

Tax Season 101: A guide for Global Startups

What every new founder needs to know



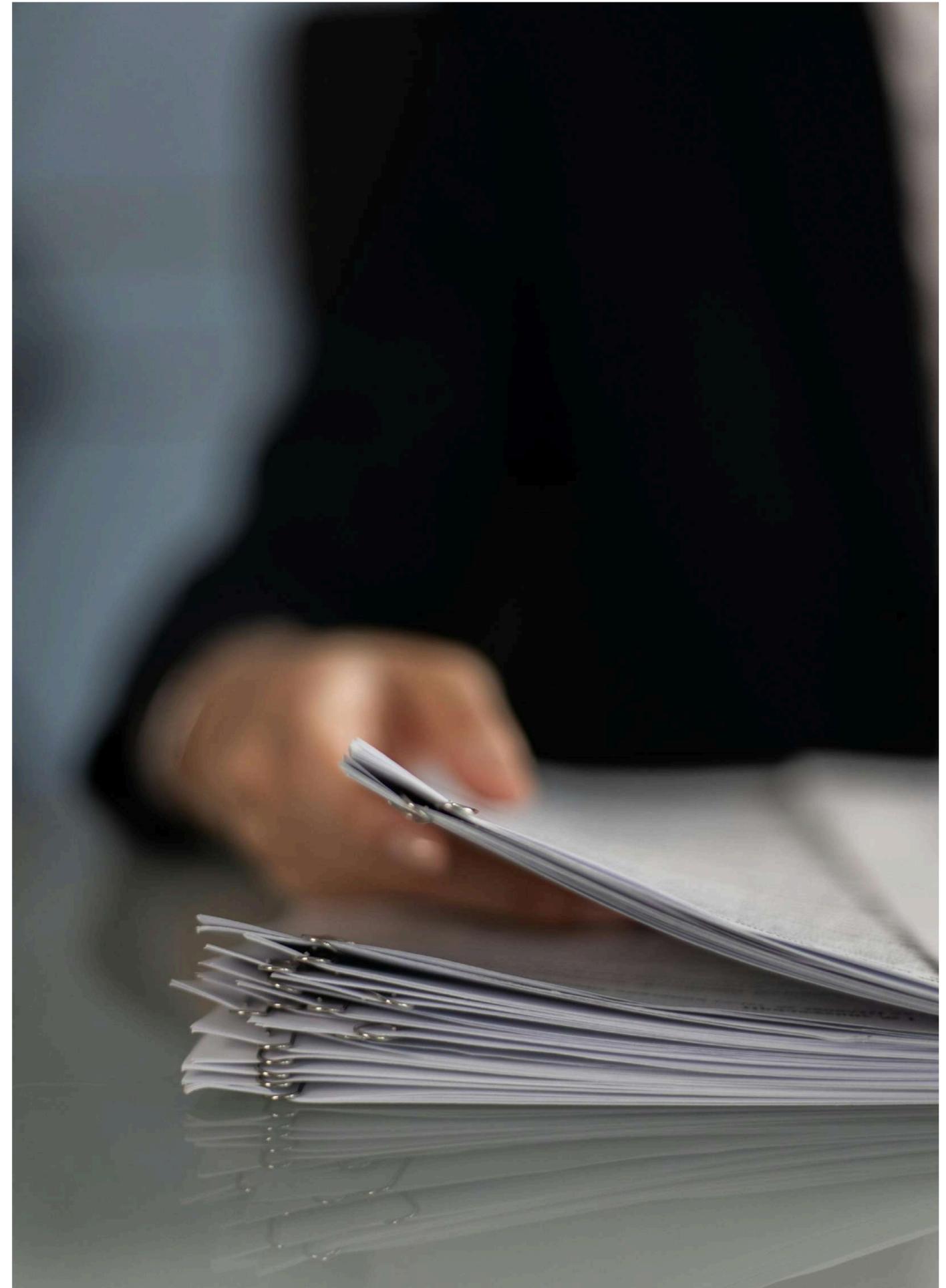
Introduction

For global founders like you, expanding into the US is an exciting milestone. But alongside new opportunities come operational complexities that often look very different from those in your home market.

One of the biggest surprises, which often catches global founders off guard, is the US tax system.

US taxes aren't just complicated. They're layered, highly structured, and come with strict obligations across federal, state, and local levels. Early on, it's easy to assume you can "figure it out later"—until tax season arrives and the pressure becomes very real.

This guide exists to help you avoid that scramble. Built for new and global founders without in-house finance or tax teams, it explains how the US tax system works, what to prepare for during tax season, and how to approach it with clarity and confidence.



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This guide is intended for informational purposes only and should not be construed as business advice, legal advice, tax advice or any other form of advice. Readers should seek professional guidance before acting on the contents in this guide.

Why tax planning matters from day 1

Most global founders view taxes as a "Year 2" problem, something to handle once the revenue starts flowing. In reality, the most impactful US tax decisions are made the moment you incorporate.

Think of tax planning as the financial architecture of your US entry. In the US, choices around your legal structure, how you handle founder equity, and where you hire your first remote contractor aren't just administrative tasks; they're major, necessary milestones. Done right, they help protect your cash flow. Done wrong, they can permanently dent your runway.

What happens when you don't plan ahead

When tax planning is sidelined, you don't just miss a deadline; you hit surprises that can threaten your business. These issues rarely show up in the first month. They surface when your business starts to scale. And by then, fixing them can be costly.

- 💰 **Overpaying taxes.** You may pay the "sticker price" for taxes instead of utilizing specific US credits (like the R&D credit) that you're entitled to.
- ⬆️ **Missing deductions.** Costs for legal, accounting, and travel often go unoptimized because they weren't tracked according to US standards from the start.
- ✖️ **Scrambling at deadlines.** Rushing to file leads to errors, high consultant fees, and unnecessary stress that distracts you from building your business.
- ✖️ **Subjecting foreign entities to US tax.** Finally, using a US company to own foreign subsidiaries can create additional US tax reporting and exposure.

How tax planning supports growth

Thoughtful tax planning gives you more than just a clean bill of health from the IRS. It acts as a strategic lever that supports better decision-making by

- ✔️ **Preserving cash**, so more capital stays in the business
- ✔️ **Improving forecasting**, with fewer surprises at the end of the year
- ✔️ **Reducing compliance risk**, especially as operations expand across states

When you understand your tax position early, you can plan hiring, spending, and expansion with clearer expectations.

Business structures and their tax considerations

Your business structure affects how you are taxed, how profits are distributed, and how attractive your company is to investors. At a high level:

Structure	Tax characteristics	Tax impact	Key filing forms*
Sole proprietorship	All business profits and losses "pass through" to the owner's personal income tax return	Profits are generally subject to both personal income tax (10–37%) and 15.3% self-employment tax. Non-resident founders are usually not subject to self-employment tax, but may still owe US income tax on effectively connected income.	Form 1040-NR (for non-residents)
C-Corp	The business is taxed as a separate legal entity, and profits are taxed at the corporate level. Shareholders are taxed again on dividends.	Your business entity typically pays a flat 21% federal tax. Dividends paid to foreign shareholders are generally subject to 30% withholding, often reduced under tax treaties.	Form 1120 (Corporate return) Form 5472 (For foreign owners with 25%+ ownership)
S-Corp	Profits and losses pass through to shareholders' personal tax returns, avoiding corporate income tax at the entity level.	Unavailable: IRS rules strictly require all shareholders to be US citizens or resident aliens. Non-resident ownership is prohibited.	N/A for most global founders.
LLC	Flexible tax treatment; by default, taxed as a pass-through entity, but can elect to be taxed as an S-Corp or C-Corp.	No formal tax rates. Tax outcomes depend on how the IRS will treat an LLC as either: <ul style="list-style-type: none"> • A corporation, • A partnership, or • As part of your personal tax return. 	Varies by tax classification: <ul style="list-style-type: none"> Form 1040 or Form 1040-NR (single-member) Form 1065 (multi-member) Form 1120 (if taxed as C-Corp) Form 5472 (often required for foreign-owned single-member LLCs, even with no tax due)

*The forms listed above are the most common filings for each structure, not a complete list. In reality, your exact tax obligations and required forms depend on your specific situation, including your residency status, ownership structure, revenue, fundraising plans, and where you operate. Always confirm your filing requirements with the IRS or a qualified tax advisor before making decisions.

What you need to think about

Choosing the right business structure isn't about picking the most popular option. It's about choosing the structure that fits how your business will operate, grow, and raise capital.

Considerations

Common factors

Profit expectations

- Will this structure remain efficient if profits grow significantly?
- How will it perform in years when income is low or uneven?
- Does it still make sense once the business scales?

Number of owners

- Is this structure appropriate for a single owner, or will it support multiple owners?
- How easily can it handle equity splits and future ownership changes?

Fundraising plans

- Does this structure align with what investors typically prefer?
- Will it simplify governance, taxation, and a potential exit?
- Could this choice create friction or delays during fundraising?

State of incorporation

- How do state-level taxes and reporting requirements impact this structure?
- If the business expands into multiple states, how will nexus rules increase compliance complexity?

Practical approaches to tax planning

You don't need a complex setup or a full finance team to start planning your taxes well. Small, consistent actions taken early can significantly reduce stress, preserve cash, and prevent surprises when tax season arrives. Here are the simple tax planning strategies you can follow:

1. Tracking business expenses
2. Maximize the QBI deduction from the beginning
3. Understand the role of tax credits
4. Plan for retirement contributions
5. Understand federal vs state/local tax obligations



1. Tracking business expenses

Many founders overpay taxes simply because they don't track expenses properly. Therefore, what you need to do is document all expenses and categorize your deductible expenses, including software subscriptions, marketing and advertising costs, and business travel.

Action steps:

- Use a business account to separate business and personal spending from day 1
- Use an expense tracking software to keep digital records and receipts

2. Maximize the QBI deduction from the beginning

The QBI deduction allows eligible pass-through businesses to deduct up to 20% of qualified business income. It applies to certain sole proprietorships, partnerships, and S-Corps, subject to income limits and rules. Many founders miss this deduction because they assume it's automatic or don't realize they qualify.

Action steps:

- Confirm whether you're [eligible for the QBI deduction](#).
 - Your taxable income is below the threshold, which is always subject to change. In 2025, it's USD \$197,300 (for single filers) and USD \$394,600 (for joint filers)
 - Determine if your business is a [Specified Service Trade or Business](#)
- When filing, ensure your software or preparer includes [Form 8995](#). If you're a C-Corp, this doesn't apply to you; your "discount" is the flat 21% corporate rate.

3. Understand the role of tax credits

Tax credits are an important part of the American tax system, reducing the the amount of taxes owed on a dollar-for-dollar basis and are different from tax deductions.

- **R&D tax credits:** Those building software or new products are eligible to get up to USD \$500,000 to offset payroll taxes*.
- **State-level incentives (vary by locations and industries):** States like Texas or New York often offer "Job Creation" credits for local hires.

* Subject to eligibility and annual limitations

Action steps:

- Make a short list of activities your team is already doing that could qualify (for example, product development, engineering work, or process improvements).
- Confirm eligibility with a tax advisor before year-end, not at filing time.
- Use a payroll provider since most providers now have a one-click integration to help you claim these credits.

4. Plan for retirement contributions

Retirement planning is often overlooked by founders, but it can play a meaningful role in tax outcomes.

Action steps:

- Review retirement options that fit your business structure and cash flow, even if contributions start small. Options include:
 - [SEP IRA](#): Simplest to set up. You can make an annual contribution up to 25% of your compensation (capped at USD \$72,000 for 2026)
 - Solo 401(k): Best for solo founders. It allows you to save as both "employee" and "employer," often letting you reach USD \$72,000 faster than an IRA.
- Open the chosen account with a low-cost brokerage and set a minimum contribution trigger. You can contribute right up until your tax filing deadline.

5. Understand federal vs state/local tax obligations

The most common mistake for global founders is forgetting that the US taxes operate on multiple levels. In addition to federal income tax, businesses also deal with state income tax, sales tax, and payroll tax obligations.

Action steps:

- Track where you have employees, customers, or physical presence to avoid unexpected state tax exposure. To do this, you can:
 - Set up accounting software that tracks sales and expenses by state
 - Enable nexus alerts (e.g., sales thresholds) in your sales tax tool
 - Use payroll software that automatically calculates and files state-specific taxes based on your employees' home addresses.
 - Tag team location data so payroll and tax software updates state requirements
 - Review tax obligations quarterly, not just at year-end.

What's new (and what's changed) for 2026

The US tax landscape has undergone its most significant shift in a decade. For the 2026 tax season, the "standard" rules have been rewritten by the One Big Beautiful Bill Act (OBBBA), a broad tax and fiscal package that reshapes how certain tax rules apply starting in the 2026 tax season.



What the “One Big Beautiful Bill Act” means for you

At a high level, the Act reflects a shift toward tighter rules, clearer definitions, and stronger enforcement across the tax system. While its provisions do not apply uniformly across all businesses, the direction of travel is clear: greater emphasis on documentation, clarity, and compliance.

At the same time, the Act introduces new incentives aimed at small businesses and startups, reshaping how early-stage companies may think long-term planning.

Incentives	Before	What’s changed	What this means
Faster R&D costs amortization	If you spent USD \$100,000 on software development, the IRS forced you to spread that deduction over 5 years	The OBBA allows you to deduct 100% of your US-based development costs in the same year you spend the money	Every dollar spent on US-based R&D now directly lowers your tax bill today, rather than years from now, boosting your immediate cash flow
Founder-friendly capital gains tax	If you own shares in a qualifying US startup and sell them at a profit, you can exclude up to USD \$10 million of capital gains from federal capital gains tax if you held them for at least 5 years	You can now protect up to USD \$15 million in profit, with a partial tax break starting after only 3 years.	You have more flexibility to protect upside from successful exits, especially as companies scale.
Bigger tax breaks for “high-tax” states	You could deduct state/local income and property taxes from your federal taxable income, but it’s capped at USD \$10,000	The cap has been raised to USD \$40,000 (2025) and USD \$40,400 (2026)	Founders in states like CA or NY can now deduct more of their local taxes
Less paperwork for hiring freelancers	You had to file a 1099 form for every contractor paid over USD \$600.	You only need to file a 1099 for contractors paid USD \$2,000 or more in a year	Less administrative work when engaging freelancers or short-term specialists.

With these changes, some businesses will feel the impact more than others, including

- Early-stage and growing companies that rely heavily on deductions and credits
- Founders operating pass-through entities or restructuring as they scale
- Businesses with multi-state operations or cross-border ownership
- Companies claiming R&D or payroll-related credits



Why you should pay attention now

The One Big Beautiful Bill Act, includes significant tax changes going into effect in 2025 and 2026. You should pay attention now because many planning decisions (such as filing strategy, entity structure, and documentation) are influenced by how these provisions are implemented.

Additional updates you should be aware of

Shifts in reporting requirements

Tax filings increasingly require more detailed disclosures, especially for ownership and transactions.

Under the Corporate Transparency Act, most small US companies—including those with foreign owners—must report their Beneficial Owners to FinCEN. Beneficial Owners are individuals who own or control at least 25% of the company or exercise significant control. This requirement is separate from IRS filings and applies unless the company qualifies for a large-company exemption.

In addition, Form 5472 plays a growing role for foreign-owned US entities. It's used to disclose certain transactions between a US business and its foreign owners or related parties. While not every company must file it, missing or incorrect filings can result in significant penalties.

Increased scrutiny on deductions and credits

Deductions and incentives are still available, but claims are being reviewed more closely. The IRS now uses enhanced data analysis and automated screening to identify inconsistencies, particularly for R&D credits, losses, and other high-impact deductions.

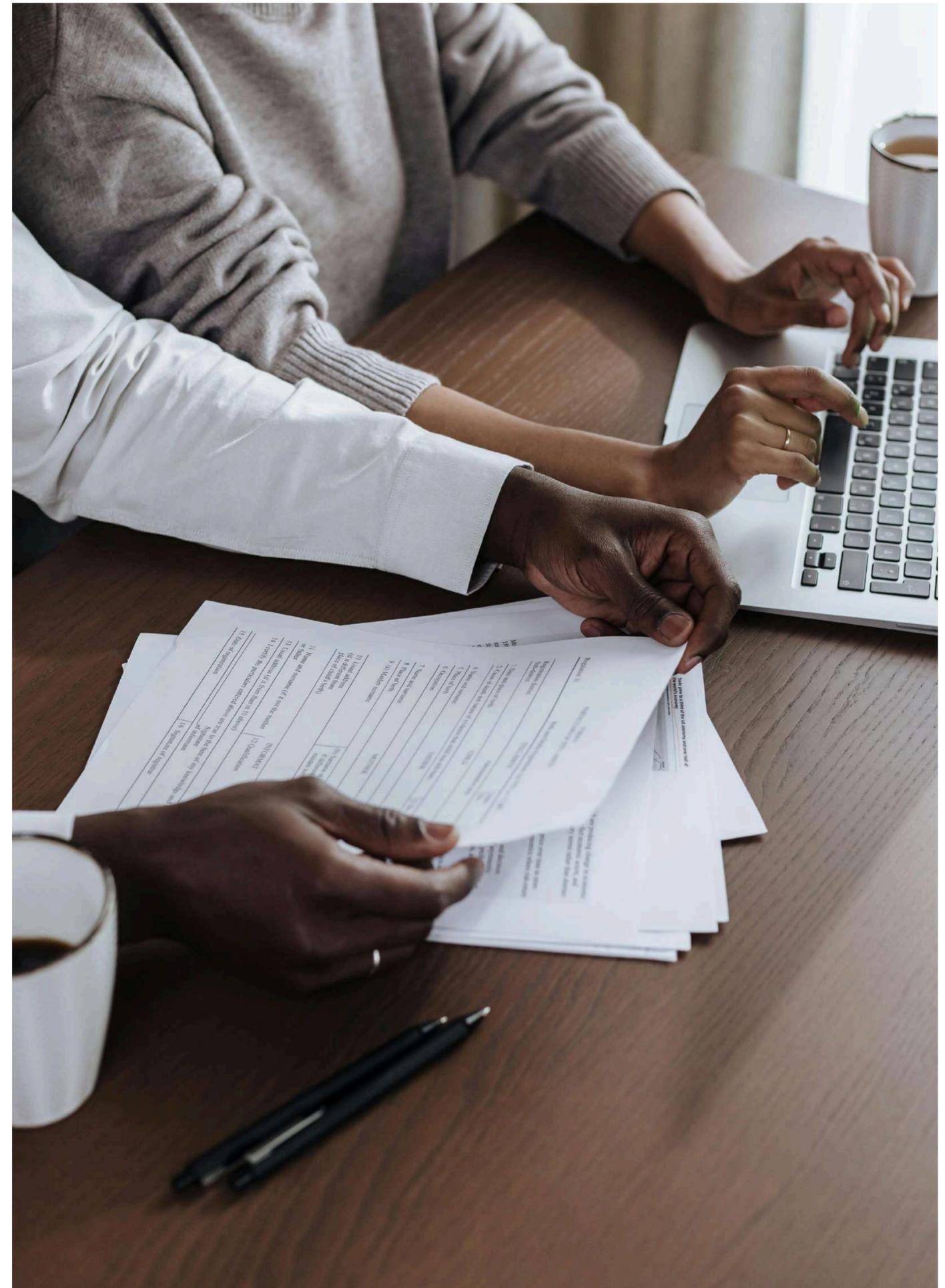
For founders, this means documentation matters more than ever. Claims that are poorly supported are more likely to be questioned.

Digitalization of tax filings and audits

Electronic filing and payment options are increasingly encouraged, and audits are more likely to begin with automated data checks before any human review. As systems improve, mismatches between filings, payroll data, and third-party reports are easier to detect.

AI vs experts: How you should think about it

Preparing for tax season in the US can be complicated. Today, AI-powered tools can help you prepare much of what you need for tax filing. However, as a global founder entering the US, you may ask yourself: Is using AI enough to stay tax-compliant, or do you still need tax professionals? In practice, most founders use a hybrid model—AI helps you move faster and stay organized, while experts ensure you remain compliant and make the right strategic decisions.



What AI is good for

AI tools work best when the task is repeatable, structured, and rules-based.

- ✔ **Automating repetitive tasks:** AI can categorize expenses, extract data from invoices and receipts, and flag missing information. This reduces manual work and helps keep your records up to date throughout the year.
- ✔ **Organizing data and documentation:** AI can consolidate financial data from multiple sources, label transactions consistently, and prepare clean summaries for review. This makes it easier to respond to audits, advisor requests, or internal reviews.
- ✔ **Streamlining workflows:** From syncing payroll data to preparing draft reports, AI helps standardise workflows so fewer steps fall through the cracks as your business scales.

Where human experts are still critical

While AI is fast, it lacks human intuition and the ability to navigate the grey areas of international law. Therefore, a CPA or Tax Advisor is essential for:

- ⚠ **Cross-border complexity:** Once you operate in multiple states or countries, taxes get complicated fast. Advisors help you handle things like state nexus, withholding taxes, transfer pricing, and local filing rules, areas where AI alone isn't reliable.
- ⚠ **High-stakes structuring decisions:** Choosing between a Delaware C-Corp and an LLC is often hard to reverse. A tax expert helps you make this decision based on your long-term plans, such as fundraising or an exit, not just short-term tax savings. For example, the Delaware franchise tax of a C-Corp can go up to \$200,000, while an LLC's Delaware franchise tax is a fixed amount of \$300. This should be weighed against other pros and cons of choosing a C-Corp over an LLC.
- ⚠ **Understanding new laws:** AI tools can give generic answers or make mistakes. A tax professional can explain how laws like the One Big Beautiful Bill Act apply specifically to your business, ownership structure, and R&D activities.
- ⚠ **Credits and deductions:** Whether you qualify for incentives like R&D credits often depends on details and judgement, not just numbers. Experts help you interpret grey areas and understand audit risk before you claim them.

Pro tip for founders

3 things to look for in an AI tax tool

In 2026, many "AI tax tools" are just chatbots with a new label. To find one that actually helps your business, focus on these three things:

1. Does it act, or just advise?

Some tools only answer questions and leave you to do the work. Better tools live inside your accounting system and actually apply tax categories or prepare filings for you.

Quick check: Ask the vendor whether their platform only suggests tax categories, or whether it can apply them to your books and generate draft filings for human review.

2. Does it sync both ways with your books?

Basic tools only pull data from your bank. Stronger tools update your accounting software automatically when something changes.

Quick check: Ensure the tool can "write back" to your books. If it classifies an expense, does your P&L update instantly in your accounting software?

3. Can it explain its decisions?

If the IRS asks why a cost was treated as R&D, the tool should show exactly how it made that call.

Quick check: Avoid "black box" AI. Choose a tool that gives clear records you can share with your CPA or an auditor.

Your tax season checklist

Use this checklist to sense-check whether you're truly ready for the US tax season—not just filing on time, but filing with confidence. You can screenshot or print this page and use it as your go-to assistant.

Before tax season starts

- Confirm your business structure (C-Corp, LLC, etc.) still matches your growth and fundraising plans.
- List every state where you have an employee, a remote contractor, or sales
- Review last year's return to understand what was claimed, and what was missed
- List every country where you (or your company) earn income or pay taxes, and check whether any foreign tax filings must be completed before your US return can be finalized
- Plan for a US filing extension if your foreign tax year runs on a different calendar (for example, Australia or the UK)

Throughout the year

- Keep clean records for all expenses, with receipts and clear descriptions
- Track R&D, hiring, and other activities that may qualify for credits as they happen
- Reconcile bank accounts and accounting software monthly

Before Filing

- Confirm which federal and state tax forms apply to your business
- File your Beneficial Ownership Information report with FinCEN, if required
- Check eligibility for deductions and credits instead of assuming they don't apply.
- Validate state-level obligations, especially if you hired remotely or sold across states

Tools and Support

- Use AI tools to organize data, flag issues, and speed up preparation
- Engage a CPA or tax advisor for structure, compliance, and high-risk decisions
- Ensure your AI tool and your human CPA are looking at the exact same dashboard

Final confidence check

If you answer **"Yes"** to any of these, check the box.

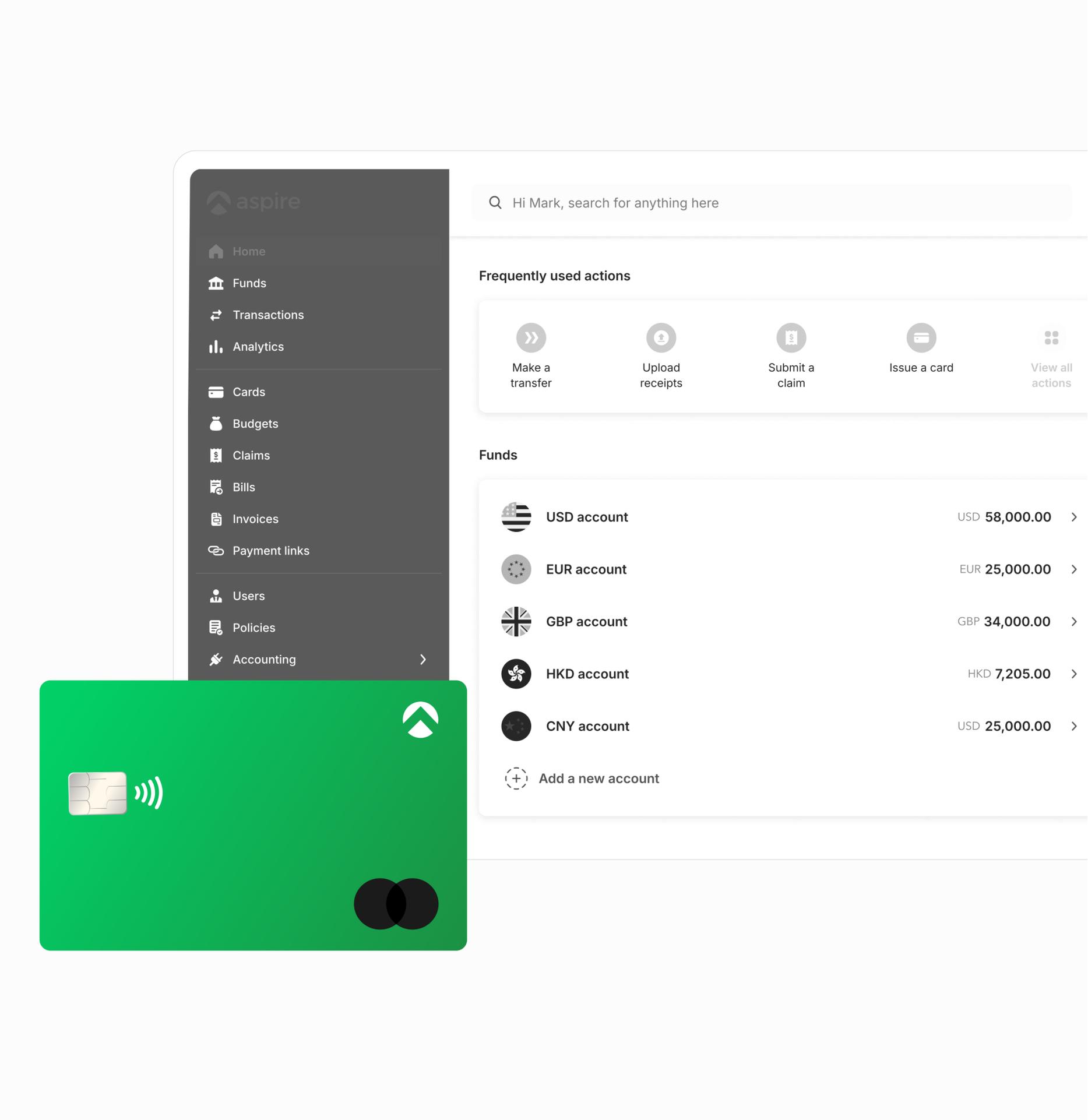
If you answer **"No,"** stop and consult an expert.

- 1. Do I know exactly why I owe the amount I'm about to pay?
- 2. Are all my "related-party" transactions (money sent home) supported by a written agreement?
- 3. Have I properly documented my R&D projects and other credit-eligible activities?

For many founders, US tax season isn't hard because taxes are high; it's hard because the data is messy, scattered, and unclear. **Aspire** removes that friction long before filing season arrives, so tax season doesn't turn into a last-minute fire drill.

Aspire's **Business Account** helps you clearly separate business and personal finances, the most common compliance risks for new US entities, so you start tax season with clarity instead of uncertainty.

On top of that, Aspire's **Expense Management** reduces the risk of missed deductions and costly clean-ups by automatically tracking and categorizing expenses. Receipts are attached directly to each transaction, and all data syncs with Xero and QuickBooks. That means your books, AI tools, and CPA are always looking at the same numbers. The result: **less scrambling, fewer surprises, and a tax season you're actually prepared for.**



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