Taxland Newsletter 2026

SEPTEMBER ISSUE

UPCOMING DEADLINES:
3rd QTR ESTIMATED TAX PAYMENTS DUE: 09-15-26
TAX EXTENSION DEADLINE: 10-15-26

Thinking of starting a business?

One of the most important first steps for new entrepreneurs and future business owners is choosing the right business structure for you!

Each business structure has different tax filing requirements and legal considerations. Knowing the difference between them can help determine which option is best.

- Sole proprietorships
- Partnerships
- Corporations
- S corporations
- Limited liability company (LLC)

Essential Steps to Get Started (Sole Proprietorship)

- **Pick your service or product:** Decide what skills or goods you will offer and test your idea as a side hustle before quitting a full-time job.
- **Understand your structure:** Operating alone defaults you to a sole proprietorship, which requires no initial filing, but a Limited Liability Company (LLC) can protect personal assets if liability is a concern.
- **Get a tax ID:** Apply for a free Employer Identification Number (EIN) from the IRS if you need a separate business identity or plan to hire help.
- **Open a business bank account:** Keep your personal and business money separate to simplify tracking and tax reporting.
- **Set up recordkeeping:** Track all income and business expenses from day one to prepare for self-employment and quarterly estimated taxes.
- **Check local rules:** Look into local city or county licenses and permits required for your specific trade or location.

"What are my self employment tax obligations?"

As a self-employed individual, generally you are required to file an annual income tax return and pay estimated taxes quarterly.

Self-employed individuals generally must pay self-employment (SE) tax as well as income tax. SE tax is a Social Security and Medicare tax primarily for individuals who work for themselves. It is similar to the Social Security and Medicare taxes withheld from the pay of most wage earners. In general, the wording "self-employment tax" only refers to Social Security and Medicare taxes and not any other tax (like income tax).

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Business Expenses

• Self-employment tax: The self-employment tax rate is 15.3% (12.4% Social Security + 2.9% Medicare). An additional 0.9% Medicare tax may apply if your net earnings exceed $200,000 (single filer) or $250,000 (married filing jointly).

• Deductible business expenses: Ordinary and necessary expenses for your business are deductible, including office supplies, advertising, utilities, business insurance premiums, professional fees (legal, accounting), business travel, meals (50% deductible), vehicle expenses, retirement plan contributions and health insurance premiums.

• Recordkeeping: Keep thorough records of all income and expenses, including receipts, invoices, mileage logs and bank statements. Good records are essential for substantiating deductions and preparing your return.

• Information returns: If you pay $600 or more to a non-employee (such as a subcontractor), you must issue Form 1099-NEC, Nonemployee Compensation. Be sure to collect a complete Form W-9, Request for Taxpayer Identification Number and Certification from each payee. This amount will change to $2,000 after Dec. 31, 2025.

Tax planning tips

• Retirement planning

• Health insurance

• Home office deduction

• Vehicle expenses

• Depreciation and §179

Common pitfalls to avoid

• Co-mingling personal and business finances

• Not keeping receipts or documentation

• Forgetting to report all income

• Misclassifying workers

If you're interested in starting a business and would like to set up a preliminary meeting, please feel free to contact our office. We'd be happy to help!

Contact us to schedule an appointment.

THANK YOU FOR YOUR CONTINUED BUSINESS

TAXLANDONLINE.COM – 413-782-8292