

## Taxes

Even before you begin making a profit, you've got to think about **taxes**. As a business owner, you will have to think about your own income tax, payroll taxes on any employees you hire, and, if you are incorporated, a corporation tax.

### Tax Returns

If your business is a sole proprietorship or partnership in the United States, you will file a **Schedule C** with your personal tax returns. You'll also have to file a form to determine the amount you owe on your social security. (Canadians will do the same with CPP.) That amount may surprise you. If you have been employed, you are used to paying FICA, or Social Security taxes. If you are self-employed, the amount of FICA you'll pay on the same amount of income doubles. Why? Because when you were employed, the employer paid half, so only half was deducted from your paycheck. It's a little daunting at first. But look at it this way: If you know about that up front, you can price your services accordingly.

The other thing you will want to do regarding taxes, right at the start, is apply for an **Employee Identification Number (EIN)**. You will need this for reporting payroll taxes if you have employees. If you set up wholesale accounts, you will also need it in order to be charged for the wholesale rate, rather than the retail rate, for any items you buy to sell to your customers.

### Taxes on Product Sales

While many event planners simply buy items for their clients using the client's credit or by receiving cash up front, a few buy the items wholesale and then resell them at retail to their customers.

In most jurisdictions, if you buy items or services at wholesale prices and then resell them to your clients for a higher price, you will need to collect **sales tax** and turn it over to the appropriate city, county, state, and/or country. In order to collect sales tax, you must have a **resale number**. Also known as a **tax number**, a **resale permit**, or a **sales tax permit**, you are required to show this number on a certificate when you want to shop wholesale. You will not pay sales tax at the point of purchase, but will file your purchases with the state or county and mail them a check.

This application should also be available at the Occupational License Office, but you will register it with either the county or the state, depending on where you live. Again, you will have to fill out a short form with information about the nature of your business.

There is usually no charge to register, and the certificate will be mailed out to you within a few weeks.

Either quarterly or monthly, you will fill out a form that lists the total **retail dollar**

**amount** (not wholesale amount) of the merchandise you purchased during the relevant period of time, calculate the tax owed, and mail in a check. File these forms on time, or you risk being assessed some hefty fines and interest on the amount owed.

It is **very important to note** that the tax is on the resale value, not the wholesale price. When you shop for wholesale items, you will want to make a habit of noting the retail price. If there is no retail price listed where you purchase the item, you can assume to double the wholesale price to get the retail.

In turn, you will also collect the sales tax from your clients, so you won't be out the money unless you sell to your clients at a marked down price. In some states and provinces you will also be eligible for a vendor's compensation (commission), which means that you can keep a very small percentage of the tax you collect as payment for being a "government agent".

When you purchase items wholesale, you may also be asked to fill out a **blanket certificate of resale** by the seller. This simply means that you understand the situation and agree to pay the sales tax on the items you purchase.

In Canada, the process is quite similar. You will want to contact your provincial Department of Finance to apply for a vendor's license or permit for the purpose of collecting provincial sales tax (applicable in most provinces). Also, businesses with revenue exceeding \$30,000 must register with the Canada Customs and Revenue Agency for a business number in order to collect the Goods and Services Tax.

**Canada Customs and Revenue Agency** <http://www.ccra-adrc.gc.ca>

If you are able to do business entirely by using your clients' credit accounts, or if they reimburse you for anything you buy for them, you may not need a sales tax license. However, your services may be taxable, and you'll have to collect taxes on those fees and turn them over to the appropriate agency.

To find out which taxes apply in your jurisdiction, check the resources below and consult with an accountant.

**IRS — Tax Information for Businesses**  
<http://www.irs.gov/businesses/index.html>

**Canada Customs and Revenue Agency** <http://www.cra-arc.gc.ca/tax/business>

Some business owners erroneously think that they can avoid paying sales tax on office supplies and other items they use within their businesses. That is not so; a business pays sales tax on **anything** it uses except those things they directly resell. If you were reselling paper – for instance, if a client asked you to get him 5,000 reams of chartreuse printer paper – then you would buy it at wholesale without paying sales tax and you would collect that tax from your client, who is buying it from you at retail. If you bought one ream of chartreuse paper and intended to use it for your own solicitation letters – even though you were using it to run your business – you would still pay sales tax for it. You can take a look at the rules at your own

state's website. **State and Local Tax Links** <http://www.taxesites.com/state.html>

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