money order.

Pay online at www.irs.gov/etpay

Simple. Fast. Secure.

Print or type

Your first name and middle initial	Your last name	Your social security number
If joint payment, complete for spouse		
Spouse's first name and middle initial	Spouse's last name	Spouse's social security number
Address (number, street, and apt. no.)		
City, town, or post office. If you have a foreign address, also complete spaces below.		State
		ZIP code
Foreign country name	Foreign province/county	Foreign postal code

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see instructions. Form 1040-ES (2024)

- **Better:** Use Direct Pay (<https://www.irs.gov/payments/direct-pay>) or the EFTPS system (<https://www.eftps.gov/>) to complete an online form and pay electronically.

Summary – Federal Taxes on Business's Profits Paid by Owners

The two Federal taxes on the business's profits paid by the owner(s) are:

- Self-Employment Tax (which is Social Security and Medicare Taxes, both the employer's and employee's portion)
- Federal Personal Income Tax

Payment of Federal taxes by the owner of a business is best done using the IRS Direct Pay system (or EFTPS system) on the quarterly dates specified by the IRS.



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Key Washington Taxes on Small Businesses

There are four key Washington taxes on small businesses and their owners:

- Business & Occupation Tax
- Sales Tax
- Paid Family & Medical Leave Tax *
- WA Cares Fund Tax *

* - Optional for owners of sole proprietorships and partnerships



Washington Business & Occupation Tax

The Washington Business & Occupation (WA B&O) tax is a gross receipts tax and is calculated on the gross sales or revenue from activities. This means there are no deductions for the costs of doing business. However, there is a deduction, in most cases, for interstate and foreign sales.

WA B&O tax rates for 2025 are based on the type of business that is done, which are generally as follows:

WA B&O Classification	Rate
Retailing	0.471%
Wholesaling	0.484%
Manufacturing	0.484%
Service Activities	1.5%
Service Activities (+ \$1 million in prior year)	1.75%

Example of Washington Business & Occupation Tax

ABC LLC is a cooking supply store located in Bellevue. The business also hosts weekly cooking classes for a fee in the store to demonstrate its articles for sale. Following is the calculation of the WA B&O Tax:

Retail Product B&O tax:

\$150,000 sales X 0.471% tax rate = \$706.50

Cooking Class – Service B&O tax:

\$30,000 sales X 1.5% tax rate = \$450.00

Total B&O Tax = \$1,156.50

Washington Sales Tax

Retail Sales

Generally, a retail sale is the sale of tangible personal property.

It is also the sale of services such as installation, repair, cleaning, construction, and decorating. Other services include altering and improving real or personal property, amusement and recreational activities, lawn maintenance, and certain physical fitness activities.

Refer to this website for the list of taxable services:

<https://dor.wa.gov/find-taxes-rates/retail-sales-tax/services-subject-sales-tax>

Retail Sales Exemptions

Common exemptions include food sales, interstate sales and foreign sales.

Washington Sales Tax

Sales Tax Rates

The WA sales tax rate is 6.5%.

Each municipality/county has a sales tax rate, varying from 1.5% Adams County to 3.85% for Seattle to a high of 4.1% for Mill Creek, Lynnwood and Mukilteo.

Thus, the combined sales tax rate varies from 8.0% to 10.6% within Washington.

Use Tax

Use tax is a sales tax payable on purchases of tangible property on which another state sales tax has not been paid. Use tax rates are the same as sales tax rates.



Some Other Sales Tax Items

1. If you ship your product to a customer in Washington, you need to charge them the sales tax rate for the location in which the product is delivered. This is most common for sales through the internet.

2. If you provide a service that is subject to sales tax to a customer in Washington, you need to charge them the sales tax rate for the location in which the service is delivered. (Examples: lawn maintenance, cleaning services)

3. Live webinars are not subject to sales tax. However, pre-recorded webinars are subject to sales tax.



Payment of Washington Business Taxes

The WA Business taxes are paid either monthly, quarterly or annually, depending on the frequency the Washington Department of Revenue requires a business to file the Washington Combined Excise Tax Return.

This Return combines the reporting and payment of the following taxes:

- Washington B&O tax
- Washington and City Sales taxes
- Washington Use tax
- Washington's excise taxes (e.g., spirit, motor vehicle fuel, etc.)

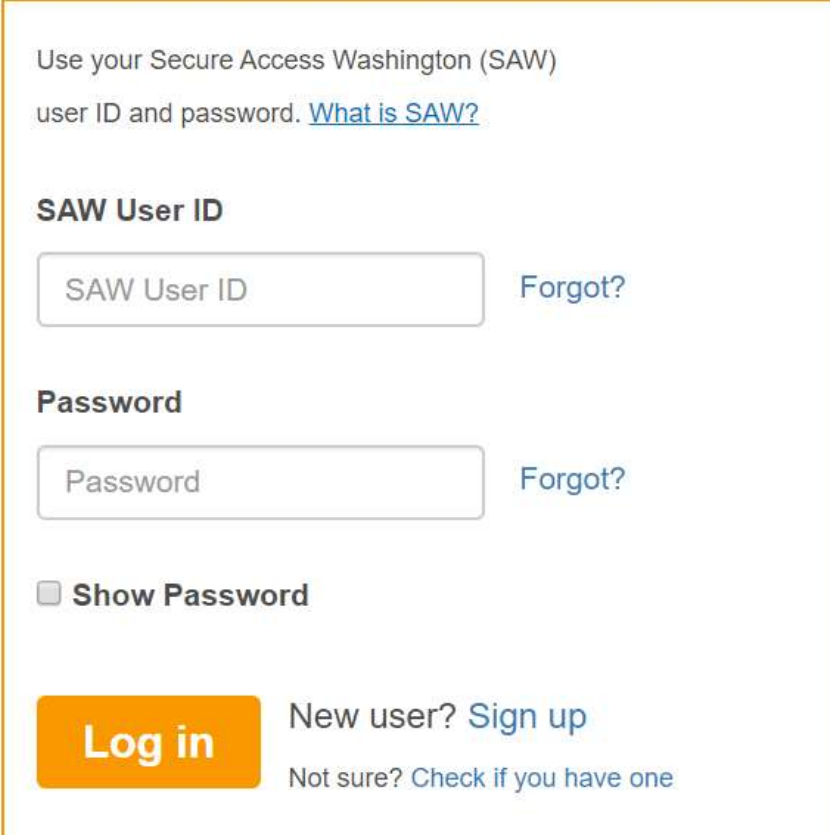


Washington Combined Excise Tax Return – Online Form

It is better to complete the Washington Combined Excise Tax Return online as all the computations of tax are done automatically for you.

In addition, the payment of taxes is simplified as you pay by direct debit or credit card once you've completed the Return.

To access the online Return, log into your SAW account (Secure Access Washington)



Use your Secure Access Washington (SAW) user ID and password. [What is SAW?](#)

SAW User ID

 [Forgot?](#)

Password

 [Forgot?](#)

Show Password

Log in [New user? Sign up](#)
[Not sure? Check if you have one](#)

Washington Combined Excise Tax Return – Page 1 – Online Form

Completing the Business & Occupation Tax Section:

Business & Occupation					
	Gross Amount		Taxable Amount	Tax Rate	Tax Due
Retailing	17,231.40	<input type="button" value="Add Deduction"/>	17,231.40	0.004710	81.16
Service and Other Activities; Gambling Contests of Chance (less than \$50,000 a year)	73,411.40	<input type="button" value="Add Deduction"/>	73,411.40	0.015000	1,101.17
Total Business & Occupation					1,182.33

Insert service sales that are subject to sales tax and retail product sales

Insert service sales that are not subject to sales tax

Washington Combined Excise Tax Return – Page 2 – Online Form

Completing the Sales Tax Section:

State Sales and Use					
	Gross Amount		Taxable Amount	Tax Rate	Tax Due
Retail Sales	17,231.40	Add Deduction	17,231.40	0.065000	1,120.04
Total State Sales and Use					1,120.04

Local City and/or County Sales Tax				
Code	Location	Taxable Amount	Tax Rate	Tax Due
1726	SEATTLE	17,231.40	0.037500	646.18
		17,231.40		646.18

Insert the amount from page 1 (i.e., Retail Sales)

Insert the amount of Retail Sales that are applicable to each city

Washington Paid Family & Medical Leave Tax

Covers Washington workers for their own illness, the illness of a family member, baby bonding, and/or supporting a military family member.

For 2025, the tax rate is 0.529248% of your business's profit up to \$176,100 to fund the paid leave program.

Owners of businesses can (but are not obligated to) pay tax on their business's profit (or W-2 gross wages if the business has elected S-Corporation or C-Corporation status with the IRS); however, evaluate the cost-potential benefit before doing so.



Washington Cares Fund Tax

Self-employed individuals (i.e., owners of sole proprietorships and partnerships) in Washington are subject to the WA Cares Fund tax. However, they have the option to **elect coverage**. If they choose to opt-in, they will contribute **0.58% of their business's profit** to the fund. This contribution provides them with long-term care benefits.

Benefits will become available July 1, 2026, at which time each person who is eligible to receive the benefit can access care costing up to **\$36,500** (adjusted annually for inflation) over their lifetime.

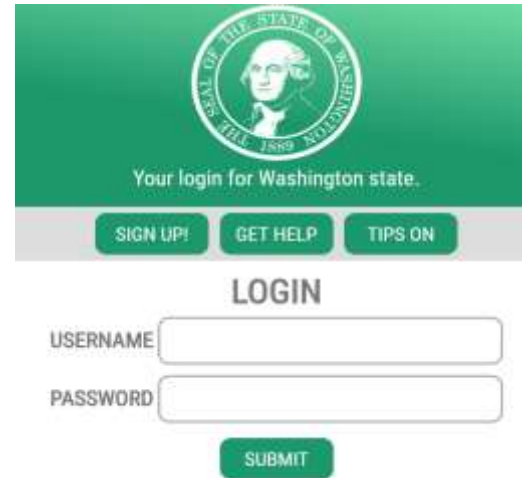
Learn more at: <http://www.wacaresfund.wa.gov/>



How to File and Pay Cares Fund and Paid Family & Medical Leave Taxes

<https://secureaccess.wa.gov/esd/eams/AvailableServices.aspx>

Then input your sign-on credentials:



WA Cares Fund and Paid Family & Medical Leave Taxes are reported on the same online form by the business quarterly and each tax is paid separately.

Both taxes are due 30 days after the end of each quarter.

Summary – Washington Taxes on Businesses

The two Washington taxes on a business's sales are:

- Business & Occupation Tax – almost all businesses
- Sales Tax – only for businesses with taxable sales

The two Washington taxes that are optional for business owners of sole proprietorships and partnerships:

- Paid Family & Medical Leave Tax
- WA Cares Fund Tax



summary

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Key Local Taxes on Businesses

There are four key local taxes on small businesses:

- County Real Property Taxes on commercial & industrial property
- County Personal Property Tax
- City Business & Occupation Tax
- City Sales Tax (previously discussed)



County Real Property Taxes

Commercial and industrial real property owned by a business is required to be valued annually at 100% of its true and fair market value.

The tax rate is determined by the county in which the real property is located. Tax rates are about 1.0% in the counties around Seattle.

Real property tax reporting is due on April 30 and one-half of the payment of tax is due on April 30 and the second half on October 31.



County Personal Property Tax

Personal property owned by a business is defined as any movable property that is not affixed to real property. It is generally comprised of the following items:

- Machinery and Equipment, Fixtures and Furniture
- Leased Equipment
- Leasehold Improvements
- Supplies, Materials and Tools



Personal property exempt from personal property tax includes:

- Inventory
- Vehicles used on roadways

County Personal Property Tax

Personal property, like real property, is required to be valued annually at 100% of its true and fair market value.

The tax rate is determined by the county in which the personal property is located. Tax rates in the counties around Seattle are:

- King County: 0.953%
- Snohomish County: 0.999%
- Pierce County: 1.210%
- Island County: 0.840%



Initial Personal Property Reporting for a New Business to the County Assessor

Reporting to the County Assessor includes a listing of all personal property owned by the business, showing a description, year of purchase and original cost:

1. Owned Business Assets

2. Leasehold Improvements



King County Department of Assessments
500 4th Avenue, Room 736
Seattle, WA 98104-2384
Phone: (206) 296-5128 Fax: (206) 296-0107
Email: personal.property@kingcounty.gov

John Wilson
Assessor

NEW BUSINESS PERSONAL PROPERTY ACCOUNT SETUP

Check this box if this is a new account based on a startup business
 Check this box if this is a new account based on a purchase of an existing business or a new account based on a business moving to a different location (complete section below as applicable)
 Former Owner Name: _____
 Former Business Name: _____
 Former Location Address: _____

ACCOUNT INFORMATION

Taxpayer Name: ABC Company LLC		Attention: Ms. Jane Doe	
Mailing Address: 999 E. Pine Street	City: Seattle	State: WA	Zip: 98122
Business Name: ABC Company LLC			
Physical Address: 999 E. Pine St.	City: Seattle	State: WA	Zip: 98122
Phone Number: (204) 345-0007	Fax Number: () -		
Email Address (address to contact regarding personal property account or listing): jane@abcseattle.com <input checked="" type="checkbox"/> Check to receive listings via email			
NAICS or Business Description: 722410 - Cafe	UBI Number: 603-646-363	Date Opened: 9/28/2017	
Legal Entity (Please Mark One) <input type="checkbox"/> Sole Proprietor <input type="checkbox"/> Corporation- Out of State, State: <input type="checkbox"/> Corporation-WA <input checked="" type="checkbox"/> Other - LLC			

PERSONAL PROPERTY LISTING

Owned Business: (Please attach additional pages if necessary)
 Summary (Monthly Cost): \$800

Category Code or Description	Acquisition Year	Original Cost (Including Sales Tax)
Chairs	2017	\$4,785
Tables	2017	\$16,055
Bar equipment	2017	\$12,928

Check this box if the building where the business is located is owned by you. If you own the building, do not report

Leasehold/Tenant Improvements: (Please attach additional pages if necessary)
 Real Estate Parcel Number (if known): _____

Description	Acquisition Year	Original Cost (Including Sales Tax)
Leasehold improvement to fit out cafe	2017	\$101,123

PREPARER INFORMATION
 Name: Ms. Jane Doe
 Email: jane@abcseattle.com Phone Number: (3) 345-0007

*If the preparer is an agent of the taxpayer please attach a letter of authorization.

DOA Form 13 (Rev 09/2013)

Payment of Personal Property Taxes

You will receive a personal property tax billing in the first quarter of each year.

It's your responsibility to determine if the information on the billing is correct. Items to investigate and dispute could be:

- Property you disposed but are still on the billing
- Overvaluation of property due to wear or obsolescence

Personal property taxes are due one-half on April 30 and the second half on October 31.



City Business & Occupation Tax

A Business & Occupation Tax may be assessed by the city in which a business is located. For example, Seattle has a B&O tax.

The city B&O tax is assessed on gross sales of the business, in a similar manner as the WA B&O tax. However, certain cities like Seattle have an apportionment factor for determining taxable service sales.



City Business & Occupation Tax Rates

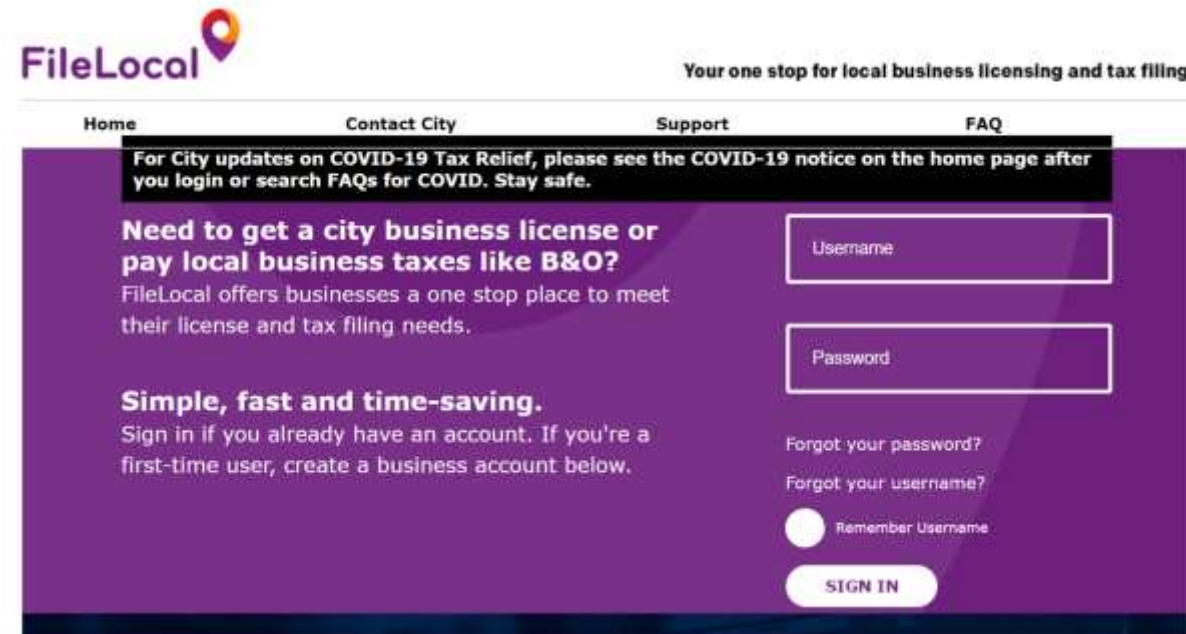
The city B&O tax varies by municipality but is always less than the WA B&O tax rates. Following are some nearby cities rates and sales exemption thresholds.

City	Retail / Wholesale Tax Rate	Service Tax Rate	Sales Exemption Threshold
Seattle	0.222%	0.427%	\$100,000
Bellevue	0.1496%	0.1496%	\$170,000
Kirkland (tax based on \$105 per employee)	0	0	\$12,000
Redmond (tax based on \$107 per employee)	0	0	\$0
Renton (per employee tax for B&O exempt bus.)	0.05%	0.085%	\$500,000
Shoreline	0.1%	0.2%	\$500,000

Reporting and Paying City B&O Taxes

City Business & Occupation taxes are best paid through the “File Local” website as the tax is calculated automatically and payment is electronic.

City B&O taxes are normally reported and paid either monthly, quarterly or annually.



The screenshot shows the FileLocal website interface. At the top left is the FileLocal logo, and at the top right is the tagline "Your one stop for local business licensing and tax filing". Below this is a navigation bar with links for "Home", "Contact City", "Support", and "FAQ". A prominent black banner with white text reads: "For City updates on COVID-19 Tax Relief, please see the COVID-19 notice on the home page after you login or search FAQs for COVID. Stay safe." The main content area has a purple background. On the left, it asks "Need to get a city business license or pay local business taxes like B&O?" and states "FileLocal offers businesses a one stop place to meet their license and tax filing needs." Below this, it says "Simple, fast and time-saving." and "Sign in if you already have an account. If you're a first-time user, create a business account below." On the right side, there are two input fields for "Username" and "Password". Below these are links for "Forgot your password?" and "Forgot your username?". There is also a "Remember Username" checkbox and a "SIGN IN" button.

Summary – Local Taxes on Businesses

The three key local taxes on a business are:

- Business & Occupation Tax – certain cities
- Personal Property Tax – certain counties
- Sales Tax – only for businesses with taxable sales

If the business has real property such as buildings and/or land, then Real Property Taxes.



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1. Introduction
2. Federal Taxes on Business Profits Paid by Owners
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- 5. Paying Yourself as a Business Owner**
6. Recordkeeping
7. Conclusion

Owner's Draws

Cash paid to the owner(s) of a business that is either a sole proprietorship or partnership is called an “Owner’s Draw”.

Owner’s Draws are NOT taxable income to the owners and are NOT a business expense.

Owner’s Draws are NOT compensation to the owners as owners cannot be employees.

Owner’s Draws are merely the payment of cash from the business.

Note: If your business has elected S-Corporation or C-Corporation, then you, the business owner, are required to be an employee if you provide services to the business and are required to receive “reasonable compensation”.

**WHAT IS
OWNER'S DRAW**



How to Make an Owner's Draw

Any payment to a business owner, other than a reimbursement of an expense of the business paid personally by the business owner, is an “Owner’s Draw”.

Ways to make an Owner’s Draw:

1. Check from the business to the business owner.
2. Electronic transfer of funds from the business to the business owner.
3. Cash withdrawn from the business via ATM by the business owner.
4. Zelle or Venmo transfer from the business to the business owner.



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What to Keep?

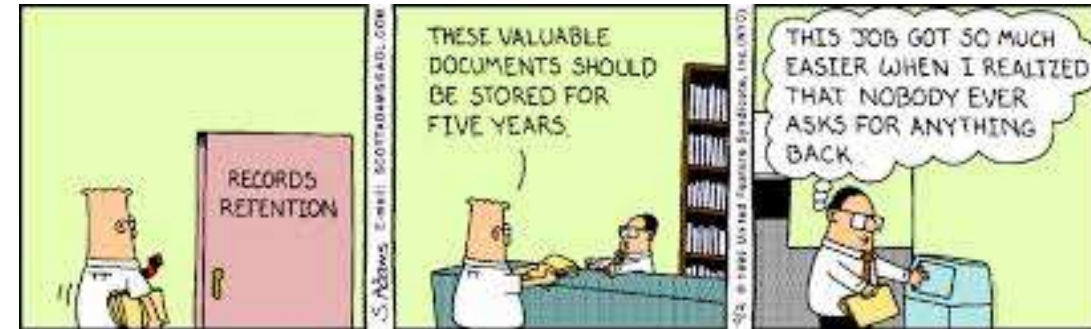
All invoices and receipts supporting business expenses and deductions.

All invoicing to customers and customer payment records.

All accounting / bookkeeping information.

All Federal, state and local tax returns and reporting.

All other records that support information provided to taxing authorities.



How to Keep?

Format:

Electronic – be sure to do regular back-ups

Paper – be sure to protect from hazards

Manner of Filing:

By month (preferred)

By supplier and customer

If you use QuickBooks Online, you can attach your electronic documents to the transaction in the system.



How Long to Keep?

Supporting documents:

7 years from the date the related Federal income tax return is filed.

Federal income tax returns:

Indefinitely



Accounting Systems

An accounting system is a process by which you record the transactions of your company in order that you can develop financial statements. The three types of accounting systems employed by small businesses generally fall into the following categories:

1. Manual System
2. Simple Computerized System for Small Businesses
3. Comprehensive Computerized System for Small Businesses.

Simple Computerized Systems for Small Businesses

- Freshbooks:

- Designed to be similar to QuickBooks Online, but with less functionality. Quite good for a service business that does not sell products. Very good billing function embedded in the software.
- Cost of about \$15 to \$25 per month. <https://www.freshbooks.com/>



- Wave:

- Good accounting system and payroll system, but not as robust as QuickBooks or Xero.
- Pricing is free; however, you will pay fees for credit card transactions through Wave and for the payroll system. <https://accounting.waveapps.com>



Comprehensive Computerized System for Small Businesses

- QuickBooks Online:

- Designed to handle most small businesses using either cash basis or accrual basis accounting. Can manage payroll and inventory, generate invoices, create budgets and simplifies preparation of financial statements. Great for working with an off-site bookkeeper. Cost of about \$30 to \$90 per month.



- Xero:

- Designed to be more “user friendly” than QuickBooks. Provides similar functionality than QuickBooks, but with more graphical images. Pricing is generally \$25 to \$46 per month, depending on the version and the features needed.



Some Other Basic Rules for Financial Record Keeping

1 – Have business checking account, debit and credit cards that are separate from personal accounts and cash

2 – Have an accounting system appropriate for the complexity of your business

3 – Don't try to go it alone – have a competent professional available for help

IRS Publication 583 “Starting a business and keeping records” is available at no charge at www.IRS.gov.



Rules of the Road for Your Taxes

1. Use all legal means to save and defer taxes.
2. When in doubt, seek competent advice.
3. Put aside cash for paying taxes. (i.e., Pay the governments before paying yourself.)
4. Pay all taxes when due and be sure to be fully paid up by the due date of the return. (i.e., Don't use the IRS or WA Dept. of Revenue as a lender.)



Business & Personal Tax Payment Chart

The Dude's Cowboy Chili Parlor
 Tax Filings and Due Dates for 2018
 Friday, August 10, 2018

Task	Who is Responsible	Jan.	Feb.	Mar.	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.
Federal Estimated Tax Payment	Dude	15											
Federal Payroll Tax Deposit	Gusto	15											
Form 941 - IRS	Gusto	31											
Form 940 - IRS	Gusto	31											
Form W-2 - IRS and Recipient	Gusto	31											
Form W-3 - IRS	Gusto	31											
WA Combined Excise Tax Return - WA Dept of Rev.	Dude	31											
Business License Tax Return - Seattle	Dude	31											
WA Unemployment Tax Return - WA DES	Gusto	31											
WA L&I Premium Return - WA Dept. of L&I	Gusto	31											
Form 1099 - IRS and Recipient	Dude	31											
Form 1120S - IRS	Dude			15									
Form 1040 - IRS	Dude				15								
Federal Estimated Tax Payment	Dude				15								
Federal Payroll Tax Deposit	Dude				15								
Form 941 - IRS	Gusto				30								
WA Combined Excise Tax Return - WA Dept of Rev.	Dude				30								
WA Unemployment Tax Return - WA DES	Gusto				30								
WA L&I Premium Return - WA Dept. of L&I	Gusto				30								
Federal Estimated Tax Payment	Dude						15						
WA Annual LLC Return - WA Secr. Of State	Dude						30						
Federal Payroll Tax Payment - with Form 941-V	Gusto							31					
Form 941 - IRS	Gusto							31					
WA Combined Excise Tax Return - WA Dept of Rev.	Dude							31					
WA Unemployment Tax Return - WA DES	Gusto							31					
WA L&I Premium Return - WA Dept. of L&I	Gusto							31					
Federal Estimated Tax Payment	Dude								15				
Form 1120S (If extended) - IRS	Dude								15				
Form 1040 (If extended) - IRS	Dude										15		
Form 941 - IRS	Gusto										31		
WA Combined Excise Tax Return - WA Dept of Rev.	Dude										31		
WA Unemployment Tax Return - WA DES	Gusto										31		
WA L&I Premium Return - WA Dept. of L&I	Gusto										31		

Your Presenter will email this template to you.

However, it would be best to have competent professional help tailor it for your situation.

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SCORE's Business Success Resources

SCORE

- Our mission is to foster vibrant small business communities through mentoring and education.
- National non-profit organization with 300 chapters and 10,000 volunteers.
- Greater Seattle Chapter has 150 volunteers with a variety of different backgrounds and expertise.

SCORE Mentors

- Meet one-on-one with expert business mentors in many business specialties. Mentors advise, educate and encourage business owners to help them develop and be successful in their businesses.
- Register for mentoring at <https://www.score.org/seattle/local-mentors>

SCORE Small Business Workshops

- Register for workshops at <https://www.score.org/seattle/local-workshops>



SCORE Website

Information, business plan templates, newsletters, etc.

Online webinar training

<https://www.score.org/seattle>

SBA Website

<https://www.sba.gov/offices/district/wa/seattle>

Other Important SCORE Workshops

1. Successfully Starting a New Business in Washington

This workshop will help you decide on your business entity and how to register your business and get the necessary licenses.

2. Paying Your Employees in Washington

This workshop will provide you the tools necessary to be able to pay your employees the wages they earn and pay the Federal and Washington payroll taxes on those gross wages.

3. Tax Saving Strategies for Small Businesses

This workshop will provide you with the 10 Top Saving Strategies to help you save Federal taxes.

Register for these workshops at <https://www.score.org/seattle/local-workshops>

After the Workshop . . .

1. Complete the evaluation with your very frank comments you will receive by email.
2. Get a SCORE Mentor at www.score.org/find-mentor. It's easy to do !!
3. Resolve to implement the learnings from this workshop in your business that you obtained here today.



THANK YOU FOR YOUR PARTICIPATION

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U.S. Small Business
Administration

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