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Business startups: Mind the tax codes



You've decided to go into business for yourself. You heard that for \$50, you can form a limited liability company by filing an electronic form with the Missouri Secretary of State.

So with a few clicks from the mouse and a minimal charge on your credit card, you're ready to start doing business, right? Not quite. There's more to starting a business than filing articles of organization. Many new businesses fail to comply with primary tax registrations.

Protection is key

Even if the LLC is disregarded for income tax purposes (i.e. treated as a sole proprietorship), the LLC needs its own bank account. With the proper formation and maintenance of the separate legal

entity, the LLC provides its owner with liability protection. One of the easiest ways to pierce the protective shield of the LLC is to commingle the LLC's money with that of the owner or to have the owner treat the LLC's bank account as their personal account.

To set up the LLC with its own bank account, the LLC should have its own federal tax identification. This also is a requirement if the LLC is going to have employees. The LLC's owner or authorized representative may apply for an Employer Identification Number at the Internal Revenue Service's website. By providing some basic information about the LLC and its owner, the application is processed online and the EIN is issued. Alternately, a Form SS-4 can be prepared and submitted by fax or mail.

These steps allow the LLC's owner to complete the state and local registrations.

The next registration is with the Missouri Department of Revenue, a Form 2643 Missouri Tax Registration Application. Registration with DOR is the most overlooked step by most new businesses; failure to register and report business taxes can be costly and devastating.

Completing a registration with DOR is often time consuming and complex. Most business owners, with assistance from an experienced adviser, can complete the form with minimal frustration.

Overlooked obligations

In Missouri, every business that sells or leases tangible property or provides taxable services is required to collect, report and remit sales taxes. Additionally, everyone – not just businesses – purchasing goods used in Missouri that have not been subject to sales tax is required to report and remit use taxes.

If a business fails to comply with its sales or use tax obligation, DOR may prepare and file substitute reports and assess sales and use taxes. Often these substitute reports far exceed the actual tax liability; however, if the business fails to respond and provide valid information to refute DOR's assumptions, the assessment can become final. Sales taxes, like employee withholding taxes, are trust fund taxes. The business' failure to pay the taxes, including the amounts assessed under substitute returns, may result in the owner being assessed individually for the tax liability.

Many new businesses also overlook the requirement to register with city and county officials and obtain business or occupancy licenses. Compliance with these requirements can be achieved by a visit to the county or municipal office.

The second most overlooked obligation is reporting the business' personal property taxes. Just like your household, a business is required to report annually its personal property owned, used and stored in the county.

The most powerful tool both the DOR and the county has in collecting taxes is the ability to file tax liens on the business' property and, in some cases, the owner's property.

It's easy for entrepreneurs to overlook registration requirements. However, spending time and money to resolve a failure to register, report or pay issue with DOR or any tax authority will cost your business more in the long term.

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