

AdvanceMe's Small Business Tip: May 28, 2008

Paying Taxes with a Merchant Cash Advance

While almost all businesses pre-pay quarterly installments on projected yearly taxes, sometimes a business owner can feel a bit blindsided by the IRS. Coming up with a lump sum of cash to handle any expense can cause a bit of concern, but when this is a quarterly responsibility to federal or state authorities, it can become more stressful.

If your own small business needs working capital to handle its quarterly tax burden, one smart and simple answer could be using a Merchant Cash Advance. There can be many advantages in using a Merchant Cash Advance to handle your federal or state tax obligations:



- **Help Protect Cash Flow.** A sizable tax payment could require dipping into profits or even personal savings accounts to help avoid incurring late penalties. This could significantly diminish the business owner's personal cash resources and hamper the business' ability to handle routine costs of stabilizing and growth. Using a Merchant Cash Advance allows a business owner to better protect incoming cash flows and helps keep personal cash reserves out of the equation.
- **No Fixed Payment Amounts.** Business loans and other forms of financing require fixed payments on set dates—regardless of how the business is performing. This rigidity can become very problematic during a slower period. With a Merchant Cash Advance, each time your credit card sales are batched a fixed percentage is automatically forwarded to the provider to handle your obligation. If your business slows down over the summer, your Merchant Cash Advance payments reflect this change and become smaller. If instead your sales volume picks up over the summer, it means your obligation will be met more quickly. Its sort of a "We get paid when you get paid" proposition.
- **Quick and Easy to Get.** In many cases, tax obligations must be met quickly or be subject to penalty. Traditional financing (such as a business loan) might take weeks or even longer to secure. A Merchant Cash Advance has a simple application process and the money can be in-hand in as little as 72 hours. This simple responsiveness can help you to avoid incurring a late-payment penalty.

But be careful: Quarterly taxes are due each quarter. While using a finance source or a Merchant Cash Advance provider to cover recurring tax obligations can be a wise way to handle the obligations from time to time, a business that cannot meet its tax obligations out of regular cash flows of the business is one that could be heading for trouble in the long run.

It is important to note that a Merchant Cash Advance cannot be used for handling a personal tax obligation. By definition, a Merchant Cash Advance must be used for a business purpose, and personal taxes do not qualify as business needs.

Don't let quarterly tax time become a source of stress. Use a Merchant Cash Advance to handle your business taxes, and keep your focus on improving and growing your business.

THIS IS NOT INVESTMENT, TAX OR LEGAL ADVICE. Consult with a financial advisor, accountant or attorney before making important decisions in these areas.