

Frequently Asked Questions

1. Why incorporate?

Incorporating has two benefits for Owner Operators. Your business will benefit from the limited liability a corporation provides you. It separates you from the business. If there is a liability claim, you may not be personally liable.

The second is the possible tax savings. Corporations need to pay a reasonable salary to its employee/shareholder owners. You are in business to make a profit. The tax savings would amount to 15% of your company's net earnings over and above a "reasonable" salary paid to the shareholders working in the business.

2. What can I deduct?

As a rule of thumb, if it went into or on your truck it is deductible.

I have attached an expense worksheet. On your IRS forms, there is a section called "OTHER". This is a catchall for items outside of the norm, but may relate to your industry. So do not throw away those receipts.

3. Estimated taxes?

How many times have you saved for taxes only to have a big repair expense at the end of the year and had to use your savings. Making estimated payments throughout the year helps stay in compliance with IRS rules and smooth out a large tax burden at the end of the year.

The due dates are:

April 15
June 15
September 15
January 15

4. When are 2290 payments due?

Many times the company you are leased to will take care of this for you. If not, you are required to file Form 2290 by August 31st.

5. What do estimated taxes include?

Personal estimated taxes are usually paid quarterly to both the Federal and any taxable States. The taxes should to be paid quarterly to avoid penalties and interest when the tax returns are filed. The Federal estimated taxes include both income tax and self-employment tax (Social Security Tax).

6. Should I lease or buy?

Lease payments are deductible in full. To buy and depreciate a truck could have tax savings in the first year. Each scenario should be looked at on a case by case basis because of all the variables involved.