

This Free E-Book is brought to you by [Natural-Aging.com](http://Natural-Aging.com).

**100% Effective Natural Hormone Treatment**  
**Menopause, Andropause And Other Hormone Imbalances**  
**Impair Healthy Healing In People Over The Age Of 30!**

**Taxes and Your E-Commerce Business**

**By Brian Roe**

**Taxes and Your E-Commerce Business by Brian Roe**

Starting an online business can seem overwhelming at first. Finding the right domain name, getting reliable hosting, web design, and figuring out credit card transactions are full-time concerns. One often-overlooked component is taxes. If your website is selling something tangible, you are required by law to report it. Leafing through the myriad of tax rules and regulations is frightening, and some just ignore it altogether (at the risk of being audited). However, if you want to save yourself from future headaches and lawsuits, it's best to get everything straightened out as soon as possible.

Do I need a tax ID number?

An Employee Identification Number (sometimes called Federal Tax ID number) is a nine-digit number assigned by the IRS that identifies your business to the government. You will need to get one if one or more of these apply:

1. You pay wages to any employees.
2. Your business is a corporation or partnership.
3. You file pension or excise tax returns.

If you are the only employee for your business, then you can run your business as a Sole Proprietorship entity, and use your Social Security Number as your EIN. However, you should look at all of the business structures before you decide which one is right for your business.

What are my business entity options?

A Sole Proprietorship is the most common for an upstart online business. It is owned and maintained by one individual, and has no existence apart from that individual. All the income and expenses are on your personal tax return (form 1040). It is the simplest form of business. However, you are personally liable for your company's liabilities. If someone sues your business or your business gets too far into debt, your personal assets can be seized.

A Partnership involves two or more people who share the profits, or losses, of the business. It's just like a Sole Proprietorship, except you need an EIN. Also, profits, losses, and liabilities are split between the partners.

## Taxes and Your E-Commerce Business

A Corporation is a separate legal entity from the individuals who started it. It can be taxed and is legally liable for what it does. The benefit of a corporation is that its corporate status does not hold the employees liable. The downside is that it is expensive to start, and requires a lot of bookkeeping.

A combination of a Corporation and a Partnership is the Limited Liability Company (LLC). The advantage is that the profits and losses are passed to the owners without taxing the business itself, and the owners are not personally liable. However, there is no stock, fewer incentives, and loads of paperwork.

As you can see, there are pros and cons to each business structure. It is highly recommended that you talk to a local accountant or lawyer as to which structure best fits your needs.

What other forms and taxes do I need to worry about?

### Business License

There are many types of licenses, and even for an online business you will probably need one to operate legally. If the business is located within the city limits, then your license comes from the city. If you are outside the city limits, the license comes from the county.

### Fictitious Business Name

If your business uses a name other than your own, then it is required by the Trade Name Registration Act for you to register the fictitious name (which is also known as D/B/A, doing business as). It verifies that you and your business are one and the same. Depending on where you live, the form is usually filed at the county clerk's office.

### Trademarks

Domain names are a large part of your internet business, and protecting it is essential. A trademark identifies the source of goods or services to the consumers. You cannot register a domain name by itself, because just the name is merely an address. However, your online business name can be trademarked if it provides a service to consumers, such as booking flights, research on parenting, comparing insurance companies, etc. If you create items that you sell on your website, those product names can be trademarked.

To learn more about trademark rules, go to [www.uspto.gov](http://www.uspto.gov).

### Sales Tax

Each state issues a sales and use tax which applies to the use or consumption of tangible personal property and certain services. If you sell something tangible, tax must be collected. However, if you sell an e-book, it might not have to be. A sales tax number is required for each business before opening, and the rules are different in every state, so this is something you need to look into. I live in Missouri, and according to Missouri state law, I am subject to sales tax if the product's shipping and delivery points are both in Missouri. However, your state might be different.

### Self-Employment Tax

Self-employment tax (SE tax) is for individuals who work for themselves, and is a social security and Medicare tax. You must pay the SE tax and file Schedule SE on Form 1040 if your net earnings from self-employment equaled or exceeded \$400. To figure your net earnings, multiply your total earnings

subject to the SE tax by 92.35%. You will be taxed 15.3% on the net earnings.

What can I deduct?

As far as deducting part of your home as a business expense, that only works if that part of your home is exclusively for business. If your computer and desk are in the living room, that square footage cannot be deducted. To deduct a part of your home, it must meet one of the following criteria:

1. Your principal place of business
2. You meet or deal with customers or clients in this area as a normal part of your business.
3. An unattached, separate structure used in connection with your business.

There are also a few other small requirements. The only exceptions are for day-care providers and the storage of inventory or product samples used in your business. If you buy a computer and over 50% of its use is for the business, you can deduct the depreciation on the portion of your computer used for business as a miscellaneous itemized deduction. Expenses such as web hosting, domain registration, etc, can all be deducted as business expenses.

Some rules vary from state to state and even county to county, so be sure to stop by your local county clerk's office or talk to other home businesses in the area to ensure everything is compliant. For more information on rules and taxes, go to [www.irs.gov](http://www.irs.gov) and [www.ftc.gov](http://www.ftc.gov).

Brian Roe publishes Profitable Net Marketing, an informative newsletter full of helpful hints, opportunities, and time saving tools to help start and support YOUR home business. For a FREE subscription check out <http://www.profitablenetmarketing.com>

## **10 Ways Your Chamber of Commerce Can Help Your Business Grow**

**By Rena Klingenberg**

Joining your area's Chamber of Commerce can be a smart move for your home business. Because businesses that participate in this group promote each other and work together, your own business can grow and prosper quickly. Here are just a few ways you can benefit by joining your local Chamber of Commerce:

- If you make it known that your product or service makes great client or employee gifts, you could wind up with a very nice flow of business from your fellow Chamber members.
- You may be able to line up some lunchtime sales or parties featuring your products at local businesses to help employees with gift shopping (especially at Christmas, Valentine's Day and Mother's Day).
- You may qualify for less-expensive health insurance and business insurance available to Chamber of Commerce members.

## Taxes and Your E-Commerce Business

- You can find out about local events where you might set up a booth and promote your business.
- You'll meet good, reliable sources for products and services like accounting, printing, computer support, etc.
- You'll be referred to other Chamber members' contacts.
- You have a good chance of meeting local retailers who may be interested in carrying your products.
- You'll have an opportunity to do joint ventures with other local businesses, such as cooperative advertising or trunk shows.
- Your business name can be associated with improving your community, since Chambers of Commerce generally work on civic improvement, legislation favoring local businesses, and economic development.
- You may have access to mentors who can help you develop your business; or you may be able to serve as a mentor to someone else.

These are just a few of the many ways your area's Chamber of Commerce can give you access to a valuable networking and marketing system. You can find your local Chamber of Commerce in the business listings of your phone book.

Rena Klingenberg is a jewelry artist and small business owner. Her websites,

and

,

are filled with new success tips and articles to help other small businesses market their products.

10 Ways Your Chamber of Commerce Can Help Your Business Grow

Failure To Pay Employment Taxes – Penalties

Structuring Your Company

E-Commerce, Earn While You Learn!

3 Tips For Keeping Proper Tax Records For Your Home Business - And Keeping The IRS Happy!

How To Win The War Of Internet Marketing

Starting a Successful Retail Business

Super Charged Linking

Free Government Grants

62 Ways To Beat The Gas Pump Monster



This Free E-Book has been brought to you by [Natural-Aging.com](http://Natural-Aging.com).

**100% Effective Natural Hormone Treatment**  
**Menopause, Andropause And Other Hormone Imbalances**  
**Impair Healthy Healing In People Over The Age Of 30!**