Accounting for Start-Ups

Presented by Brendan E. Conley

Making your business more valuable
Accounting System

- Bank account – In Company name
- Software
  - QuickBooks
  - QuickBooks Online
  - Peachtree
- Excel
- Other
Accounting System – Con’t

- Documentation requirements – Deductions and income
- Payroll
- 1099 and W-2 Reporting
Initial Filings

• PA 100
  – Complete online.
  – Most answers will be no / does not apply
  – Will set you up for sales tax filing is applicable

• Payroll
  – Get set up with payroll company

• Entity selection
  – S Corp
Employee Or Subcontractor

• Employee = W-2
  – Company pays Company portion of Social Security tax and Medicare tax
  – Workers Comp. Insurance
  – Unemployment

• Subcontractor = 1099
  – Company has no tax obligation
Due Dates

• Partnership Tax Returns – Form 1065
  – March 15 of the following year
• Corporate Tax Returns – Form 1120
  – April 15 of the following year
• S-Corporation Tax returns – Form 1120S
  – March 15 of the following year
• There is a 6 month extension that can be requested
Federal R&D Credit

• Qualifying research examples: Basic R&D, product development, software development, manufacturing process improvements
• Qualifying expenditures: Employee wages, subcontractors, direct supplies
• Must document how the R&D qualifies – 4-part test
• Must document employee time: R&D vs. other activities
• Must have taxable income to utilize. Unused credits carry forward.
• LLC, S corp credits pass through to owners
PA R&D Credit

- Qualifying expenditures based on federal
- Credit for increasing expenditures over prior years
- Credit can be utilized against entity’s PA tax liability
- Credit can be passed through to owners of LLC or S corp for use against their PA individual liability
- Credit can be sold for cash
  - Cash infusion for start-ups
  - Brokers match sellers with buyers
  - Typically receive about 86 cents per dollar of credit
• Thank you!

Brendan E. Conley
E.G. Conley, PC
bconley@egconley.com