

Title:

Legal And Tax Strategies For The Online Retailer - Protecting Yourself And Your Assets

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483

Summary:

When you open an eBiz, it's important you remember that it really is a business and approach it as you would any other business. Don't just jump in and start selling. Consider all the legal issues—your responsibilities and the risks you're assuming—in order to safe-guard your investments.

Do I Need to Charge Taxes Online?

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Do I Need to Charge Taxes Online?

If you're running an internet company, it's your responsibility to keep current on tax laws that affect you. As a retailer, you're obligated to know the laws regarding both the collection and payment of state sales taxes.

According to CPA Jim Reed, of Teton Tax (<http://www.tetontax.com>), "The collection of sales tax for items sold over the internet is only required if the business has a physical presence in that state." In other words, if you run a home-based candle business in Oregon and you sell a box of votive candle holders to a customer in Portland, you'll need to charge them sales tax.

If, however, you sell a candelabrum to a customer in Texas, where your business has no physical presence, you don't need to charge sales tax, so you're able to

provide your customer with a lower price. This can add up to substantial savings on high-end purchases and give your eBiz a competitive advantage over out-of-state brick-and-mortar stores.

In addition to charging sales tax, you're also responsible for passing that money on to the government. In most states, you'll need to fill out a tax return, usually once a month. Says Reed, "You're required to fill that out, whether you have sales or not, once you obtain a sales tax license. Each state has its own sales tax form to be completed, signed, and filed, and the tax remitted, based on what taxes have been collected during that period."

What's the Best Way to Structure My Business?

Another legal aspect of starting a eBiz is choosing how you want to structure it. The way you structure your business can afford you legal protection, or leave your assets exposed:

- Sole Proprietorships—Many e-business owners set themselves up as sole proprietorships to avoid the costs of incorporating. However, this type of structure leaves your personal property vulnerable in a lawsuit. A plaintiff can go after everything—your home, your personal bank accounts, your car.
- A Corporation or an LLC—Incorporating your business is like getting an insurance policy for your personal assets. If your company is sued, only what belongs to the corporation is at risk. The fees associated with setting up a corporation or an LLC are fairly minimal.

No matter how you decide to set up your business, it's always a good idea to consult a CPA and an attorney to make sure you're legally squared away and set up in the manner that most benefits you.