

Licenses, Permits, and Taxes, OH MY!

Song Mo

Community CPA & Associates Inc.



Agenda

- ❖ Business Taxes
 - Sales Taxes
 - Payroll Taxes
 - Income Taxes
- ❖ Business Licenses
 - Food License
 - Liquor Licenses



Sales Taxes

❖ Definition

- A sales tax is a tax paid to governing body for the sales of certain goods and services. Usually laws allow or require the seller to collect funds for the tax from the consumer at the point of purchase



Sales Taxes

❖ Type of Sales Taxes

■ Retail Sales Tax

- Definition: a tax on sales of retail of tangible personal property to final consumers and industrial users
- A Conventional or retail sales tax is only levied on the sale of a good to its final end user. Sales to business who later resell the goods are not charged the tax.
- In Iowa, State Sales Tax is 6% after July 1st, 2008.
- Obtain a permit, Collect Sales Tax and Pay Sales Tax



Sales Taxes

❖ Type of Sales Taxes

■ Retail Sales Tax

● Sales Taxes Exemptions

- Professional Service, such as accounting services, Legal Services
- Services performed on or in connection with new construction, reconstruction, alternation, expansion or remodeling of a building or structure.
- Raw Materials of food products for human consumption
- Exemption: <http://www.iowa.gov/tax/educate/79120.pdf>



❖ Type of Sales Taxes

- Use Tax

- Imposed directly on the consumer of goods purchased without sales tax, generally items purchased from a vendor who is not under the jurisdiction of the taxing authority



Payroll Taxes

❖ Definition

- Payroll taxes are taxes that employers are required to pay when they pay their staff their salaries

❖ Categories

- Deduction from employees
- Taxes paid based on the employer based on the employees' wages
- Federal level
- State level



Payroll Taxes

Employee with \$100.00 Salary

Employee	Employer
Social Security (6.2%) = \$6.2 M&M (1.45%) = \$1.45 Federal W/H = Est. \$10 State W/H = Est. \$5	Social Security (6.2%) = \$6.2 M&M (1.45%) = \$1.45 Federal UI <ul style="list-style-type: none"> - First \$7000.00 – 0.06% - Excess \$7,000.00 – No Tax - State UI New Business 1.1% = \$1.1 Total: \$8.75
<hr/> Net Check: \$77.35	

Total Payroll Taxes Employer need to pay = \$10 + \$5 + \$6.2 + \$1.45 + \$6.2 + \$1.45 + Federal UI + \$1.1=\$31.40



Income Taxes

- ❖ Based on different types of entities
 - Schedule C – 1040
 - Self Employment Tax
 - Partnership – 1065
 - K1 → 1040
 - S Corporation – 1120S
 - K1 → 1040
 - C Corporation – 1120C
 - Double Taxation
 - Dividend



Business Licenses

❖ Depends on the Industry

- Restaurant
 - Food License – Iowa Department of Inspections and Appeals
 - Liquor License – Iowa Alcoholic Beverages Division
- Nail or Hair Salon
 - Salon License – Iowa Board of Cosmetology Arts belongs to Iowa Department of Public Health
- Construction
 - Certificate – Iowa Workforce



Business Taxes and Licenses

Consult a professional before you starting your business or making any changes of existing business

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