

# Did you know?

Different types of business structures may be taxed differently.

## Types of Business Structures

**Sole Proprietorship:** Someone who owns an unincorporated business by themselves.

**Partnership:** A relationship existing between two or more persons who join to carry on a trade or business.

**International Business:** Foreign businesses with activities in the U.S. or domestic businesses with activities outside the U.S.

**Corporation:** A legal entity that is separate and distinct from its owners.

**S Corporation:** Corporations that elect to pass corporate income, losses, deductions, and credits through to their shareholders for federal tax purposes.

**Limited Liability Company (LLC):** A corporate structure whereby the members of the company cannot be held personally liable for the company's debts or liabilities.

(Source: Internal Revenue Service)

## Tax Deadline: April 15th

Please note: this date has been extended to July 15th, 2020 for the 2019 tax year due to the COVID-19 pandemic.

### What's the difference between bookkeeping and accounting?

Bookkeeping and accounting both keep your business's finances in order.

#### Accountants:

- have collegiate-level educational background focused on accounting
- typically receive the Certified Public Accountant (CPA) certification following graduating with their Bachelor's degree
- advise businesses on the proper accounting strategy for their goals
- prepare financial documents for their clients

(Source: The Hartford Business Owner's Playbook)

#### Bookkeepers:

- typically do data entry regarding a company's expenses
- keep track of accounts receivable and payable
- can become nationally certified by passing a certification test through the American Institute of Professional Bookkeepers

(Source: The Hartford Business Owner's Playbook)



### Which is right for my business?

If your business needs someone to organize documents, input data into accounting software, or keep up with bills

hire a bookkeeper

If you'll often have large, complicated accounting issues, or if you have specialized tax documents that need to be prepared

hire an accountant

If you think you'll only need an accountant to do your tax forms

outsource annual accounting/tax prep

(Source: The Hartford Business Owner's Playbook)

### Cash vs. Accrual

#### Cash Accounting:

records the transaction when payment is collected.



#### Accrual Accounting:

records the transaction when the sale is made.



#### How should I choose?

As with most business decisions, the type of accounting method you choose largely depends on your specific business structure and how you structure your sales process. Choose the method that works best for you, and makes the most sense for your product, service, or sales cycle.

(Source: <https://www.sba.gov/business-guide/manage-your-business/manage-your-finances>)

### Where should I go if I need more information?

- Internal Revenue Service ([irs.gov](https://www.irs.gov))
- Small Business Administration ([sba.gov](https://www.sba.gov))
- Maine Small Business Development ([mainesbdc.org](https://www.mainesbdc.org))
- Union River Center for Innovation ([unionriverinnovation.com](https://www.unionriverinnovation.com))