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**Checklist for Setting Up Your Business After Forming A Corporation**

I. Opening a Corporate Business Bank Account and Using the Business EIN

1. Open the new corporate business checking account you will need the corporate Articles of Incorporation and the EIN. When you open the business bank account get the following:
  - a. Just put your CORPORATE name on the business checks not your address;
  - b. Put “*Void After 60 Days*” under the dollar line on the checks and begin with number 1001;
  - c. Get overdraft protection for your business account;
  - d. Get your monthly statements and check images in the mail or print them out or save them every month to your computer or server.
  - e. Get copy of your signature card. (Per Uniform Commercial Code Article 3)
  - f. Get a business debit card that you can use to make business purchases or take draws.

I recommend Republic Bank, Beneficial Bank or United Savings Bank which mail you your monthly statements and check images at no additional charge.

2. Then fill in a W-9 with your corporate name and EIN and give it to anyone that paid you over \$600, so they do not issue you a 1099-Misc. under your SSN for the current tax year.
3. If you hire someone else to reconcile your bank statements and or make deposits make sure they are bonded to prevent fraud. You should also review your annual profit and loss reports and tax returns looking for any unusual increases in expenses. In addition, you should review the cancelled checks every month to ensure there are no missing checks or suspicious transactions.

II. Keeping Good Business Records and Paying Taxes

1. You should use Microsoft Outlook or Google Calendars to schedule your appointments and track your mileage, meals, entertainment and cash expenses. Also keep receipts so you can total your cash expenses at year end. You should use Quickbooks to do monthly profit and loss statements to calculate your quarterly estimated tax payments. However, please do not include draws as an expense in arriving at net profit. If you need help setting up Quickbooks call **Kristen Runge at 570-575-9460**.
2. No matter what entity you choose for tax purposes, you will need to do a quarterly profit and loss

report so you can pay personal estimated tax payments on April 15, June 15, September 15, 2018 and January 15, 2019 using forms 1040ES and PA-40ES from your personal bank account. Always pay your income tax from your personal bank account because Partnerships and S Corporations do not pay tax and pass all the income and expenses to shareholders or partners via a K-1.

3. Keep track of your capital contributions into your business account since these are nontaxable deposits. During the first year you can only deduct a business loss up to your tax basis which is based on your capital contributions. For example if you made a \$10,000 capital contribution in the first year, the most you can deduct as a business loss is \$10,000. When you take draws from your corporation that reduces your tax basis, since you can only take draws from your net profit, the money has already been taxed so whether you leave the net profit in the business bank account or take out as a draw to supplement your salary you are going to pay income tax on the net profit but not social security tax.

4. . If you pay anyone who is not a corporation more than \$600 during the tax year, have them fill in a W-9, *before you pay them* so you can have me issue them a 1099-Misc. by February 1 of the following year. Give me a list of who you paid by January 20, and I will issue the 1099's for you

5. If you collect sales tax, you should reconcile your total deposits to your total monthly sales tax returns including your credit card sales reports with your gross revenue to ensure all taxable deposits are included in gross revenue. Examples of nontaxable deposits include loans and capital contributions. You should also verify that your gross sales reported on your Pennsylvania monthly sales tax returns do not exceed the gross revenue reported on Federal and State business tax returns

6. If your gross receipts exceed \$500,000, and you have hourly employees you must pay them the minimum wage and if they work more than 40 hours per week they must be paid overtime at time and a half. You will need to track their time on a weekly basis. Currently the minimum wage in Pennsylvania is \$7.25 per hour.

7. You should sign up for a business visa or master card that either pays you cash back or pays you rewards like Capital One Quicksilver or Spark Business card 877-987-4249, or Chase Ink 800-882-6751. You should use the card to make all your business purchases so when you receive the year end detailed statement that will list all your business expenses by category, it will simplify your record keeping.

8. You should back up all your data and client files on the cloud on a daily basis and I recommend Dropbox but there are a lot of good providers.

### III. Maximizing Your Retirement and Minimizing Your Taxes

1. To maximize your retirement your corporate employer has until October 1 to set up a Simple IRA and then you have until January 30, of the following year to make a \$13,000 employee contribution and your corporate employer can make an employer contribution of up to 3% of your pay by the due date of your corporate return plus extensions (September 15). If you can afford to, you should also fund a ROTH IRA or a nondeductible IRA by contributing \$6,000 by April 15, of the following year

assuming you met the AGI limits and you are under 50 years old. If you are over 50 years old, you can make an employee contribution of \$16,000 into your Simple IRA and \$7,000 into your Roth IRA. Make sure your payroll company includes your Simple IRA contributions on your W-2.

2. If you want to shelter additional income and do not want to use a Simple IRA, you should consider setting up a solo 401K and contribute \$19,000 if you are under 50 and \$25,000 if you are over 50. However, you cannot contribute to both a 401K and a Simple IRA in the same year, and you must pay yourself the same amount or more than you contribute to the plan on an annual basis. With a 401K your employer can also match up to 10% of your salary as opposed to a 3% employer match with the Simple IRA. The overall limit for 401(k) plan is \$56,000 for 2019.

#### IV. Getting the Right Insurance

1. You should get the following insurance under your new corporate name:

a. Professional liability or Errors and Omissions insurance.

b. You should also register your business vehicle registration in your corporate name and inform your auto insurer to update your policy and add full tort coverage. I would recommend Tim Harris of Nationwide at 610-565-1910

c. You should also get a personal umbrella of at least \$1,000,000 if not more depending on your personal net worth.

d. You should also get disability insurance and pay the premiums out of your personal bank account so if you have to file a claim the proceeds will be tax free. I would recommend Karen Maine at 610-426-0007 to get quotes for a, c and d.

e. Health Insurance, I recommend you contact Donna Gerrace at 610-832-3740.

#### VI. Marketing Your Business and Miscellaneous Guidance

1. To set up your website and online presence contact Greg Sutphin at 610 757 8411. He can help you set up your business on Facebook, Avvo, Yelp, Linked In, Twitter and Google +. Make sure your business cards, stationery, pens and client invoices have your complete corporate name.

2. If you want to accept credit cards using your smart phone I recommend you sign up for Square, which has no monthly fees and charges about 2.75% per transaction.

3. If you rent or own commercial space consider switching to Direct Energy at 888-734-0741, which will charge you a fixed rate of 8.79 cents per kWh for electricity which includes transmission charges and gross receipts tax. Compare that rate to PECO's rate.

4. You should set up an accountable employee reimbursement policy so you can reimburse your employees for their cell phone, travel and business meals.

## VII. Conclusion

By doing all the above steps you will follow the three rules that every entrepreneur has which are to:

1. Pay the least amount of taxes legally by following rules 2 and 3 below;
2. Maximize your retirement contributions by fully funding both a Simple and Roth IRA;
3. Practice good corporate governance by not paying personal expenses from your business checking account and keeping good business records. Ensure you have the proper amount of insurance listed in paragraph V above.