

Tax Planning Checklist: Essential Strategies for New Businesses

Disclaimer: This checklist provides general guidance based on tax strategies relevant for 2025. Tax laws are subject to change, and individual circumstances vary. Always consult a qualified tax professional or CPA for personalized advice tailored to your business. This is not legal or financial advice.

The following checklist is organized into key categories to help new business owners identify and implement essential tax planning strategies. Use it as a reference to review your setup, track progress, and prepare for tax season.

1. Choose and Evaluate Your Business Structure

Selecting the right entity impacts taxes, liability, and deductions. Re-evaluate annually as your business grows.

- **Assess entity type (e.g., sole proprietorship, LLC, S-Corp, C-Corp, partnership):** Consider tax implications like self-employment taxes (15.3% on net earnings for sole proprietors) vs. potential savings with S-Corp (paying yourself a reasonable salary to reduce self-employment tax on distributions).
 - Action: Visit our Contact page and reach out to a NexTax.AI advisor to file for changes (e.g., S-Corp election via Form 2553) if beneficial.
- **Separate personal and business finances:** Open dedicated business bank accounts and credit cards to avoid commingling, which simplifies deductions and IRS audits.
 - Action: Track all transactions separately from day one.

2. Understand Tax Obligations and Filing Requirements

Know your tax types and deadlines to avoid penalties.

- **Identify applicable taxes:** Include income tax (file annual returns like Schedule C for sole proprietors), self-employment tax (if net earnings \geq \$400), employment taxes (if hiring), and excise taxes (for certain industries).
 - Action: Use IRS Publication 583 for starting a business and Publication 509 for tax calendars.
- **Prepare for estimated taxes:** Pay quarterly if expecting to owe \geq \$1,000 (individuals) or \$500 (corporations) after withholdings; due April 15, June 15, Sept. 15, Jan. 15.
 - Action: Use Form 1040-ES to calculate and pay via EFTPS or IRS Direct Pay; Use the **StartSmart App's Tax Compliance Calendar** to set reminders to avoid underpayment penalties.

3. Maximize Deductions and Credits

Reduce taxable income through eligible expenses and incentives.

- **Claim ordinary and necessary business expenses:** Deduct rent, utilities, office supplies, insurance, professional fees, and home office costs (if qualifying).
 - Action: Track expenses year-round; consider itemizing if they exceed the standard deduction (\$15,000 single/\$30,000 joint for 2025).

- **Leverage tax credits:** Apply for R&D credit, work opportunity tax credit, small employer health insurance credit, employee retention credit, and energy-efficient credits (e.g., for solar or EVs).
 - Action: Review eligibility under the Inflation Reduction Act; document qualifying activities.
- **Deduct self-employment tax adjustment:** Claim 50% of self-employment tax as an above-the-line deduction.
 - Action: File Schedule SE with your return.

4. Plan for Depreciation, Assets, and Capital Expenditures

Optimize timing for purchases to accelerate deductions.

- **Use Section 179 and bonus depreciation:** Immediately deduct up to \$1.25 million for qualifying equipment; bonus depreciation allows 100% for assets placed in service after Jan. 19, 2025.
 - Action: Time purchases before year-end; consult for limits and phase-outs.
- **Depreciate assets over time:** Spread deductions for larger items if immediate expensing isn't optimal.
 - Action: Use IRS depreciation tables in Publication 946.

5. Optimize Retirement and Health Benefits

Shelter income while building long-term security.

- **Set up retirement plans:** Contribute to solo 401(k) (up to \$23,500 + catch-up for 2025), SEP-IRA (up to \$70,000), or SIMPLE IRA; deductions reduce taxable income.
 - Action: Open accounts early; maximize employer/employee contributions.
- **Utilize Health Savings Accounts (HSAs):** If eligible (high-deductible plan), contributions are deductible, growth tax-free, withdrawals tax-free for medical expenses.
 - Action: Deduct health insurance premiums; explore for employees.

6. Maintain Records, Compliance, and Payroll

Ensure accuracy to support claims and avoid issues.

- **Keep detailed records:** Retain receipts, invoices, payroll docs, and asset records for at least 3-7 years; use software like QuickBooks.
 - Action: Digitize records; subscribe to IRS e-News for updates.
- **Manage payroll correctly:** Classify workers (employee vs. contractor), withhold taxes, and claim credits like ERC; outsource if needed.
 - Action: Use Publication 15 for guidance; file Forms W-2/1099 timely.

7. Advanced Strategies for Tax Efficiency

Implement as your business matures.

- **Time income & expenses:** Defer income to next year or accelerate deductions to manage brackets.

- Action: Review in Q4; understand your marginal tax rate.
- **Income splitting:** Pay family members reasonable wages for work to shift income to lower brackets.
 - Action: Document roles and payments.
- **Maximize Qualified Business Income (QBI) deduction:** Up to 20% deduction on pass-through income for eligible businesses.
 - Action: Check phase-out thresholds.

Next Steps

- **Review annually:** Update this checklist at year-end and mid-year.
- **Seek professional help:** Visit our Contact page, and Book a Call on our Calendar, to speak with a NexTax.AI tax advisor and discuss complex issues like state taxes or international operations for your entity.
- **Resources:** Visit IRS.gov for forms and publications; **Use the StartSmart App's Tax Compliance Center for tracking.**