



IRS Special Edition Tax Tip 2015-05: IRS Helps Beauty and Barber Shops Start, Grow and Succeed

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IRS Tax Tips

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IRS Helps Beauty and Barber Shops Start, Grow and Succeed

IRS recognizes [Small Business Week](#) May 4 – 8, 2015, by highlighting some of its most popular educational products, videos and webinars to help your business thrive. If you own a beauty or barber shop, or are self-employed, visit IRS.gov for all your tax needs. Knowing the tax rules can help your business start, grow and succeed. For example, see IRS [Publication 4902](#), Tips for the Cosmetology and Barber Industry. Here are some of the topics included in this booklet or detailed on IRS.gov:

- **Business Structure.** One of the first things you need to decide is the type of [structure for your business](#). The most common types are sole proprietor, partnership or corporation. The type of business you choose will determine which tax forms you will file. You may have employees or rent space to someone who is self-employed. Visit IRS.gov for tips on [starting and operating your business](#).
- **Report Tip Income.** All [tips](#) you receive are taxable income. If you have employees who receive \$20 or more in cash tips in any one month, they must report them to you. You must withhold federal income, Social Security and Medicare taxes

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on the reported tips. Learn more about these rules in the IRS video "[Reporting Tips](#)."

- **Business Expenses.** You can deduct ordinary and necessary [expenses](#) that you pay to run your business. An ordinary expense is a common and accepted cost for that type of business. A necessary expense is a cost that is proper for that business. For example, cosmetologists are often required to get a license or pay for a permit or certification. You can deduct these costs as business expenses in most cases. See [Publication 535](#), Business Expenses for more on this topic.
- **Estimated Tax.** If you are [self-employed](#) you may need to make [estimated tax](#) payments. In most cases you pay this tax in four installments each year. If you do not pay enough tax during the year, you may owe a [penalty](#). Use [Form 1040-ES](#), Estimated Tax for Individuals to figure the tax. [Direct Pay](#), available on IRS.gov, now offers you the fastest and easiest way to make these payments.
- **Depreciation of Assets.** You can deduct the cost of some assets over a number of years. For example, if you buy equipment and furniture, you should [depreciate](#) the cost of those items since you will normally use them for more than one year. Check out the IRS webinar "[Depreciation Basics](#)" to learn more.
- **Filing Your Taxes.** If you have employees, the IRS offers [electronic filing options](#) for your federal payroll tax returns. IRS e-file is fast, safe and accurate. You'll also receive an electronic acknowledgment when the IRS accepts your e-filed return. You can use [EFTPS](#) to make any federal tax payments.
- **Keeping Records.** Everyone in business must keep records. You need good records to prepare your tax returns. You must have records to support the income, expenses, and credits that you report. Good records can help you keep track of your business. They can also increase the likelihood of business success. Watch the IRS video "[Good Recordkeeping Helps Avoid Headaches at Tax Time](#)" to find out some of the best practices.

Follow the IRS on Twitter! The IRS has three key accounts: @IRSnews, @IRStaxpros and @IRSenEspanol. For all the IRS Small Business Week information, keep an eye on these IRS Twitter accounts and the key hashtags: #IRSsbw15 and #DreamSmallBiz.

Additional IRS References:

- [Small Business and Self-Employed Tax Center](#)
- [Online Learning and Educational Products](#)
- [e-News for Small Businesses](#)
- [Publication 583](#), Starting a Business and Keeping Records
- [Publication 505](#), Tax Withholding and Estimated Tax
- [Publication 334](#), Tax Guide for Small Business

IRS YouTube Videos:

- *Estimated Tax Payments* – [English](#) | [Spanish](#) | [ASL](#)
- *Record Keeping* – [English](#) | [Spanish](#) | [ASL](#)
- *IRS Online Tax Calendar* – [English](#) | [Spanish](#) | [ASL](#)

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