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TRUST CAN ONLY BE EARNED

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Accounting Periods for U.S. Corporations

A U.S. corporation must figure its taxable income on the basis of a tax year. A tax year is an annual accounting period for keeping records and reporting income and expenses. Generally, a corporation can use either a calendar year or a fiscal year as its tax year.

A calendar year is 12 consecutive months beginning on January 1st and ending on December 31st. If you adopt the calendar year, you must maintain your books and records and report your income and expenses from January 1st through December 31st of each year.

Generally, anyone can adopt the calendar year. However, you must adopt the calendar year if：

1. You keep no books or records;
2. You have no annual accounting period;
3. Your present tax year does not qualify as a fiscal year; or
4. You are required to use a calendar year by a provision in the Internal Revenue Code or Income Tax Regulations.

A fiscal year is 12 consecutive months ending on the last day of any month except December 31st. If you are allowed to adopt a fiscal year, you must consistently maintain your books and records and report your income and expenses using the time period adopted. You can elect to use a 52-53-week tax year if you keep your books and records and report your income and expenses on that basis. Please note that your 52-53-week tax year must always end on the same day of the week.

Unless special rules apply, a corporation generally adopts a tax year by filing its first federal income tax return using that tax year. You cannot adopt a tax year by merely:

1. Filing an application for an extension of time to file an income tax return;
2. Filing an application for an employer identification number (Form SS-4); or
3. Paying estimated taxes.

An annual accounting period does not include a short tax year. A short tax year is a tax year of less than 12 months. A short period tax return may be required when the U.S. company:

1. Is not in existence for an entire tax year, or
2. Change your accounting period.

Once you have adopted your tax year, generally, a corporation must get the consent of the IRS before changing its tax year by filing Form 1128 (Application To Adopt, Change, or Retain a Tax Year). However, under certain conditions, a corporation can change its tax year without getting the consent.

If you wish to obtain more information or assistance, please visit our official website at www.kaizencpa.com or contact us through the following means:

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