

Do I need to have a Form W-2 for my business?

The IRS has passed a law that if you have an S corporation, or a business taxed as an S corporation, you will have to provide a Form W-2 for yourself, as the owner for a reasonable wage. This means paying appropriate employment taxes via Form 941 each quarter.

Overall, this should not change your total tax liability, as if your business has a profit, you are already paying the taxes on a reasonable wage. It does mean more paperwork. Also, instead of paying taxes once a year, there will be quarterly filings.

There are several ways to do this:

1. You could prepare your own Form 941 and RT-6 (State of Florida unemployment) every quarter. You would fill out the appropriate forms and make deposits to EFTPS for the IRS and the FDOR for Florida unemployment. At the end of the year, you will have to file Form W-2 & W-3 as well as Form 940, which is Federal unemployment tax. This is the lowest cost option as you do all of the work. While we do not file Form 941 or 940 for clients, we will prepare W-2's and file them electronically for a fee.
2. You could file using QuickBooks payroll. You enter the figures and QuickBooks makes the deposits with your prompting. The going rate for this starts at \$45.00 per month.
3. You could hire a bookkeeper to prepare your payroll.
4. You could contract with Paychex for a payroll solution. You could go to Paychex, directly, through a bank or through me. I think this solution runs about \$65 0 per year, but it is very comprehensive.

I can help you come up with a reasonable wage. If you are going to try to do the payroll yourself, I can help you initially, as the 941's are going to be similar each month, you just need to change the quarter.

The most important thing is YES you need to start preparing a Form W-2 for yourself if your business shows a profit.