

Starting an S corporation Checklist

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- **Step 1: Form an entity**
 - Typically, the easiest way to get started, would be to form an LLC or a corporation. ON a very basic level, LLCS are good if you do not wish to sell shares or raise capital, and corporations are good if you do plan to do those things. Please seek advice from a business lawyer to do what is best for your situation.
- **Step 2: Get a federal employers identification number (FEIN)**
 - Your new entity will need a tax identification number, just like an individual has a social security number. This tax ID is called a "federal employers identification number". It is also known as just an "EIN". This number will be needed to file income taxes, file and pay employment taxes, to open a bank account, and for several other reasons.
- **Step 3: Make the S-Corp election**
 - File IRS form 2553 to elect s corporation status for your entity.
 - You generally have 75 days from forming your entity to make this election, otherwise you might have to wait until the following year to be taxed as an s corp. If the entity was formed in a prior year, you must make the election (generally) by the 15th of March to be treated as an s corporation for that year. You can't just wait until the end of the year and decide retroactively that you want to be taxed as an s corp.
- **Step 4: Open a business bank account**
 - A business bank account will be needed for business income and expense operations and to track your bookkeeping.
- **Step 5: Set up and run payroll, as required**
 - If you or other shareholders provide more than minor services for the business, it is likely that running payroll will be a requirement.
- **Step 6: Obtain appropriate state licensing and registration, as required**
 - Some occupations and business services require licensing by your state. You may also need to register your business with your state as well. Think of these requirements as the things you need to drive a car. You need a license to show that you have demonstrated the required education and skill, and a registration to show that your vehicle is in compliance. Some states require additional tax accounts and licenses such as for sales and use taxes.
- **Step 7: File your income taxes on time**

- S corporations require their own federal (and in many cases state) income tax returns. Typically, an s corporation does not pay any tax. Instead the income and expense activity passes through to the shareholders. Missing the deadline on your s corporation tax returns is much more serious than missing the deadline on your personal taxes. The penalties are very large.