

Felhofer CPA sc

Steps for Dissolving a Business

Follow these steps to avoid paying penalties and interest as you dissolve your business:

1. **Pay your employees' final wages.** Make final tax deposits and report employment taxes to avoid penalties. Notify your payroll company that you have closed your business. They need to indicate the returns are final. Penalties can add up over time. Wisconsin requires the W2s be filed prior to January.
2. **Pay all taxes owed.** To avoid penalties and interest, pay all taxes owed, such as self-employment taxes, payroll taxes and state taxes. Keep in mind some of the interest incurs daily.
3. File **1099-NEC and 1099-MISC by January 31st.**
4. **Notify appropriate agencies.** Contact each government office from which you obtained a license or permit and let them know you are no longer in business. There's an annual fee for permits and licenses. To avoid being billed renewal fees and late fees, contact all appropriate agencies.
5. **Cancel your employer state tax ID and your sales tax ID.** Close your business account with the state after filing your final business tax return for the state. If you are selling inventory as part of closing your business you may need to charge sales tax on the inventory sale if you don't plan correctly..
6. **File your final tax return for the business.** Make sure to select the "final return" box, which will notify the IRS that you won't be filing future tax returns for the business. You do not have to file your tax return on the original due date. It can be filed early.
7. **Close your business bank account and cancel your credit cards.** If you issued cards to any employees, make sure their cards are canceled as well. You should not use your business card or account for personal purchases.
7. **Cancel your EIN with the IRS.** Your employer identification number (EIN), which was assigned to your startup, is a permanent federal taxpayer identification number for your business. To cancel your EIN and close your IRS business account, send a letter to the IRS office in Cincinnati, OH 45999. Include the complete legal name of your business, the business EIN, the business address and the reasons you wish to close the account. If you still have the notice from when the IRS first assigned your EIN, enclose a copy with your cancellation letter. All returns for the business need to be filed and all taxes paid before you can close your IRS business account.
8. **Dissolve your business structure.** Forming your LLC or incorporating your business was important at startup. When it comes time, it's also important to dissolve your business. File your articles of dissolution with the Wisconsin Dept of Financial Institutions .

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9. **Keep your records.** How long you need to keep your business records depends on the type of records. Keep property records until the period of limitations expires for the year in which you disposed of the property, which is the period of time you can amend the tax return. Keep employment tax records for at least four years. Keep all business financial records for a while, especially if they were used to file your tax return.