

WHAT TYPE OF BUSINESS ENTITY SHOULD I BE....RIGHT NOW I AM JUST A DBA

I am getting ready to do my taxes and haven't made much this first year, but am looking at paying tons in taxes. I think I need to be something else but not sure what....P.C., LLC, S Corp? Your input is greatly appreciated!

Have you consulted with a good CPA yet? If not, PLEASE do so.

I've posted my tax experiences a few times here, so I won't bore people again with much detail. Here's the short story:

I started out on my own in May of 2008. I ignored taxes. When tax time came, I owed a nice little sum to Uncle Sam. It hurt to pay it, but we made it through just fine.

I came up with a plan to save more for 2009 taxes. I followed the plan. My current estimate is that I will owe Uncle Sam about twice what I saved. Not a fun proposition.

Get an accountant early to help plan for the inevitable tax man. He should be able to help you minimize your tax liability and be properly prepared for it.

Andrew

PS: I have an accountant now. I REALLY wish I hired him when I first started out.

Andrew Flusche, Virginia

I heartily second the CPA. I'd also check with your bar association re: choice of entity, which will probably narrow it to PLLC or S Corp. If you're unsure which one, check with your local SBTDC or contact me and I'll send you a chart comparing the entities. Caveat: it's Michigan info, but might be useful.

Best regards,

Lisa Lynne Babcock, Michigan

I have my firm set up as a Professional Corporation in Chicago and have not

given any thought yet as to my taxes.

Can anyone here please give me some general information?

Azwar-Radi M. Rashid, Illinois and Puerto Rico

What type of taxes do you owe? Federal? State? Income? Self Employment?

David A. Shulman, Florida

PLEASE consult with an accountant.

The only general information someone can really give is that everyone has to pay taxes. What you have to pay will depend upon your revenue and expenses.

You may need to make estimated tax payments to avoid an underpayment penalty.

An accountant can help you figure out exactly what you'll have to pay, how to plan for that, and how to minimize it.

Andrew Flusche

You should meet with a CPA. What's right for someone else may not be right for you.

You should also understand that an "S" Corp. is not really a type of entity, but a tax status election. The entity is a corporation. The corporation then can be either a C or an S corp. for tax purposes, but at the end of the day its just a corporation.

LLCs can also be treated as S Corps. for tax purposes. LLCs are generally easier to maintain, at least down here, so many lawyers practice through an LLC, and then choose to have that LLC treated as an S corp. for tax purposes, as there can be some benefits to that.

Again, consult with a CPA, and make sure you know what type of entities you can use in your particular state.

Joel R. Beck, Georgia

In California an attorney cannot be a DBA, must use one's own name. An attorney may be a Professional Corporation, however. Many attorney firms are partnerships.

From a tax standpoint, for a solo there is not much difference in the form of business.

A schedule C (Self-employed business) pays tax on the income after expenses, as well as self-employment tax on the income after expenses. There are some above-the-line (adjustments) for self-employed health insurance.

If you set up a C corporation, the corporation will pay taxes, and then you will pay taxes on the salary that you make.

Lynn Sherrell, California

That is wrong. It is perfectly OK for an attorney in CA to use a trade name, as long as it does not run afoul of certain specific requirements. (As but one, quite well known example, The Venture Law Group in Silicon Valley, until, about a year ago, they merged into Cooley Godward.)

See ethics opinion 1982-66 <http://calbar.ca.gov/calbar/html_unclassified/ca82-66.html> and standards 6 through 9 in current rule 1-400

<http://calbar.ca.gov/state/calbar/calbar_generic.jsp?sImagePath=Current_Rules.gif&sCategoryPath=/Home/Attorney%20Resources/Rules/Rules%20of%20Professional%20Conduct&sFileType=HTML&sCatHtmlPath=html/RPC_Current-Rules-1-400.html>.

James S. Tyre, California
