



Avoiding Small Business Landmines

>> A New Business Guide from Wilson Toellner CPA

To help our clients protect and preserve their businesses, we like to make sure you possess a baseline understanding of a few key business concepts. This list contains some of the most important ones. If you can check all the boxes below, you've positioned yourself well to avoid some of the most common pitfalls of small business ownership.

- 1) My business has an accounting system that effectively tracks information and provides me with data that I use consistently to run a stronger business.**

TIP: A good accounting system provides you with an instant wellness check of your business and allows you not only to gauge its performance, but to practice preventative care by treating issues before they cause major harm.

- 2) The users of my accounting system, including my team and my CPA, can easily access my accounting system and its data.**

TIP: Modern accounting systems should provide a user-friendly, collaborative way to share and process information from multiple locations, so everyone can complete his or her duties seamlessly, allowing users to spend their time on value-added activities instead of taking turns backing up and sharing files.

- 3) I understand the various types of tax my business may be subject to and their respective deadlines; I can explain the differences between these tax types; and I can provide a basic definition of the following: income taxes, self-employment taxes, sales taxes, excise taxes, use taxes, lodging taxes, and payroll taxes.**

TIP: Even when you place your trust in an adviser like Wilson Toellner CPA, understanding the taxes commonly incurred by small businesses and your obligations related to each type enhances our ability to communicate, plan ahead, and get better results.

- 4) I can explain the legal structure of my business and why that structure is appropriate for my business today.**

TIP: The purpose of your business; its potential risks and liabilities; its need for income tax efficiency; its ownership structure; your exit or succession plan; various employment benefits provided to owners or staff; and the types of assets owned by a business are among the factors that should be carefully considered when evaluating the structure of your business, which may need to change over time.

- 5) I understand my record-keeping obligations as a business owner, as well as the need to separate my personal and business records.**

TIP: What records is your business required to keep? In what format? How long should you keep them? What are the consequences if you co-mingle business and personal records? Knowing the answers to these questions before they become an issue can save headaches later.

- 6) I understand the differences between an employee and a contractor and my obligations with regard to each.**

TIP: What determines whether a worker should be on payroll vs. being paid as a 1099 contractor? When are you required to provide a worker with a W-4 or a W-9? Understanding the consequences of misclassifying a worker can help you avoid major compliance issues resulting in significant penalties.