

**CONTRACTOR BUSINESS SERVICES, LLC
JOHN A. (JACK) McCOLE, CPA
MARCUS A. ARMSTRONG, CPA**

**PROFESSIONAL AND ACCOUNTING SERVICES
OF INDEPENDENT CONTRACTORS**

Organization of Business

Assist in selection of appropriate legal entity type:
Sub "S" Corporation or Limited Liability Company
Prepare legal documents for Federal and State filing
Obtain Federal Tax Identification Number and state tax numbers
File IRS Form 2553 for Subchapter "S" Corporations
Fee: \$250, plus state filing fee (filing fees vary by state)

Accounting and Tax Services

Monthly

Provide accounting kit with checklists for deductions
Consult on tax strategies with each contractor
Obtain and reconcile settlement sheets
Prepare business income statements
Prepare "annualized" income and tax estimates

Quarterly

Recommend estimated income tax payment amounts
Prepare federal and state estimated tax payment vouchers

Year-end

Prepare annual business income statement
Provide annual income tax organizer
Prepare business and personal income tax returns:
Federal and State, 1120s or 1065, if required
Federal Form 1040, schedules A, B, C and SE
Corresponding forms for any one State
E-file all tax returns (unless requested otherwise)
Fee: \$15 (LLC) or \$20 (INC) per week (based on full year)**

Optional services

Business planning and budgeting, Profitability analysis
**Payroll tax reporting for Sub "S" Corporations (\$5.00 per week) or
Complete payroll processing with direct deposit (\$25.00 per payroll period)**
USDOT numbers, Motor Carrier Operating Authority, IFTA Taxes
Self Employed Pension Plan set-up, including IRS filings
Tax filings for multiple businesses or multiple states
State Gross Receipts or Sales Tax Forms
Compiled Financial Statements
Letters for Lenders
Corporate minute books, Stock Certificates, Corporate seal

TO GET MORE INFORMATION OR MAKE ARRANGEMENTS FOR SERVICES, CALL:

Contractor Business Services, LLC at (800) 259-0693 or Jack McCole, CPA at (704) 534-7676

Fax completed forms to us at (704) 551-0628 - habla español

You can reach Jack McCole, CPA, 7 days per week until 10:00pm eastern time at (704) 534-7676

** If starting business after January, 31, and if annual income tax service is requested, there will be an \$25 adjustment for each completed month prior to the start of the \$15.00 weekly billing. This will be included in start-up costs and is necessary to have the income tax return preparation portion of our accounting and tax service fee fully paid by year-end.

BUSINESS ENTITIES – Introduction

The three business entity types that follow each offer *limited liability protection* for the owner(s). The features listed are by no means a complete list of features and benefits. While there are other business entity types available, our experience is that smaller trucking companies and independent contractors choose one of the following types.

TYPES OF BUSINESS ENTITIES

General Business Corporation (“C” corporation)

This is the most common business structure for larger businesses.

The “C” corporation files a Federal form 1120 and similar state form and pays its own income taxes. Any distributions to stockholders would be taxed as dividends. In effect, profits are taxed at the corporation level and then tax again as dividends to the stockholders.

This is the famed “double taxation” that is one of the major disadvantages of the “C” corporation.

The “C” corporation must maintain by-laws, elect officers and a board of directors and must document a minimum of one annual meeting to maintain its corporate status. (The officers/board of directors can consist of as little as one person).

Subchapter S Corporation (“S” corporation or “Small Business Corporation”)

This is formed first just like a “C” corporation and then the stockholders “elect” to be treated as a small business corporation in accordance with Subchapter S of the Internal Revenue Code. In many states, “S” corporations must maintain by-laws, elect officers and a board of directors and must document a minimum of one annual meeting to maintain its corporate status. (In certain States, you can incorporate as a “Statutory Close” corporation that has less stringent corporate record rules.) The “S” corporation files a Federal Form 1120s and similar state form and usually does not pay income taxes. Instead, the taxable income flows through to the stockholders individual tax returns, where it is taxed at the individual level only.

CORPORATIONS MAY HAVE TO OBTAIN THEIR OWN WORKERS COMP. INSURANCE! SEE BELOW!

Limited Liability Company (“LLC”)

This is a legal business entity that can be set-up to be taxed like a partnership, like a corporation or, in the case of a *single member, like a sole proprietorship*. The major advantage of an LLC is ease of operation and set-up. Since the LLC can be taxed as a sole proprietorship, it can file a schedule C on the individual’s 1040 tax return, thereby eliminating a separate business tax return. The LLC does not maintain by-laws, elect officers or a board of directors and does not need to conduct annual meetings. Instead, a written LLC agreement, provided by us when we set-up the LLC, is the only document ever needed.

CONSIDERATIONS

Both corporations and limited liability companies must pay required fees to the Secretary of State to remain in existence each year. There are minimum taxes and/or fees in every state and they vary by state and type of entity. In some states these fees can be very high (\$800 in California and \$500 in Massachusetts, for example) and in some states there are capital stock taxes or minimum taxes for Corporations, but not usually for LLCs.

Corporations (both “C” and “S”) are more complicated to set-up and maintain (i.e. by-laws, meetings, etc.). The “S” corporation owner/officer is likely to be taxed as a salaried employee. That employee must pay Social Security and Medicare taxes through payroll deduction with a matching payment from the corporation. This could be an advantage, since the employee salary could possibly be less than the business’ “profit” and could result in some savings of Social Security taxes. This is a very well known “tax dodge” and is looked at very closely by the IRS, so *call Jack McCole or consult with your tax advisor* before you select Sub “S” for solely this reason. Also, you must keep in mind, that the eventual Social Security retirement benefit would be lower with this strategy and could completely offset the historical tax savings.

A word of caution – penalties for late payment of employment taxes are VERY high – about 10% per month!

WARNING: IN MANY STATES, CORPORATIONS (WITH ONE OR MORE EMPLOYEES, INCLUDING THE OWNER) MAY BE REQUIRED TO OBTAIN THEIR OWN WORKERS COMPENSATION INSURANCE! YOU MUST DETERMINE THE INSURANCE REQUIREMENTS OF YOUR STATE OF INCORPORATION.

Limited Liability Companies (“LLC”) have fewer documents required. The bottom line “profit” of an LLC is taxed at the individual level for Social Security and Medicare and this tax could be higher than the corresponding tax of the corporate employee noted above. The eventual Social Security retirement benefit would be higher with this strategy and could very likely completely offset the historical tax cost. Penalties for late payment of estimated taxes are low, about ½% per month.

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Personal Information:

NAME (first, middle, last): _____

Physical street address: _____

City: _____ County: _____ ST _____ ZIP _____

Home telephone: _____ Business (day) telephone: _____

Social security Number: _____ Date of Birth: _____

Filing Status: _____ Dependents: _____

Business information:

Chosen Entity Type: “S” Corporation _____ Limited Liability Company _____

Business name (list 3 choices):

1st choice: _____

2nd choice: _____

3rd choice: _____

(We will always try to get your first choice, but if the name is taken, we will try your 2nd and 3rd choices.)

Registered agent information:

All states require that an individual be appointed as the registered agent so that the state has a “registered” person and place to send any state notices or forms. There are many companies that charge you a fee (\$100 or more per year) to be the registered agent for your company. *You can serve as the registered agent for your company!* You’ll save that fee! We will assist you to interpret any notices that you might receive from the State. If you wish to name some other individual as your registered agent, enter the information below:

Registered Agent information:

NAME (first, middle, last): _____

Physical street address: _____

City: _____ County: _____ ST _____ ZIP _____

Home telephone: _____ Business (day) telephone: _____

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Stockholder/Owner, Officer and Director or Member Information:

Corporations require at least one Stockholder, one Director and one Officer. Limited Liability Companies require at least one Member/Owner. One person can serve as all of the officers. MASSACHUSETTS LLCs MUST HAVE TWO OR MORE MEMBERS.

If you are serving as the **SINGLE** stockholder, officer, director or member/owner, **check here** _____ and you do not need to complete the rest of this page.

If you have more than one stockholder, director or member/owner complete the information below: Officer titles are: President, Vice president, Secretary and Treasurer. All office titles should be represented.

Officer, director or member information:

NAME (first, middle, last): _____

Physical street address: _____

City: _____ County: _____ ST _____ ZIP _____

Officer Titles: _____ Director (Y or N) _____ Member (Y or N) _____

Stockholder/owner (Y or N) _____ If Yes, then indicate percentage ownership: _____

Social security number: _____ Business (day) telephone: _____

Officer, director or member information:

NAME (first, middle, last): _____

Physical street address: _____

City: _____ County: _____ ST _____ ZIP _____

Officer Titles: _____ Director (Y or N) _____ Member (Y or N) _____

Stockholder/owner (Y or N) _____ If Yes, then indicate percentage ownership: _____

Social security number: _____ Business (day) telephone: _____

ATTACH ADDITIONAL COPIES OF THIS PAGE IF THERE ARE MORE THAN TWO STOCKHOLDERS, DIRECTORS, OFFICERS OR MEMBER/OWNERS.

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Additional information: Date business started: _____

Tax year-end date will be December 31, unless noted otherwise here: _____

Any employees (Y or N) _____ if Yes, then enter date wages first paid: _____

Have you ever had a business with a tax identification number before (Y of N) _____

If Yes, enter name of business: _____ **Tax ID #** _____

Services authorized and fees:

Initial organization, federal and State including:	Fee: \$250, plus state filing fee to be deducted from settlement
State filing of Articles of Incorporation or Organization	
Search for name availability	
Federal tax identification Number filing (Form SS-4)	TO ACCEPT SERVICE,
Federal and State "S" corporation election (Form 2553)	INITIAL HERE: _____

Accounting and tax service, including:	Fee: LLCs \$15.00 per week
Accounting and Tax Organizer file	INCs \$20.00 per week
Monthly input from settlement sheets	deducted from settlement
Monthly input of other expenses	
Monthly, quarterly and year-end accounting reports	TO ACCEPT SERVICE,
All annual Federal, State and Local tax returns	INITIAL HERE: _____

Motor Carrier Authority (takes 4 to 6 weeks to obtain MC authority):	Fee: \$200, plus filing fees to be placed on credit card
US DOT Number (no fee)	
MC Operating Authority (Interstate Common Carrier - \$300 filing fee)	
Interstate Process Agents ("BOC-3" - \$30 filing fee)	TO ACCEPT SERVICE,
Unified Carrier Registration ("UCR" - \$40 filing fee per vehicle)	INITIAL HERE: _____
IFTA stickers (small fee varies by state), IRP registration assistance, referral to Drug Testing Program	

(We can not provide this ONLINE service without your credit card information – if you wish, you can call us with the credit card information.)

CREDIT CARD INFO: CARD #: _____ **EXP DATE:** _____ **CVV#:** _____

NAME ON CARD: _____ **ZIP CODE:** _____ **CARD TYPE** _____

Visa, MC, or Amex

AUTHORIZED SIGNATURE: _____

Acknowledgement and authorization:

I acknowledge that the information contained on these pages is complete and accurate.

I acknowledge that no documents will be prepared or filed until the fees are paid.

I understand that once the organization process is started, there will be no refunds of service fees and that if the process is stopped before the State documents are mailed, State fees only may be refunded.

By signing this document, I authorize John A. McCole, CPA or Marcus A. Armstrong, CPA to be my designated representative for the purpose of obtaining an Employer Identification Number ("TIN" or "EIN") and any required state or local tax withholding and tax account numbers.

Contractor Signature _____ Date _____

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