

Ask SCORE

HOW THE BUSINESS STRUCTURE YOU SELECT AFFECTS YOUR INCOME TAX TREATMENT

The business structure you choose for your startup will affect your company from a legal standpoint, and it will have an impact on your taxes, as well. Before you decide on the structure for your small business, you should do some research and talk to tax and legal professionals for guidance. The better you understand your options, the more likely you'll be to operate under the structure that will benefit your business the most.

An Overview of A Few of the Most Common Business Structures

SOLE PROPRIETORSHIP:

By default, businesses are considered sole proprietorships (partnerships if more than one owner) if their owners don't register them formally as independent entities. Many at-home businesses start this way because sole proprietorships require the least amount of registration paperwork and ongoing compliance efforts. From an income tax perspective, a sole proprietorship is also considered one in the same as its owner. Your business profits and losses flow through to your personal income tax return.

(Note that with a sole proprietorship, your personal assets are not separated from those of your business. This poses some risks. Your home, bank accounts, retirement savings, and other personal belongings might be in jeopardy if someone were to sue your company. When you form a Limited Liability Company [LLC] or incorporate your business, however, your personal assets receive some protection from legal action brought against your business. Be aware liability protection and tax treatment may vary depending on the state where a business is incorporated matters, so it's important to talk with an attorney and tax professional.)

LIMITED LIABILITY COMPANY (LLC)

You can form an LLC as either a single-member (single owner) or multi-member (multiple owners). This legal structure provides the limited liability advantages of a corporation and the flexibility of a sole proprietorship. As with sole proprietorships/partnerships, an LLC's profits and losses flow through to owners' personal income tax returns. In addition, LLCs offer some tax flexibility; you can elect to have your LLC taxed as an S Corporation or a C Corporation.

S CORPORATION

The S Corporation structure has gained the favor of many small business owners because it offers one level of tax at the shareholder level and some relief from the self-employment tax burden on owners. Only an owner's reasonable wages/salaries are subject to self-employment (FICA) tax, and profit distributions to shareholders flow through to the individual shareholders' income tax returns.

C CORPORATION

C Corporations offer more extensive personal liability protection and growth potential than other structures, and the way income taxes are applied differentiates this structure, too. With a C Corp, income is taxed at the corporate tax rate when your business earns it. Profits are then taxed again at the personal income tax rates when shareholders' distributions are made.

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REGIONAL CHAMBER ROUNDUP

Please see pages 31-40 for the TriCounty Area Chamber of Commerce news and information section.

PHOENIXVILLE REGIONAL CHAMBER OF COMMERCE

• 171 East Bridge Street, Phoenixville, PA 19460 • 610.933.3070 • fax 610.917.0503
• info@phoenixvillechamber.org • www.phoenixvillechamber.org



PHOENIXVILLE
REGIONAL CHAMBER OF COMMERCE

The Phoenixville Regional Chamber of Commerce is an independent organization serving the business interests of Northern Chester, Western Montgomery and parts of Delaware Counties.

The Chamber's mission is to "advance the principles of free enterprise by providing the leadership which will enhance the economic climate of the region, address the priority needs of its members, and interact with other individuals and organizations for the overall benefit of the business community."

UPCOMING EVENTS

Young Professionals Holiday Networking Event (YPN) with the Phoenixville Jaycees – Tuesday, February 5th, 6:00 PM

Join the Phoenixville Chamber and the Jaycees at the Professional Networking Group in the Phoenixville Area. Created for business minded people aged 21 to 40 to gather in a relaxed atmosphere, YPN meets the first Tuesday of every month.

Join us to network with other young professionals. Refreshments will be provided with a Cash Bar Bring plenty of business cards. Visit our website at www.phoenixvillechamber.org for information and registration

February Monthly Membership Luncheon – Tech Talk Tuesday, February 12th, 11:15-1:00 PM

Join the Phoenixville Chamber for an afternoon of education and networking. Fred Hubler, President of Creative Capital Wealth Management will present a mini-seminar. Visit our website at www.phoenixvillechamber.org for information and registration

Cost: \$20 pre-registered, \$25 at the door. \$30 for non-members.



Chamber Annual Golf Tournament – Tuesday, April 30th, 11:30 AM, Rivercrest Golf Club & Preserve

The course at RiverCrest Golf Club & Preserve is one of the most exciting golf venues built in the Philadelphia area. Enjoy a fun-filled day on the course starting with lunch, golf and ending with an Awards dinner. Individual Golfer: \$175; All golfers costs include lunch, dinner, door prize, greens fees, cart, on-course refreshments and awards ceremony Dinner Only Ticket: \$60; Join us for a delicious dinner, open bar and wonderful silent auction items! www.phoenixvillechamber.org for information and registration.

PHOENIXVILLE EVENTS

First Fridays in Downtown Phoenixville – May 3, June 7, July 5, August 2, September 6, October 4 6:00-10:00 PM

Visit our Phoenixville on the First Friday of every month, May through October, to experience the vibe of our eclectic town. Sample some of the region's best craft brews, grab some local eats, shop our sweet boutiques, and listen to live music on the street. Main Street is closed between Bridge & Church Streets to allow vendors to set up and showcase their wares.



Food Truck Festival – Saturday, May 4 & Saturday, October 5 12noon – 6PM

30+ food vendors, music, arts, craft beers, and so much more. This family-friendly day of food and fun. Bridge Street is closed between Starr and Gay streets, and Main Street is closed between Price and Church Streets for this awesome food truck festival. Parking will be tricky, FREE shuttle service is available. Visit www.phoenixvillefoodfestival.com for more information

WELCOME NEW CHAMBER MEMBERS!

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