

Steps on Closing your Public Business

1. File a Final Return and Related Forms

You must file a final return for the year you close your business.

The type of return you file – and related forms you need – will depend on the type of business you have. A limited liability company (LLC) is a business organized under state law. An LLC may be classified for federal income tax purposes as a partnership, a corporation or an entity disregarded as separate from its owner.

- A [sole proprietor](#) is someone who owns an unincorporated business by themselves.

Sole Proprietor Filing Requirements:

File Schedule C (Form 1040 or Form 1040-SR), Profit or Loss From Business, with your individual tax return for the year you close your business.

You may also need to file the following forms. You should file these when you file your individual tax return.

- Form 4797, Sales of Business Property, for each year you sell or exchange property used in your business. You also need to file this form if closing your business causes the business use of an eligible property under Section 179 to drop to 50% or less.
 - Form 8594, Asset Acquisition Statement, if you sell your business.
 - Schedule SE (Form 1040), Self-Employment Tax, if you have net earnings of \$400 or more from your business.
- A [partnership](#) is a relationship between two or more partners to do trade or business.

Partnership Filing Requirements:

You must file Form 1065, U.S. Return of Partnership Income, for the year you close your business.

When you file, you must:

- Report capital gains and losses on Schedule D (Form 1065).
- Check the “final return” box (it’s near the top of the front page of the return, below the name and address).
- Check the same box on Schedule K-1, Partner’s Share of Income, Deductions, Credits, Etc.

You may also need to file these other forms with your Form 1065:

- Form 4797, Sales of Business Property, for each year your partnership sells or exchanges property used in the business. You also need to file this form if closing your business causes business use of an eligible property under Section 179 to drop to 50% or less.
 - Form 8594, Asset Acquisition Statement, if you sell your business.
- A [corporation](#) is a separate taxpaying entity with at least one shareholder. This includes [S corporations](#).

Corporation Filing Requirements (Includes S Corporations)

You must file Form 966, Corporate Dissolution or Liquidation, if you adopt a resolution or plan to dissolve the corporation or liquidate any of its stock.

You must also file your corporation's final income tax return. Remember to check the "final return" box, which is near the top of the front page of the return, below the name and address.

For a C corporation you must:

- File Form 1120, U.S. Corporate Income Tax Return, for the year you close the business.
- Report capital gains and losses on Schedule D (Form 1120).

For an S corporation you must:

- File Form 1120-S, U.S. Income Tax Return for an S Corporation for the year you close the business.
- Report capital gains and losses on Schedule D (Form 1120-S).
- Check the "final return" box on Schedule K-1, Shareholder's Share of Income, Deductions, Credits, Etc.

Regardless of the type of corporation, you may also need to file these forms when you file your Form 1120 or 1120-S:

- Form 4797, Sales of Business Property, for each year you sell or exchange property used in the business. You also need to file this form if closing your business causes the business use of an eligible property under Section 179 to drop to 50% or less.
- Form 8594, Asset Acquisition Statement, if you sell your business.

2. Take Care of Your Employees

Employment Taxes

If you have one or more employees, you must pay them any final wages and compensation owed. You must also make final [federal tax deposits and report employment taxes](#). If you don't withhold or deposit employee income, Social Security and Medicare taxes, the [Trust Fund Recovery Penalty](#) may apply.

To report employment taxes, you may need to file the following forms:

- [Form 941, Employer's Quarterly Federal Tax Return](#), or [Form 944, Employer's Annual Federal Tax Return](#), for the quarter in which you make final wage payments.
 - Check the box to tell the IRS your business has closed and enter the date final wages were paid on line 17 of Form 941 or line 14 of Form 944.
 - Attach a statement to the return showing the name of the person keeping the payroll records and the address where those records will be kept.
- [Form 940, Employer's Annual Federal Unemployment \(FUTA\) Tax Return](#), for the calendar year in which you paid final wages.
 - Check box "d" in the Type of Return section to show that the form is final.

You must also provide a [Form W-2, Wage and Tax Statement](#), to each of your employees for the calendar year in which you pay them their final wages. You should provide Forms W-2 to your employees by the due date of your final Form 941 or Form 944. Generally, you furnish copies B, C and 2 to the employees. You file [Form W-3](#), Transmittal of Income and Tax Statements to transmit Copy A to the Social Security Administration.

If your employees receive tips, you must file [Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips](#), to report final tip income and allocated tips.

Pension or Benefit Plans

If you provide a pension or benefit plan for your employees, see how to [Terminate a Retirement Plan](#). If you provide Health Savings Accounts or similar programs for your employees, see [About Publication 969, Health Savings Accounts and Other Tax-Favored Health Plans](#).

3. Pay the Tax You Owe

4. Report Payments to Contract Workers

If you have paid any contractors at least \$600 for services (including parts and materials) during the calendar year in which you close your business, you must report those payments. Use [Form 1099-NEC, Nonemployee Compensation](#).

Use [Form 1096, Annual Summary and Transmittal of U.S. Information Returns](#), to send paper copies of all Forms 1099 to us. Some filers must file Forms 1099 [electronically](#).

5. Cancel Your EIN and Close Your IRS Business Account

The employer identification number – or EIN – assigned to your business is the permanent federal taxpayer identification number for that business. To cancel your EIN and close your IRS business account, you need to send the IRS a letter that includes:

- The complete legal name of the business
- The business EIN
- The business address
- The reason you wish to close the account

If you kept the notice, the IRS sent you when they assigned your EIN, you should enclose a copy of it with your EIN cancellation letter. Send both documents to the IRS at:

Internal Revenue Service
Cincinnati, OH 45999

They cannot close your business account until you have filed all necessary returns and paid all taxes owed.

6. Keep Your Records

How long you need to keep your business records depends on what's recorded in each document.

- **Property records:** Generally, keep records relating to property until the period of limitations expires for the year in which you dispose of the property. The period of limitations is the period of time in which you can amend your tax return to claim a credit or refund, or the IRS can assess additional tax.
- **Employment tax records:** Keep all [records of employment taxes](#) for at least four years.

None of the information provided is legal advice. All are subject to change. We believe in the empowerment of others and preach what we know to be true.