

## The Tax Gap Means New Issues for Business Owners

The Tax gap is the amount money the IRS says is due to the Treasury and the money that actually comes in. So, the IRS is on the warpath in finding ways to close the tax gap. One of the easiest ways to earn money without a lot of accountability is through a Schedule C business. The results: more audits. Another way the IRS is finding tax money is tracking down businesses that violate rules determining whether workers are employees or independent contractors.

Briefly, Schedule C is filed by sole proprietors (one-owner businesses) as an attachment to their Form 1040 – individual income tax return.

Eight basic tips for Schedule C business owners:

**1.** Classify workers properly. You must first know the business relationship that exists between you and the person performing the services. Factors to include:

- Behavioral control
- Financial Control
- Relationship of the parties

**2.** Deposit trust fund and employment taxes. Federal Employment taxes must be deposited timely.

- Federal income tax withholding
- Social Security and Medicare Taxes (FICA)
- Federal Unemployment Tax (FUTA)

Pay your estimated tax payments. This is the method used to pay taxes not subject to withholding. Income and self-employment tax on are paid quarterly basis.

Payment	Due Date
1st	April 15, 12008
2nd	June 15, 2008
3rd	September 15, 2008
4th	January 15, 2009

**4.** File and pay all taxes electronically – use EFTPS. EFTPS is the Electronic Federal Tax Payment System and is pro-

vided **free** by the Dept. of Treasury. This system is fast, secure, accurate, available 24/7, is easy to use and helps reduce penalties.

**5.** Keep good records:

- Monitor the progress of your business
- Prepare you financial statements
- Identify source of receipts
- Keep track of deductible expenses
- Prepare your tax returns
- Support items reported on tax returns

**6.** Protect financial and tax records

Planning what to do in case of a disaster is an important part of being prepared. The IRS encourages taxpayers to safeguard their records.

**7.** Consider hiring a tax professional.

Choose a tax professional wisely  
They can help assure filing deadlines and deposit requirements are met.  
They can also streamline many business operations.

**8.** Avoid the IRS '*dirty dozen*' tax avoidance schemes.

- Phishing/Email/Internet Scams
- Scams related to the Economic Stimulus Payment
- Frivolous arguments
- Fuel tax credit scams
- Hiding income offshore
- Abusive retirement plans
- Zero wages
- False claims for refunds and requests for abatement
- Return preparer fraud
- Disguised corporate ownership
- Misuse of trusts
- Abuse of charitable organizations and deductions

### Tax Question

If you have run a small business in the past, but this year there is no income or expenses, is it necessary to file a Schedule C?

Answer on the back

### Motivational Quote

**"I've failed over and over and over again in my life and that is why I succeed. "**

Michael Jordan (1963- )  
Retired Basketball Super-Star and businessman

# Haven't Filed an Income Tax Return?

## Here's What to Do

Filing a past due return may not be as difficult as you think. Taxpayers should file all tax returns that are due, regardless of whether or not full payment can be made with the return. Depending on an individual's circumstances, a taxpayer filing late may qualify for a payment plan. All payment plans require continued compliance with all filing and payment responsibilities after the plan is approved. However, full payment of taxes saves you money.

## Gather Past Due Return Information

Taxpayers should bring any and all information related to income and deductions for the tax years for which a return is required to be filed.

## Prepare and File Forms

You'll need to get the proper forms and publications. Then sign and date your tax return; and send to the correct address.

## Payment Options - Ways to Make a Payment

There are several different ways to make a payment on your taxes. Payments can be made by credit card, electronic funds transfer, check, money order, cashier's check, or cash.

Taxpayers who continue to not file a required return and fail to respond to IRS requests for a return may be considered for a variety of enforcement actions. Continued non-compliance by flagrant or repeat non-filers could result in additional penalties and/or criminal prosecution.

## Tax Question Answer

If your sole proprietorship business is inactive during the full year, it is not necessary to file a Form 1040, Schedule C for that year.

## Do as I say – Not as I do

The IRS has failed to keep tabs on its own spending – according to Treasury inspectors. The IRS will throw out expenses if the taxpayer doesn't verify the expenses. In this case, the IRS has paid a contractor \$1.3 million dollars in bogus invoices. If they had followed their own rules on substantiation of expenses – those same rules that we all must follow – it could have avoided wasting the taxpayer's (our) money.

## Tax Calendar for June

### Business:

June 16 Monthly Payroll Taxes Due  
June 16 Corporations Estimated Taxes Due  
June 20 State Sales Tax Due

### Individuals:

June 16 - Estimated Tax Payment Due

## Laugh Out Loud

### Man's Best Friend

A dog is truly man's best friend. If you don't believe it, just try this experiment. Put your wife and dog in the trunk of your car for an hour.

When you open the trunk, who is really happy to see you?