

Expert Strategies to Add to Your Small Business's Playbook This Tax Season

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Small and medium-sized business (SMB) owners navigate numerous responsibilities, and tax obligations are an essential aspect of managing a successful operation. Although many entrepreneurs view tax season as a challenge, integrating tax planning into an existing financial routine can ease the pressure for SMBs. Understanding small business tax requirements and preparing for tax season year-round can help entrepreneurs avoid financial pitfalls – and even take advantage of beneficial tax-saving opportunities.

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Holland King, head of taxes and compliance at nationwide payroll company Gusto, warns, “If you don’t do your taxes correctly, that can set you up for a lot of pain going into the future.” Mistakes don’t just cost money; they cost peace of mind.

“The IRS estimates that SMBs pay, on average, a penalty of about \$845 per year just for payroll taxes,” King says. “And that’s something you can easily avoid, and you can make it so much easier on yourself and on your business and employees.”

Smart tax planning, including understanding deductions, credits and compliance, can help SMBs retain more of their hard-earned money. That \$845, for example, could be reinvested

into your business, spent on training or used to grow your staff. The goal is to be prepared and stay ahead of deadlines to avoid added penalties.

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Business taxes fall into several main categories:

- Income tax, which is driven by profit and loss statements, determines what a business owes annually.
- Self-employment tax applies to sole proprietors, who are responsible for covering Social Security and Medicare contributions.
- Payroll tax becomes an added responsibility once a business hires employees, requiring owners to withhold and transmit their workers' taxes.
- Sales tax is an additional consideration for businesses selling goods, as states mandate collection and remittance based on jurisdiction and location.
- Excise taxes are added to certain goods, like alcohol or tobacco. Consult a tax professional or the IRS website to learn if your business is subject to excise taxes.

As always, it's essential to verify which taxes your business is liable for to ensure legal operation. Check the SBA website to confirm your tax obligations.

"Taxes are a year-round requirement and really need to become part of the natural rhythm of your business," King says. "Keeping up with [all tax types] throughout the year and making sure that your books and records are up to date and accurate ties in very closely to how much you're going to end up paying at the end of the year."

One of the best ways to reduce tax liability is by leveraging tax credits. SMBs may not even be aware of the financial relief they qualify for.

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Research and Development (R&D) Tax Credit

The R&D tax credit applies to companies that bring new products to market or improve existing processes. This credit isn't limited to high-tech industries – it can be used across sectors, from furniture design to makeup manufacturing.

Work Opportunity Tax Credit (WOTC)

This credit incentivizes employers to hire individuals from certain targeted groups, offering businesses between \$2,400 and \$9,600 per eligible hire.

401(k) Tax Credit

This credit, which supports small businesses implementing new retirement plans, grants up to \$15,000 over three years.

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Gusto offers various tools to help streamline tax preparation for SMBs looking for guidance. Gusto's hourly paycheck calculator helps business owners determine withholdings and calculate take-home pay for hourly employees, ensuring payroll taxes are accurately accounted for. Additionally, its partner directory connects business owners with experienced accountants and bookkeepers who specialize in tax preparation, payroll management and compliance.

These resources aim to make it easier for business owners to stay organized and meet tax deadlines with confidence. Shelly Abril, senior payroll compliance officer, remarked now is the

time to be informed of assigned rates as the IRS and state governments conduct their annual evaluations.

“This is the time of year when the different taxing authorities will reassign requirements for each of their taxpayers,” Abril says. “You may get a notice that a tax rate has changed for 2025. You may get a notice that you have to pay either less often or more often than you did in the prior year. This is a great time to be mindful of monitoring your mail to make sure you’re aware of those changes when they happen.”

For SMBs, working with professionals can help optimize tax strategies and ensure compliance across the board.

“Don’t wait until you’re overwhelmed,” Abril says. “It’s not uncommon when new clients come to us looking for help with payroll to ask, ‘Can you help me with my back taxes, my late taxes, my late tax returns?’ And unfortunately, at that point, there are already penalties attached to those. If you need help or you’re not confident in your ability, I would recommend folks seek out a professional before they’re already subject to penalties, interest and fines.”

Like running a business, tax planning is about staying aware, being proactive and using every available advantage. SMB owners who take control of their finances will find themselves in a confident position when tax season arrives. To avoid unnecessary financial strain, Gusto recommends leveraging these principles:

- **Stay organized and plan ahead.** Taxes are a year-round responsibility. Keeping accurate financial records will help mitigate last-minute stress and penalties.
- **Leverage tax credits and deductions.** Many SMBs miss out on beneficial tax-saving opportunities. Applying for credits like the R&D Tax Credit, WOTC and 401(k) incentives can reduce tax liability.

- **Use the right tools for success.** Platforms like Gusto provide payroll tax calculations and expert compliance support to help ensure SMBs are tax-ready.
- **Seek guidance before issues arise.** Engaging with professionals early can prevent costly mistakes and streamline tax preparation. Don't wait until problems (and penalties) pile up.
- **Monitor regulatory changes and compliance requirements.** Tax laws change annually. Staying informed about new regulations, rates and reporting requirements can protect businesses from avoidable complications.

Listen to the episode below to hear directly from King and Abril, and subscribe to Behind the Review for more from new business owners and reviewers every Thursday.

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