

# BACCF – Women Entrepreneur Event

Rosangela de Morais

# Disclaimer

All information detailed in this file are purposefully simplified for presentation purposes only.

Please consult with your AbitOs advisor for information related to your specific case.

Estate Taxes implications for non-US fiscal residents are not in the scope of this presentation.

# Overview

## 1) **Main Business Obligations in the U.S.**

Overview of key responsibilities like maintaining licenses, paying taxes, and accurate record-keeping.

## 2) **Accounting Basics and Best Practices**

Why keeping detailed financial records is essential for tracking income, expenses, and tax compliance.

## 3) **Income Taxes by Entity Type**

How taxes differ for sole proprietorships, partnerships, LLCs, and corporations.

## 4) **Self-Employment Tax**

Key differences in how self-employed individuals and S-Corp owners are taxed.

## 5) **Sales Tax Overview**

When sales tax applies and who needs to collect it.

### **Bonus:**

Pre-immigration tips on **Personal Taxes for Business Owners**

How owning a business affects your personal tax obligations.

# 1. Main Business Obligations in the U.S.

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Trigger	Level	Type of Reporting	Taxes On	Periodicity	Due Date
Income	Federal	Income Tax Return	Percentage of the Business Income	Annually	Usually Mar 15 (Partnerships & S-Corps), Apr 15 (other businesses)
Income	State	Corporate Income Tax (most States)	Percentage of the Business Income (Corporations/LLCs treated as Corps)	Annually	Usually Apr 15
Payroll	Federal	941	Withheld Taxes & Contributions	Quarterly	Last day of the month following quarter
Payroll	Federal	940	Summary of all 941 of the year	Annually	Last day of the month following year-end
Payroll	State	UCT-6	Percentage of Payroll to Unemployment Fund	Quarterly	Last day of the month following quarter
Sales	State	Sales Tax	Percentage of end-user sales revenue, due to the State of the sale (in general)	Monthly/Quarterly	20th day of month after period (FL)
Property Ownership	County	Property Taxes	Property ownership, due to the County where the property is located.	Annually	Nov-Feb with discount, Mar without (FL)
Annual Renewal	State	Annual Renewal	Most States do not include taxes with the annual renewal.	Annually	Varies per State Florida is May 01 <sup>st</sup> of each year
BOI	FinCen (Federal)	Beneficial Ownership	There are no taxes associated with this report	Initial Filing and at any change	90 Days or 30 Days after entity organization and at any change in ownership.

## 2. Accounting Basics

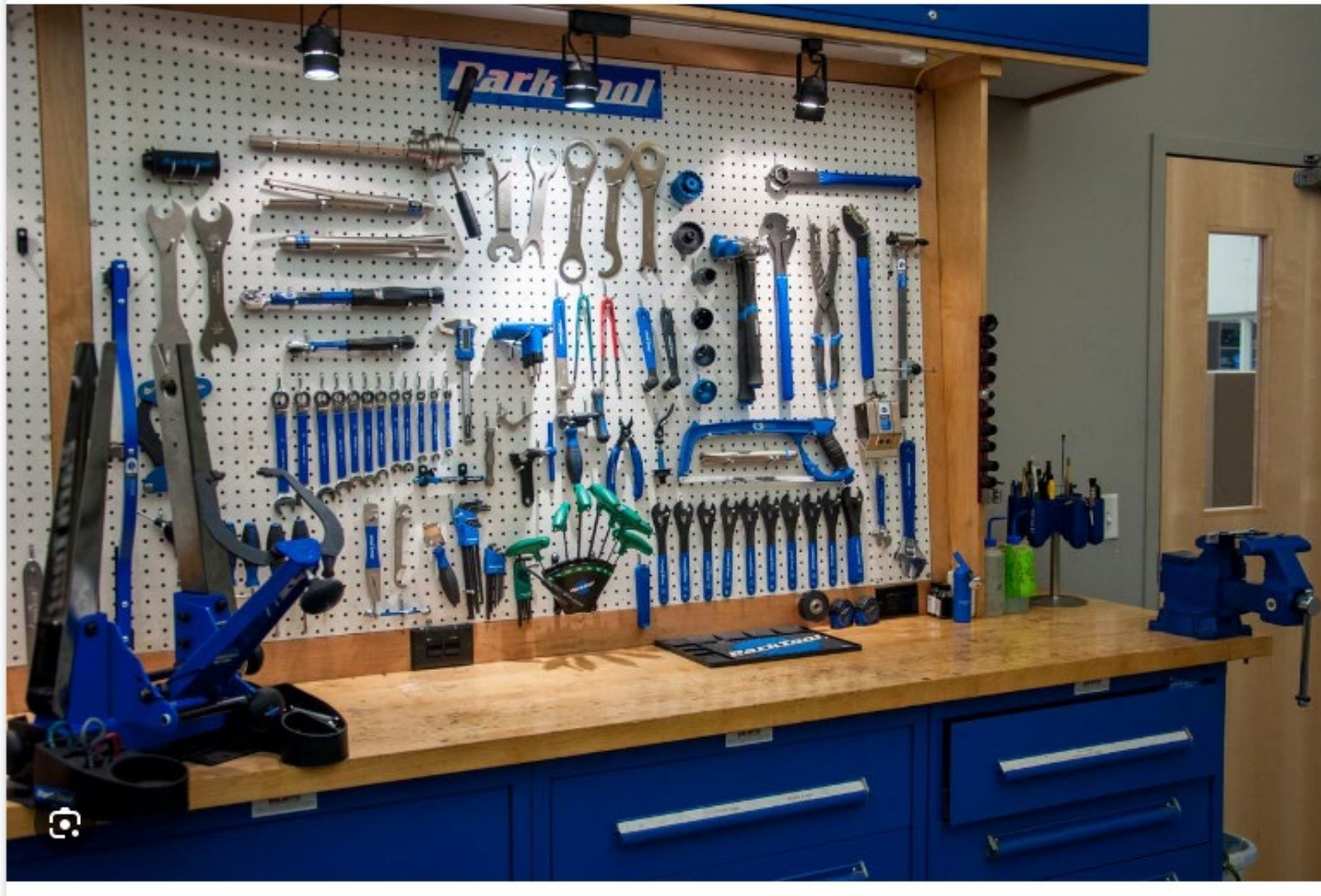


## 2. Accounting Basics



What does this picture have in common with accounting?

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## 2. Accounting Basics

The answer is : categorizing

Accounting is the process of recording financial transactions pertaining to a business.

The accounting process includes:

- Categorizing
- Summarizing
- Analyzing
- And reporting these transactions to oversight agencies, regulators, and tax collection entities.

## 2. Accounting Basics – Starting with The “Why”

### Why should I keep good accounting records?

1. Business management purposes: to assess the performance
2. Compare financial data (current vs historical)
3. Understand the areas your business needs to improve
4. Understand what product line is more profitable
5. Categorize Expenses and manage budgets
6. Etc...

# 2. Accounting Basics

## Best Practices for Managing Accounting Records

1. Separate Business and Personal Accounts  
Always use a dedicated bank account for your business transactions.
2. Keep Receipts and Documentation  
Save backup records for every business expense, such as receipts and invoices.
3. Use Accounting Software or Apps  
Track your income and expenses with reliable software or apps to stay organized.
4. Categorize Expenses  
Organize expenses by type (e.g., rent, utilities, supplies) for easier reporting and analysis.

# 2. Accounting Basics

## Personal

- Living Expenses
- Personal Care
  - Gifts
- Clothing
- Hairdresser
- Any and all other

## Business

- Salaries
- Office Supplies
- Any expense necessary for the business to operate

Personal  
or  
Business??

## 2. Accounting Basics - Continued

### Is It a Personal or Business Expense?

Ask yourself: *Is it for a business purpose?*

- **Meals:** Deductible at 50% **if** business-related.
- **Car Expenses:** Deductible based on the **percentage** of business use.
- **Home Office:** Deductible proportionally, based on the space used exclusively for business.
- **Phone Bill:** Deductible based on the **percentage** of business use.
- **Uniforms:** Deductible **if** required and **not** suitable for everyday wear.
- **Education Costs:** Some are deductible, however see specific requirements.



## 2. Accounting Basics

### Income Statement Example

**TEDDY FAB INC.**  
**STATEMENT OF INCOME**  
Year Ended December 31, 2100

Revenues	\$ 1,000,000
<u>Cost of goods sold</u>	<u>200,000</u>
Gross profit	<u>800,000</u>
<b>Operating expenses</b>	
Selling, general, and administrative expense	357,700
Interest expense	20,000
<u>Depreciation and amortization expense</u>	<u>5,200</u>
Operating income	<u>417,100</u>
Interest income	20,000
Net earnings before taxes	<u><u>437,100</u></u>

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Type of entity	Files a tax return?	Tax Bracket
Sole Proprietorship	<ul style="list-style-type: none"> <li>- No separate income tax return</li> <li>- Files under the personal return</li> </ul>	10%-37% Income Tax 15.3% Self Employment Tax
Single Member LLC	<ul style="list-style-type: none"> <li>- No separate income tax return</li> <li>- Files under the owner's return</li> </ul>	10%-37% Income Tax Self Employment Tax depending on the type of entity that is the owner. If an individual , 15.3%

# 3. Income Taxes by Entity Type Continued

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Type of entity	Files a tax return?	Tax Bracket
Partnership LLC	Files a tax return  Pays at the partner's tax bracket	10% - 37% Income Tax  Generally the GP is subject to employment tax while LPs are not.
S- Corp (only for U.S. Fiscal Residents)	- Files a tax return  - Pays at the shareholder's bracket	10%-37% Income Tax  7.65% Self Employment Tax <u>limited to wages.</u>
LLC treated as Corp Or Corp	- Files a tax return  - Pays at the business level.	21% Federal  5.5% Florida (after exemption)  7.65% Self Employment Tax <u>limited to wages.</u>



# 4. Self-Employment Tax

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## What is Self Employment Tax?

- ✓ **Applies to Sole Proprietors and Partners:**

Self-employment tax is required if you own your business and is based on net income.

- ✓ **Covers Social Security (12.4%) and Medicare (2.9%):**

Social Security has a threshold (\$168,600) on applicable earnings (2024), while Medicare applies to all earnings. An additional 0.9% Medicare tax may for high-income earners over the threshold.

- ✓ **Total Rate of (15.3%):**

You can deduct half of this tax when calculating your income taxes, making it beneficial for your bottom line.

- ✓ **Quarterly Payments:**

Estimated tax payments must be made quarterly to avoid penalties.

# 4. Self-Employment Tax vs. S-Corp

## Comparison

		EXAMPLE			
		Income tax Bracket	Social Security	Medicare	TOTAL TAXES
		24%	12.4%	2.90%	
Self Employment Income	\$ 168,600.00	\$ 40,464.00	\$ 20,906.40	\$ 4,889.40	\$ 66,259.80
S-Corp		24%	6.20%	1.45%	
Salary	\$ 80,000.00	\$ 19,200.00	\$ 4,960.00	\$ 1,160.00	\$ 25,320.00
Distribution	\$ 88,600.00	\$ 21,264.00	0	0	\$ 21,264.00
					\$ 46,584.00
				Difference	\$ 19,675.80

# 5. Sales Tax Overview

# 5. Sales Tax Overview

- **What is Sales Tax?:** A sales tax is a consumption tax imposed by the government on the sale of goods and services, collected at the point of purchase.
- **Who Collects Sales Tax?:** Generally, businesses are responsible for collecting sales tax from customers and remitting it to the appropriate tax authority.
- **Varies by Location:** Sales tax rates and regulations vary by state and local jurisdiction, so it's essential to understand the specific requirements for your business location.
- **Record Keeping is Key:** Maintaining accurate records of sales and sales tax collected helps ensure compliance and simplifies tax reporting processes.



# 5. Sales Tax Overview

## 4. Sales Tax (Florida 7%)



Shop collects documentation to pass the liability to the next reseller.



Shop Collects from end-user and pays.

### Some exceptions include:

- Services (pure)
- Sales to non-profits
- Sales for export

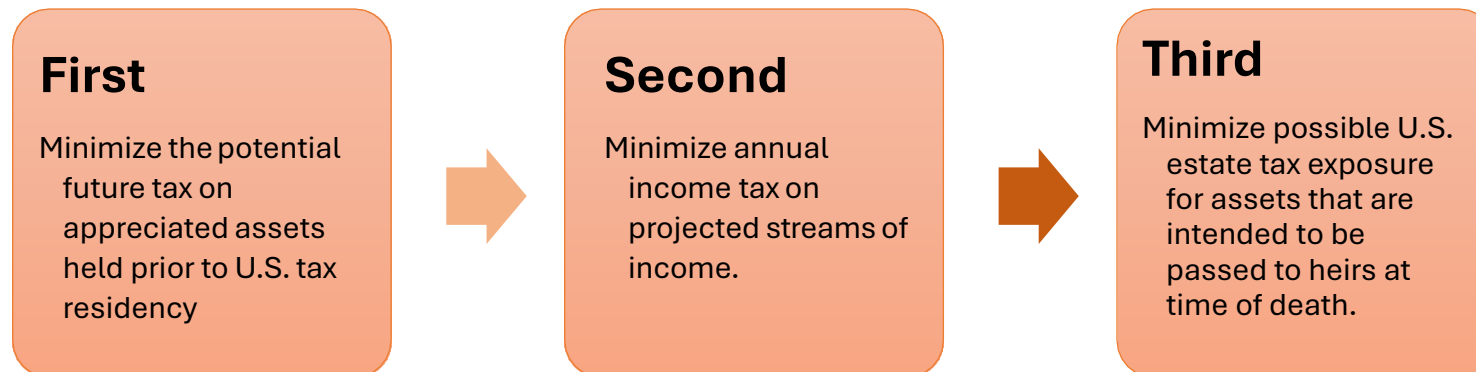
### Attention:

- Out-of-state sales are NOT Exempt.
- Review Nexus by State

**BONUS:**  
**Pre-immigration tips**  
**Personal Taxes for Business Owners**

# Bonus – pre-immigration tips

- As U.S. tax residents, individuals are subject to tax on their **worldwide** income. This includes both active earned income and passive income (interest, dividends, capital gains, etc.)
- Profits from all your businesses (worldwide) will generally be reported on your personal tax return.
- Planning Is Key: Good record-keeping and planning help maximize tax savings.
- Stay Informed: Understanding basic tax rules can help you manage your tax obligations efficiently.
- In order to minimize the potential U.S. tax liability (as a foreigner), analysis and planning requires three approaches:



# THANK YOU FOR YOUR TIME!

## Contact us with any questions:

Telephone: 305.774.2945

Fax: 305.774.1504

E-mail: [rdemorais@abitos.com](mailto:rdemorais@abitos.com)

Website: [www.abitos.com](http://www.abitos.com)

**Coral Gables:** 255 Aragon, 2nd Floor | Coral Gables, FL 33134

**Aventura:** 20803 Biscayne Blvd, Suite 310 | Aventura, FL 33180

**Boca Raton:** 327 Plaza Real, Suite 235 | Boca Raton, FL 33432