

# TAX PREPARATION FOR SMALL BUSINESSES

*Everything you need to prepare  
for the 2023 tax season.*



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As a business owner, it's important to understand the federal, state, and local tax requirements. This document will help assist in filing federal taxes accurately and on time. The business structure chosen when starting a business will determine what taxes a business will pay and how a business pays them. Below is an overview of filing requirements for the following business types : Sole Proprietorships, Limited Liability Companies, Partnerships, S Corporations, and C Corporations.

# EXTENSION TO FILE



This is not an exhaustive guide. The purpose of this document is to assist small business owners with their tax filing journey by providing basic information for reference. For more comprehensive information, please contact a financial professional. For assistance finding a financial professional in the state of Illinois, please go to [abic.us/taxreferral](http://abic.us/taxreferral) and submit a referral request.

Owning a business involves submitting tax returns and occasionally the filing date approaches before a business is prepared. Businesses shouldn't panic if they're still catching up on their bookkeeping or going over their receipts to find tax deductions.

Most businesses have an additional six months to file their tax returns with the IRS. They simply have to submit an extension. Although an extension offers a business extra time to file your tax return, it does not extend the deadline for making their tax payments. The IRS can charge penalties and interest if a business pays their taxes after the due date, so businesses need to file an extension before their due date to avoid these penalties.

Most businesses use the Application for Automatic Extension of Time (Form 7004, found [here](#)) to request an extension. This includes sole proprietorships, LLCs, partnerships, S corporations, and C corporations.





# SOLE PROPRIETORSHIP



## DEADLINES

April 18, 2023 - Deadline to file 2022 Federal tax returns or an extension.

## RECOMMENDED FINANCIAL RECORDS

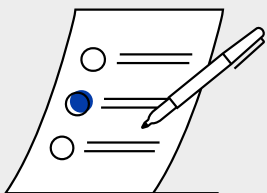
For most sole proprietorships, their business bank account statements (or checkbook) is the main source for entries in the business books and their tax returns. Organize and gather 2022 tax records including: Bank and Credit Card Statements, Social Security numbers, Individual Taxpayer Identification Numbers, W2 forms from employer, 1099 forms from independent contracts, unemployment compensation, dividends, pensions, annuity of retirement plan distributions, etc.

A sole proprietorship is an unincorporated business that has just one owner who pays personal income tax on profits earned from the business. Many sole proprietors do business under their own names because creating a separate business or trade name isn't necessary.

A sole proprietorship is the easiest type of business to establish or take apart, due to a lack of government regulation. As such, these types of businesses are very popular among sole owners of businesses, individual self-contractors, and consultants. Most small businesses start as sole proprietorships and either stay that way or expand and transition to a limited liability entity or corporation.

As a self-employed individual you are required to file an annual return along with your personal income tax. To file your annual report, you will need to use Schedule C of your personal income tax document to report your income or loss for a business you operate or a profession you practiced as a sole proprietor.

## TAX FORMS



The main form for Sole Proprietors is the Schedule C, on IRS Form 1040. The U.S. Individual Income Tax 1040 Form can be found [here](#) (the 1040-SR form for seniors can be found [here](#)), and the Schedule C form can be found [here](#).



# LIMITED LIABILITY COMPANY (LLC)



## DEADLINES

March 15, 2023 - Deadline to file 2022  
Federal tax returns for LLCs taxed as a  
Partnership

April 18, 2023 - Deadline to file 2022  
Federal tax returns for LLCs taxed as  
Corporation

## RECOMMENDED FINANCIAL RECORDS

Businesses need to keep good records that will help prepare financial statements. For example, a recordkeeping system is needed to be able to file a tax return for a business might include the following:

Business checkbook, Bank Statements, Summary of cash receipts, Summary of sales, Disbursement journal, Depreciation worksheet, Employee compensation records, etc.

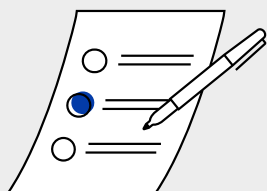
These documents contain information you need to prepare financial statements (this includes a profit and loss statement that shows the income and expenses of the business, and a balance sheet that shows assets, liabilities, and the equity of your business).

A Limited Liability Company (LLC) is a business structure allowed by state statute. Owners of an LLC are called members. Members may be individuals, businesses, other LLCs, and international entities because most states do not place restrictions on ownership. There is no cap on how many members can join. The majority of states also allow "single-member" LLCs, which have just one owner.

The IRS will classify an LLC as a corporation, partnership, or as a portion of the LLC owner's tax return (a "disregarded entity"), depending on the choices made by the LLC and the number of members. In particular, unless it chooses to be treated as a corporation, a domestic LLC with at least two members is categorized as a partnership for federal income tax purposes.

Filing as a single member LLC is the same as filing as a Sole Proprietor, so refer to the section above for more information on filing a tax return. For LLCs registered as a corporation or a Partnership, see below.

## TAX FORMS



For LLCs that are taxed as a partnership, use the U.S. Return of Partnership Income Form 1065 found [here](#).

For LLCs that are taxed as a corporation, use the U.S. Corporation Income Tax Return Form 1120, found [here](#).



# ***PARTNERSHIP***



## **DEADLINES**

March 15, 2023 - Deadline to file  
2022 Federal tax returns

## **RECOMMENDED FINANCIAL RECORDS**

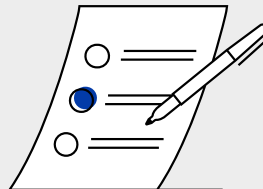
Businesses need to keep good records that will help prepare financial statements. Purchases, sales, payroll, and other transactions you have in your business generate supporting documents.

These documents contain information you need to record in your books and prepare financial statements (bank and credit card statements, invoices for sales and purchases, receipts of expenses, payroll reports, etc.)

People can be partners in a Limited Liability Company that has a legal entity all its own, but they can also enter into a partnership.

A partnership is owned by two or more people who share legal responsibility of the business entity. In a partnership, the business does not possess a legal identity outside of the business owners. A partnership is a relationship existing between two or more persons who join to carry on a trade or business. Each person contributes money, property, labor or skill, and shares its profits and losses of the business.

A partnership must file an annual information return, but it doesn't pay income tax. It "passes through" profit or losses to its partners. Each partner reports their share of the income or loss on their personal tax return.



## **TAX FORMS**

Partnerships need to fill out two types of forms, Schedule K-1 (for each partner, found [here](#)) and the U.S. Return of Partnership Income (Form 1065, found [here](#)). K-1s are provided to the IRS with the partnership's tax return and also to each partner so that they can add the information to their own tax returns.



# ***S CORPORATION***



## **DEADLINES**

March 15, 2023 - Deadline to file  
2022 Federal tax returns

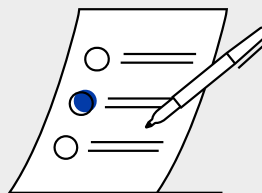
## **RECOMMENDED FINANCIAL RECORDS**

Purchases, sales, payroll, and other transactions you have in your business generate supporting documents.

These documents contain information you need to record in your books and prepare financial statements (bank and credit card statements, invoices for sales and purchases, receipts of expenses, payroll reports, etc.).

S Corporations are corporations that elect to pass corporate income, losses, deductions, and credits to their owners for federal tax purposes to avoid double taxation on the corporate income.

To qualify for S corporation status, the corporation must meet certain requirements (be a domestic company, have only allowable shareholders (and no more than 100 shareholders), only one class of stock and not be an ineligible corporation (i.e. certain financial institutions, insurance companies, and domestic international sales corporations)).



## **TAX FORMS**

S- Corporations need to fill out two forms, Schedule K-1 (for each partner, found [here](#)) and The U.S. Income Tax Return for an S Corporation (Form 1120-S, found [here](#)). S-corporations file an annual tax return using Form 1120-S. They include Schedule K-1 information about each shareholder's share of income, losses, deductions and credits.

**Required:**

Form 1120-S U.S. Income Tax Return for an S Corporation,  
Schedule K-1, and Form IL-1120-ST for state.

# ***CORPORATION (C CORPORATION)***



## **DEADLINES**

April 15, 2023 - Deadline to file C  
Corporation tax

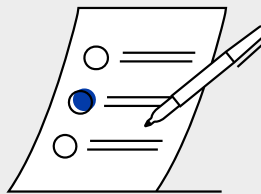
## **RECOMMENDED FINANCIAL RECORDS**

Everyone in business must keep good records that will help prepare financial statements. For example, a recordkeeping system needed to be able to file a tax return for a business might include the following:

Business checkbook, Bank, Investments and Credit Card Statements, Summary of cash receipts, Summary of sales, Disbursement journal, Inventory summary, Assets purchased, Depreciation worksheet, and Employee compensation records.

These documents contain information you need to prepare financial statements (this includes a profit and loss statement that shows the income and expenses of the business, and balance sheet that shows assets, liabilities, and the equity of your business).

Legal entity that is separate and distinct from its owners. For federal income tax purposes, a C corporation is recognized as a separate taxpaying entity. The profit of a corporation is taxed to the corporation when earned, and then it is taxed to the shareholders when distributed as dividends. This creates a double tax.



## **TAX FORMS**

A regular corporation (also known as a C corporation) is taxed as a separate entity. The corporation must file a Form 1120 (found [here](#)) each year to report its income and to claim its deductions and credits.

**Required:**

**Form 1120** U.S. Corporation Income Tax Return and **Form IL-1120**.

## ***FURTHER INFORMATION***

## ***RECOMMENDATIONS***

Speed refunds by filing electronically and choosing direct deposit.

If you made \$73,000 or less in 2022 you can file your federal taxes electronically for free using guided tax preparation by commercial tax filing companies [here](#).

For Illinois, [My Tax Illinois](#) is a free online account management program that allows taxpayers to file individual [state](#) income taxes electronically.

The Internal Revenue Service (IRS) and Illinois Department of Revenue (IDOR) will begin accepting 2022 income tax returns on Monday, January 23.

Visit the IRS website [here](#)

Visit the IDOR website [here](#).

