



Business Startup Guide

**Athens County Economic
Development Council**

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Market Assessment

The first step to getting into business is deciding on a product or service you will offer to potential buyers. You will then need to do research on your market to determine if there are enough potential customers and sufficient demand for your products or services to make your business financially feasible. In addition to analyzing your industry it is also wise to evaluate your competitors' strengths and weaknesses as well. Other marketing decisions you will need to make include location, advertising and promotion strategies, customer relations, pricing, etc. Market research resources include libraries, your local chamber of Commerce, surveys of potential customers, industry research, the internet, and analysis of your competition. For more information call your local SBDC office.

Business Planning

Once you have gathered all the necessary information for your business and determined if it is feasible from a financial and market standpoint, you are ready to prepare a business plan. A business plan is the basic road map for your business, and includes topics such as a description of products and/or services, business organization, marketing strategies, operations and management, and financial issues for your business. If you are writing the plan with the intention of getting a bank loan, you must also include the loan amount, use of funds, details on repaying the loan, and various financial projections and statements. There are many business planning guides in libraries and bookstores, as well as software programs to help you write your plan. Visit <http://sbdc.voinovichschool.ohio.edu/> for additional information and assistance.

Financing Your Business

You will need to research all costs associated with getting your business started and keeping it running. Some of the major sources of funding are the following: Banks – are the primary source for lending money. Talk to the lending officer at your bank for information about obtaining a business loan. You will most likely be required to write a business plan. See the Business Planning section for more information. Loan Guarantees – are designed to lower the risk to the lender (usually a commercial bank) so they will make the loan to the small business. Loan guarantees are offered by a variety of entities and depend on how much money is being sought and what the money will be used for (i.e. fixed asset purchases, working capital, etc.). Because loan guarantees are designed to lower risk to a commercial lender, you must have the participation of a commercial lender to participate in these programs. For more information about various loan guarantees and their requirements, contact your local SBDC for assistance. The SBDC can assist with development of your business plan and loan package and can suggest various loan guarantee programs that might be a fit for your project. Investor – may be a good source of funding for your business. Take into consideration the amount of control they are seeking, and the nature of your relationship regarding paying them back with this type of loan. Local Municipalities and Departments of Economic Development – check with your city or local Department of Economic Development for other possibilities of start-up business lending.



Business Entities

SOLE PROPRIETORSHIP

A sole proprietorship is a business operated and owned by a single person who is legally and financially liable for all activities which occur within the business. A sole proprietorship is formed by simply registering the business name (when applicable), getting a business banking account, obtaining any necessary licensing and permits, and filing your taxes. The taxation for a sole proprietorship includes:

- **Social Security and Medicare** are paid through self-employment tax due annually (Schedule SE Form). Payments for this tax are due in estimated quarterly installments to the Federal Government (Schedule ES Form). For more information, call the IRS at 800-829-1040 or www.irs.gov.
- **Federal Income Tax** is calculated on a Schedule C Form to be filed with Form 1040 at the end of the year. For more information, call the IRS at 800-829-1040 or www.irs.gov.
- **State Income Tax** is calculated by the amount of profit found on the Form 1040 for the Federal Income Tax. File a Form IT-1040 with the Ohio State Department of Taxation. For more information, call 800-282-1780.
- **Local/Municipal Income Taxes** may be due for your business. Contact your local tax department for more information.

You may use your social security number for the transactions of the business and as a Tax ID Number. It is not necessary for you to obtain a separate Tax ID Number unless you have employees. It is optional to have workers' compensation for yourself. For information on workers' compensation, call 800-644-6292 or www.ohiobwc.com.

PARTNERSHIPS

It takes two or more people to form a partnership. There are two types of partnerships: general and limited.

- **General Partnership** - In a general partnership, all partners are personally liable for the activities of the business, and have the right to be involved in the management and operations of the business. Each partner contributes to the start-up of the business. A partnership does not necessarily need a written agreement, but one is highly recommended.
- **Limited Partnership** - A limited partnership can be created when you have two classes of partners: a) general partners, who are responsible for the management and operations of the business, and b) limited partners, who are passive investors and do not participate in the management of the business. A limited partner's liability is limited to the amount of his/her investment, whereas the general partners are fully liable for the activities of the business. The investment of limited partners cannot be bought and sold without first considering the federal and state securities laws on limited partnership interests. Contact an attorney regarding these securities laws.



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When starting either type of partnership, you will need the following: a Tax ID Number, which can be obtained by filing an SS-4 Form with the IRS at 1-800-Tax-Form (800-829-3676), business bank accounts and the following tax filings:

- **Federal Income Tax Form 1065** - The partnership itself does not pay income taxes, but does file an annual Form 1065 for Federal Income Tax for informational purposes only. For more information, call the IRS at 800-829-4933 or www.irs.gov.
- **Local/Municipal Income Tax** - The partnership pays Local/ Municipal Income Tax on behalf of the partners, and each partner gets credit for the amount paid on their individual returns on Schedule E. Contact your local tax department for more information. The partners must pay Federal and State Income Taxes on their own individual returns. The amount of taxes is based on the profits on the business. See the Sole Proprietorship section of this guide for tax information.

CORPORATION

An individual or group of people can form a corporation. The advantage of a corporation is that, if managed appropriately, a corporation offers personal liability protection to the involved party/parties.

A corporation is created by filing the Articles of Incorporation and Appointments of Statutory Agent, along with a filing fee, with the Ohio Secretary of State's office at www.sos.state.oh.us. There are certain formalities for creation of the Articles of Incorporation and maintaining a corporation, such as rights of owners, adoption of by-laws, annual shareholder and board of directors meetings, etc. It is recommended that you hire an attorney for assistance with forming a corporation. There is a fee to register a corporate name. To register for a corporate, trade, or fictitious name, contact the Ohio Secretary of State's office.

The corporation will need a Tax ID Number, which can be obtained by filing an SS-4 Form with the IRS at 1-800-Tax-Form (800-829- 3676). The corporation must also maintain its own bank account.

If incorporated, even as a one-person operation, you are considered an employee. All employee requirements and payroll taxes apply. Please see the Employees section of this guide for tax and workers' compensation information. There are two ways a corporation's taxes can be handled: as a regular corporation (commonly known as a Ccorporation) or as a sub-chapter S-corporation.

- **C-Corporation Taxes**, In a C-corporation, the corporation pays income tax based on the profits of the business, and then the shareholders are taxed on the dividends they receive from the corporation. The taxation details for a C-corporation are as follows:
- **For Federal Income Tax**, file Form 1120, 1120A or 1120 EX for Federal income tax which is due annually. File estimated payments on Form 8109. Worksheet 1120W is due quarterly.



- **Corporation Franchise Tax** (State of Ohio income tax) is filed on Form FT-1120, one-third is due January 31, one-third is due March 31, and one-third is due May 31. Call the Ohio State Department of Taxation at 888-405-4039.
 - A corporation pays **Local/Municipal Income Tax** based on the net profits of the business. Contact local tax departments for more information.
 - Shareholders pay **Income Tax** on the dividends they are paid from profits of the business on their own individual income tax returns.
- **S-Corporation or Sub-Corporation Taxes**
 - You can elect S-corporation status within 90 days of forming the corporation by filing Form 2553 with the IRS. If you do not file for S-corporation status, you will be taxed as a regular C-corporation. Unlike the C-corporation, S-corporation income profits and losses are passed on to the shareholder. Profits are taxed only at the shareholder level and the corporation pays no income taxes.

There are other restrictions with an S-corporation, such as a maximum number of shareholders, and the way your healthcare costs can be deducted, so you should consult an accountant and attorney before selecting S-corporation status. The taxation details for an S-corporation are as follows:

- For **Federal Income Tax** - file annually for informational purposes only, on Form 1120S. Contact the IRS at www.irs.gov or call 800-829-4933.
- **Corporations Franchise Tax** (State of Ohio income tax) is filed annually for informational purposes only, on Form IT-1040. Call the Ohio State Department of Taxation at 888-405-4039.

A corporation pays **Local/Municipal Income Tax** based on the net profits of the business, and the shareholder gets credit on his/her individual income tax return. The taxes are filed on Schedule E.

Shareholders pay **Income Tax** on the dividends from the leftover profits of the business on their own individual income tax returns.

COOPERATIVES A cooperative is a business, voluntarily organized, operating at cost, which is owned and controlled by member-users, thus sharing risks and benefits. Groups may form cooperatives to share resources, cost-effectively purchase equipment, supplies, healthcare services, training, and provide goods and services to members at a lower cost. Examples include such groups as: credit unions, utility companies, agricultural groups, healthcare providers, and manufacturing. Cooperatives are types of corporations governed in Ohio by the Ohio Revised Code 1729.

NON-PROFITS

Non-profit organizations, although classified as a business, are not owned by individuals and do not issue stock for repayment. All of the net profit is returned to the organization for use in the next budget period.



A non-profit organization has a special status that allows the organization to provide Federal and State tax deduction forms in lieu of donations from other individuals and corporations.

LIMITED LIABILITY COMPANY LLCs are flexible business entities that combine the tax advantages of a partnership with the personal liability protection of a corporation. LLCs are not restricted in the number of shareholders they can have, and participation in management is not restricted as in limited partnerships.

An LLC normally adopts an operating agreement to govern its operation and management. These agreements generally are flexible and loose as they want, as long as certain tax rules are followed. The agreements can also be designed to meet the special needs of owners, such as special voting rights, management controls, and buyout options.

An LLC can be created by filing the Articles of Organization and Appointment of Statutory Agent, along with a filing fee, with the Ohio Secretary of State's office at (877) 767-3453. There are certain formalities of the Articles of Organization and with maintaining an LLC. It is recommended that you hire an attorney for assistance with filing and understanding what is necessary for an LLC.

When starting an LLC, you will need a Tax ID number which can be obtained by filing an SS-4 Form with the IRS at 1-800-TAX-FORM (800-829-3676).

Workers' compensation coverage may be required for all parties of an LLC, depending on the Bureau of Workers' Compensation's fourfactor test. For information, contact the Bureau at 800-644-6292.

NAME REGISTRATION

All businesses must register with the Secretary of State. In Ohio, there are eight main legal structures for businesses (as shown previously): **sole proprietorship, general partnership, limited partnership, limited liability partnership, limited liability company, corporation, cooperative, and nonprofit.**

If your business will be a sole proprietorship or general partnership, you will register your business by filing the Name Registration form.

A **trade name** cannot be used by any other business. Filing prevents any other business from registering the same name with the Secretary of State. There is a one-time filing fee. A fictitious name is not as protected as a trade name.

A **fictitious name** is registered with the Secretary of State but anyone can use it. There is a filing fee.

If incorporating, an organization will choose a name for the business entity when filing articles of incorporation. The name chosen must be distinguishable from the name of any other business.



entity, corporation, trade name, limited liability company, limited liability partnership, limited partnership or that which is currently registered in the office of the Secretary of State.

NAME AVAILABILITY

The Secretary of State's office is a filing agency. It does not determine whether the use of a name is legal. If a name is registered as a trade name, the Secretary of State's office will tell you that you cannot use it unless you have the permission of the business with that name.

To check the availability of a name in Ohio, you can search on the Secretary of State's website or you can call the Secretary of State's Business Services Division.

To make sure the name of your business does not conflict with another business' trademark nationally, contact the U.S. Patent and Trademark Office.

Secretary of State (877) 767-3453 or search on-line at: www.sos.state.oh.us	U.S. Patent and Trademark Office (800) 786-9199 or search on-line at: www.uspto.gov
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A corporate name is protected much like the trade name, and can only be used upon incorporation. The name must include the word "Company," "Co.," "Corporation," "Corp.," "Incorporated," or "Inc." The corporate name is effective as long as the corporation remains in good standing. There is a fee to register a corporate name.

Choosing Professional Advisors

In addition to the assistance from local resources, you may want to consider hiring professional help such as an attorney, accountant, marketing consultant, insurance agent, etc. The best method of locating these necessary professionals is through referrals from other business owners, friends, your banker, other professionals, small businesses or trade organizations.

Insurance

You will need to insure your business and its assets. Types of coverage are business property, business interruption, key man (or primary owner), computer equipment, vehicles, liability, employee dishonesty, burglary, and personal life and health. Contact an insurance agent to obtain a quote or a recommendation.

Health Department

If you will be doing any food preparation or handling of food items, check with the county health department to determine if your business needs any special health permits or inspection. Contact the Athens County Health Department at [\(740\) 592-4431](tel:7405924431) or visit them on-line at: www.health.athens.oh.us



Licensure

Many types of trades and professions in the state of Ohio require a license to do business. The following is a list of businesses, trades, and professions requiring a license. For more information, and a complete list, visit the State of Ohio eLicense Center, which is located online at: <https://license.ohio.gov>

Accountants	Embalmers	Professional Engineers/ Surveyors
Ambulance Services	Emergency Medical Service	Psychologists
Architects	Funeral Directors	Radiation Therapy
Athletic Agents	Gristmills	Technologists
Attorneys	Hearing Aid Dealers	Radiographers
Auctioneers	Innkeepers	Real Estate Appraisers
Audiologists	Junk Yards	Real Estate Brokers
Barbers	Motor Vehicle Salvage	Respiratory Care
Boiler Operations	Nuclear Medicine	Sanitarians
Cemetery Registrars	Technologists Nurses	Secondhand Dealers
Chiropractors	Nursing Home Administrators	Security Services
Commission Merchants	Occupational Therapists	Social Workers
Cosmetologists	Physicians	Speech Pathologists
Counselors	Physicians' Assistants	Steam Engineers
Debt Pooling Companies	Precious Metal Dealers	Veterinarians
Dental Hygienists	Private Investigators	X-Ray Machine Operators
Dentists		
Dietitians		
Dispensing Opticians		

Certain kinds of business may require additional licenses, as with the sale of alcohol or cigarettes. Consult your city licensing office if you have any questions regarding a special permit, tax, or other licensing requirements for your business. **City of Athens** License requirements and business regulations can be found [here](#).

Zoning

If you will be starting a business in your home, or any other potential non-commercial location, check with the city to determine if the zoning laws allow your business in that area. **City of Athens Zoning Codes** can be found [here](#).

Sales Tax Issues

REGULAR VENDOR'S LICENSE (Vendors must obtain one for each fixed place of business in Ohio.)

The regular vendor's license notifies the state treasurer's office that your business will need to collect and remit sales tax for the retail sales of tangible property. You can obtain a vendor's license from the county auditor's office for the county in which your business is located or their website. There is a nominal fee. Vendors must obtain one license for each fixed place of business in Ohio.



A new regular vendor's license is required if a business moves out of the county in which it is located, however, if a business relocates within the same county where the regular vendor license is issued, the license is transferable. A transfer application (Form ST-3TL) must be submitted to the department of Taxation. There is no fee for transferring a regular vendor's license.

Any change in ownership (sole proprietor, change of partners in a partnership, partnership to corporation, corporation to sole proprietor, partnership to sole proprietor, etc.) requires a new license. Vendors holding an active class C or D liquor permit must continue to operate under the permit holder's vendor's license until the permit transfers to the new owner.

TRANSIENT VENDOR'S LICENSE

If you are going to sell goods at locations away from a fixed place of business, you may obtain a transient vendor's license for a small fee. A transient vendor is any person who leases titled motor vehicles, titled watercraft, or titled outboard motors, or in the usual course of business transports inventory; a stock of goods, or similar tangible personal property to a temporary place of business for the purpose of making retail sales of such property. Contact the Ohio Department of Taxation at 888-405-4039 or tax.ohio.gov.

DELIVERY VENDOR'S LICENSE

Required for vendors who make retail sales, but do not maintain a store, showroom, or similar fixed place of business or other location where merchandise regularly is offered for sale or displayed or shown in catalogs for selection or pick-up by customers. This license is also required where customers bring goods for repair or other service, including renting or leasing tangible personal property, except titled-motor vehicles, watercraft, and outboard motors. Sales by the "delivery vendor" are completed at the point of delivery, where the leased or rented property is used, or where the service is performed or received. The tax rate goes into effect when the sale is completed. A delivery vendor's license may be required if you have an internet company with no fixed place of business. There is a nominal fee. Contact the Ohio Department of Taxation to see if your business falls within this business category.

SERVICE VENDOR'S LICENSE

The State of Ohio requires many service businesses to collect and remit sales tax on the services that the businesses provide. If you are starting a service business, contact the Ohio Department of Taxation at 888-405-4039 to see if you fall within a service business classification that must collect and remit sales tax.

Services Subject to Sales Tax in Ohio and Covered by a Service Vendor's License - (Issued by the Department of Taxation): Taxable telecommunications services, automatic data processing, computer and electronic information services provided for use in a business, landscaping and lawn care service (if annual sales equal or exceed \$5,000), provision of private investigation or security service, provision of information service (1-900 telephone calls), provision of exterminating service, building maintenance and janitorial services (if annual sales meet or exceed \$5,000), provision of employment service, and provision of employment placement service.



Services Covered by a Regular Vendor's License - (Issued by the county auditor): Rental of hotel rooms or similar sleeping accommodations for less than 30 days by establishments with 5 or more sleeping rooms, provision of physical fitness facility service, provision of recreation and sport club service, repair of tangible personal property (except repair of property, which is exempt from sales tax*), installation of tangible personal property (except installation of property exempt from sales tax*), washing (except coin-operated), cleaning, waxing, polishing or painting of motor vehicles*, cleaning towels, linen, or clothing used in a trade or in a business.

- *These services may be covered instead by a Delivery Vendor's License issued by the Department of Taxation to vendors who make sales based on delivery of goods and certain services at the consumer's location. Vendors should check with the Department of Taxation before obtaining a license.

For Athens County tax rates in 2019, click [here](#).

Certificate of Exemption

A common misconception about sales tax is that you must have a vendor's license to purchase goods wholesale (without paying sales tax). To purchase goods for the purpose of reselling, you will need a certificate of exemption.

The certificate can be obtained in most office supply stores and the county auditor's office. If you are selling to a business that is not the end user of the product and will resell the item, then that business does not pay you sales tax. They must provide you with a certificate of exemption that you keep on file.

Commercial Activity Tax

The CAT is an annual privilege tax measured by gross receipts on business activities in this state. This tax applies to all types of businesses. A person with taxable gross receipts of more than \$150,000 per calendar year is subject to this tax. For more information visit: tax.ohio.gov.

Employees

If you are hiring anyone to work as an employee, then you need to take care of payroll taxes and workers' compensation for those employees. If incorporated, then all involved parties are considered to be employees (including yourself).

TAX RESPONSIBILITIES FOR EMPLOYERS

- Federal Withholding Income Tax is the tax withheld for Social Security and Medicare. Employees file Form W-4 to determine the amount of withholding. The business must file Form 941 quarterly deposits of annual withholding), and Form 81 (Federal Tax Deposit Coupons) with each deposit. They are due on the 15th of the following month. Call the IRS at 800-829-1040 or online at www.irs.gov for forms, an application and more information.



- Employers' Match to Federal Withholding Income Tax Employers must match a portion of the income withheld from the employee's paycheck for Social Security and Medicare. File Form 941 (quarterly deposits of annual withholding match) and Form 8109 (Federal Tax Deposit Coupons) with each withholding match deposit. They are due on the 15th of the following month. Call the IRS at 800-829-1040 or online at www.irs.gov for forms, an application and more information.
- State Withholding Income Tax is the portion of the employee's paycheck that the employer must withhold. To apply to be a withholding agent with the State of Ohio, file Form IT-1. The business files Form IT-941 annually for tracking the withholding, and Form IT-501 quarterly or monthly for depositing the withholding tax. For more information and forms, contact the Ohio Department of Taxation at 888-405-4039.
- Local/Municipal Withholding Income Tax is withheld from the employee's paycheck, depending on the laws of the school district of the employee's residence. Employees must furnish the employer with Form IT-4 to determine the amount of withholding tax. If applicable, employers must register as a withholding agent on Form IT-1S and deposit the employee's withholding tax. Contact your local tax department.
- Federal Unemployment Tax must be filed annually by the employer on Form 940. Deposits to the IRS should be made on Form 8109. These deposits should be made quarterly on Form 8109 if greater than \$100. Call the IRS at 800-829-1040 or online at www.irs.gov.
- State Unemployment Tax is paid by all employers to the State of Ohio Unemployment Insurance Fund. *Workers' Compensation* is the state insurance fund for all employees and is paid by all employers. The employer's premium is based on the number of employees, risk on the job, and total payroll. There is an application fee, and premiums are due twice a year. Contact the Bureau of Workers' Compensation for more information at 800-644-6292. www.ohiobwc.com.
- If you have employees, you must give them a Summary of the Total Dollars Withheld for the prior year on Form W-2 by January 31. You must also submit Form W-2 for each employee and Form W-3 for all employees to the Social Security Administration by February 28. Call the IRS for more information at 800-829-4933 or online at www.irs.gov.
- You must keep a record of your Employees' Eligibility for work in the United States with Form I-9 from the US Department of Justice's Immigration and Naturalization Service. Call 800-375-5283 for more information.

Other responsibilities such as *Disability Policies, Family and Medical Leave policies, Cobra, and New Hire Background Checks* depend on the number of employees. Check with the 1st Stop Business Connection at 800-248-4040, or with the specific regulatory agencies for more information.



Real Property Tax

All businesses that own buildings, land, and improvements must remit to the county Real Property Tax. The tax may be levied by the school, district, municipality, or other taxing jurisdiction. Contact the Athens County auditor at (740) 592-3223 or email auditor.re@athensoh.org for more information.

Employee VS. Independent Contractor

There are numerous guidelines that the IRS looks at when determining the status of an employee versus an independent contractor. An independent contractor is someone who:

- Works on a contractual basis
- Can hire their own employees
- Can set their own schedule
- Determines their own profitability

If you set the hours, give specific instruction, have control over the technique for the job, and supply the tools for the job, then the relationship is employee/employer. An independent contractor handles their own taxes, workers' compensation, etc.

It is your responsibility to issue a Form 1099 to the independent contractor by January 31 and to the IRS by February 28, stating the total dollars paid to the independent contractor for the year. Call the IRS at 800-829-1040 (Individuals) or 800-829-4933 (Business) for more information.

Generally, people such as lawyers, contractors, subcontractors, and auctioneers who follow an independent trade, business, or profession in which they offer their services to the public, are not employees. However, whether such people are employees or independent contractors depends on the facts in each case. The general rule is that an individual is an independent contractor if you, the person for who the services are performed, have the right to control or direct only the result of the work and not the means and methods of accomplishing the result.



Resources for Business Assistance

Athens Area Chamber of Commerce

<http://athenschamber.com/>

740-594-2251

ACEnet

<http://acenetworks.org/>

740-592-3854

The Business Training Center

http://www.tricountyhightech.com/customizedbusinessstraining_home.aspx

740-753-3511

Grow Ohio Incentive Program

<https://www.bwc.ohio.gov/employer/services/GrowOhioInc/GrowOhioIncInfo.aspx>

1-800-644-6292

LIGHTS

<https://www.ohio.edu/research/innovation/lights.cfm>

740-593-1818

Nelsonville Chamber of Commerce

<http://www.nelsonvillechamber.com/>

740-753-4346

Ohio Secretary of State

<http://www.sos.state.oh.us/SOS/Businesses/BusinessInformation/starting.aspx>

614-466-2655

Ohio Small Business Development Centers Network

<https://clients.ohiosbdc.ohio.gov/>

614-466-2711

Ohio University Innovation Center

<https://www.ohio.edu/research/innovation/>

740-593-1818

SBDC of Southeast Ohio

<http://sbdc.voinovichschool.ohio.edu/>

740-593-1797

SCORE

<https://www.score.org/>

1-800-634-0245

TechGROWTH Ohio

https://www.ohio.edu/voinovichschool/programs/entrepre_region_dev/techgrowth_ohio.cfm



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740-593-2379

Voinovich School of Leadership and Public Affairs

<https://www.ohio.edu/voinovichschool/>

740-593-9381

1st Stop Business Connection

<http://business.ohio.gov/starting/>

614-466-4232

USDA Rural Business Development

www.rd.usda.gov/oh

614-255-2400