

Chapter 3

Analyzing Transactions into Debit and Credit Parts

In the Explore Accounting feature, you learned that the owner of a proprietorship must pay taxes on the net income earned from the business. As the proprietor of a business, there are many things you should know about paying your taxes.

The Internal Revenue Service has a publication that offers tax tips and advice for business owners.

Use the link below to access the IRS web site. Look at Publication #583, "Starting a Business and Keeping Records."

<http://www.irs.gov/formspubs/lists/0,,id=97819,00.html>

In a Word document, answer the following questions in complete, clear sentences. Be sure to put your name, date, and course name and block on the top of the first page.

1. On which tax form does the owner of a proprietorship report net income of the business?
2. What types of records should a business owner keep for tax purposes? How long should the records be kept?
3. Summarize what would happen if a business fails to file or pay it's required taxes.
4. What is an EIN number? When is a business required to have an EIN number instead of a Social Security number?
3. What are two ways a business owner can minimize taxes? You will not find this information in the publication, I am looking for your own ideas here. Discuss the legal and ethical aspects of your answers.