

# Caring Safely Module 12-1

## Marketing & Business Business Structures and Resources

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## In This Module

- Types of business structures
- Business and taxes
- Self-Employment resources
- Bookkeeping resources

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# Business Structures

- Sole Proprietorship
- LLC
- Corporation (Incorporate)

Disclaimer: Any tax advice herein is based on the facts provided to us and on current tax law including judicial and administrative interpretation. Tax law is subject to continual change, at time on a retroactive basis and may result in incremental taxes, interests or penalties. Should the facts provided to us be incorrect or incomplete or should the law or its interpretation change, our advice may be inappropriate. We are not responsible for updating our advice for changes in law or interpretation.

# Sole Proprietorship

A single owner of an unincorporated business - operates the business as an extension of herself. If using your own name, may not need to register the sole prop until making a certain amount of income through it.

Taxes: profits and losses of the business flow through to the tax return of the owner. What you make is your income, what you spend are your expenses.

Liabilities: flow through to the owner. For example, if someone slips and falls on the business premises or the company is unable to pay its debts, successful claims against the company may be levied against the bank account or house of the owner.

# Limited Liability Company

**United States:** An LLC is a business structure that many sole proprietors turn to for some legal protection. The owners and any officers and directors are protected from the liabilities of the company, including for their own negligence in operating the business. Single member limited liability companies are often treated in the same way as sole proprietorships for tax purposes (meaning an individual attaches their business income to their personal tax return).

**Canada:** No LLC. Limited Liability Partnerships (LLP) but only lawyers, accountants and doctors.

# Corporation

**United States:** Corporations are their own legal entity. In an ordinary corporation (a “C Corporation”) the profits and losses of the corporation do not flow through to the tax returns of the owners. The corporation is a separate entity filing its own tax return and paying its own taxes. A “S” corporation is taxed like a partnership and the profits and losses of S Corporations flow through to the federal tax returns of the owners so profits and losses pass through you personal tax returns.

**Canada:** When you incorporate your business, it is considered to be a legal entity that is separate from its shareholders. As a shareholder of a corporation, you will not be personally liable for the debts, obligations or acts of the corporation. It is always wise to seek legal advice before incorporating.

# Professional Liability

- Professional liability insurance

A professional liability policy covers errors, omissions or negligent acts which may arise from the normal or usual duties carried out by the insured.

- Check with your regulatory organization regarding requirements
- Check for discounted rates through your regulatory organization or your professional association

# Income/Revenue

**Sole Proprietorship:** What ever you charge for your services becomes part of your annual revenue. This goes through your personal tax return.

**Corporation:** Whatever you charge for your services becomes part of the company revenue.

You may pay yourself through the company and then what you pay yourself becomes part of your personal income.

Your company files a tax return.

## Costs/Expenses

**Sole Proprietorship:** What ever you spend on your business may be a tax deduction on your personal tax return.

**Corporation:** Whatever you spend on your business is a business expense and may be a tax deduction for the business on the corporate tax return.

## Examples of Expenses

**General guideline:** If it is to be used with the purpose of generating income for your business, then it is likely a business deduction.

Advertising, Meal and Entertainment (certain portion), insurance, interest paid, business tax, fees, licenses, dues, memberships and subscriptions, office expenses, supplies related to produce income (certain guidelines), legal, accounting, professional fees, rent (if not using home office), travel, phone, internet, fuel costs, motor vehicle expense.

Business-use-of-home-expenses (more detailed).

*Check guidelines with your local State/Provincial and Country's Federal Tax Laws*

# Self-Employment Resources

## **United States:**

IRS - Self Employed Individuals Tax Centre

## **Canada:**

Small Business and Self Employed Income

## **Australia:**

Australian Taxation Office – Business Registration

## **United Kingdom:**

Government UK – Business Tax: Self-employment

# Bookkeeping Resources

**Sage**

**sage**

**QuickBooks**

**qb** intuit  
**quickbooks.**

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