Tax Planning for Business Owners

What is business tax planning?

When starting a business, you must consider a number of tax-related issues. Although business tax planning is a complicated area, it is essential to understand three major topics: tax consequences when the business is formed, tax consequences when the business generates income or loss, and tax consequences of business distributions. Additionally, you may wish to consider whether your chosen form of business will offer you opportunities to split your income tax liability among family members, thereby potentially lowering your overall family tax bill.

What are the tax consequences of business formation?

When a business is formed, an owner will typically transfer cash or property to the business in exchange for an ownership interest in the business. It's important to understand the possible tax implications of this exchange. Tax treatment varies depending on the type of business entity you select. Additionally, you need to be aware of the concept of "boot" and the tax consequences of transferring property encumbered by liabilities to the corporation.

What are the tax consequences if the business generates income or loss?

Tax treatment of income or loss varies depending on the type of business entity you selected.

What are the tax consequences of business distributions?

Tax treatment of business distributions varies depending on the type of business entity you selected.

How can income be split among family members in a family business to reduce overall income taxes?

You should be aware of the following topics:

- Income splitting
- Kiddie tax
- Excessive compensation of family members
