

Entrepreneur Resource Guide

Chapter 1

STARTING YOUR BUSINESS



THE WOMEN'S BUSINESS CENTER AT
Community First Fund™

Offices in Lancaster, Harrisburg, York, Reading and Exton
See website for more contact information.

www.commfirfund.org

Chapter 1:

Checklist for Business Start-up
Regulations and Requirements
Potential Resources
How to Form Legal Business Structure
How to Register Your Business Name
How to Apply for An EIN

Checklist for Business Start-Up

The following checklist outlines many of the steps necessary to begin your business. The list is intended to help you determine where you are right now and what assistance and information will be required to proceed in opening your business. For those activities you have yet to accomplish, this guide may provide you with information needed to contact the appropriate source for assistance.

GENERAL START-UP ACTIVITIES

- Determine the business you want to start and assess:
 - a. your qualifications for that business
 - b. the feasibility of making that business profitable
- Conduct research on your industry, target market and competition
- Select a location and analyze it for traffic, parking, potential customer and delivery access
- Develop a list of all start-up expenses: equipment, furniture, deposits and services. Identify the cost of each item
- Develop a list of all potential monthly expenses.
- Identify all financing resources available at the local, state and federal level and list those most appropriate to your business. Request information from these sources
- Establish a bank account for your business
- Research potential suppliers and investigate payment and credit options with each
- Develop job descriptions for the individuals you intend to hire and prioritize their hiring
- Investigate all start-up policies and procedures specific to your industry
- Write a business plan including your management, marketing, production and financial strategies
- Establish record-keeping procedures for financial management, marketing, personnel, maintenance, etc
- Identify all assistance resources available for management at the local, state and federal level and list those most appropriate for your firm
- Identify an attorney, accountant and insurance professional with skills that complement your business needs
- Secure financing if needed (see Chapter 2)

REGULATIONS AND REQUIREMENTS

Listed below is some basic information sources for your small business. If you have a question about state regulations that is not answered below, call the Small Business Resource Division, 1-800-280-3801.

- Determine the best type of business structure for your venture. The most common choices are: sole proprietorship, partnership or corporation. If you will be using an assumed name, call the Corporation Bureau of the Pennsylvania Department of State, 717-787-1057.

- If your business will be a sole proprietorship and you will be using a fictitious name, you must check the availability of the name you have chosen and register it.

- If your business will be a partnership, draw up your partnership agreement. If the partnership will be using will be using a fictitious name, register the name.

- If your business will be a corporation, file Articles of Incorporation.

- If you will employ one or more people, obtain federal, state and local forms:

- Federal Income Tax** and **Social Security Tax** withholdings: contact the Internal Revenue Service, 1800-TAX-1040 for information; and 1-800-TAX-FORM to order forms or publications.

- Insure your **workers' compensation liability** by purchasing a workers' compensation policy through an insurance company or from the State Workmen's Insurance Fund, 570-963-4635, or by securing approval from the Pennsylvania Department of Labor and Industry to self-insure, individually or as a group. For more information, contact 717-783-4476.

- Unemployment Compensation:** request the PA-100 Enterprise Registration Form and Instructions by calling 1-800-362-2050. You may also download a copy of the PA-100 from the Pennsylvania Department of Revenues web site at www.revenue.state.pa.us or register on-line at www.paopen4-business.state.pa.us.

- If necessary, obtain a Federal Employer Identification Number (EIN) from the Internal Revenue Service. For information on the EIN, contact the Internal Revenue Service at 1-800-TAX-1040. To request an EIN application (Form SS-4), call 1-800-TAX-FORM or visit www.irs.gov.

- Determine if your business is required to collect sales tax. Refer to the blue pages in your telephone directory (under State Government) for the nearest Pennsylvania Department of Revenue District Office in your area. If sales tax is applicable, request the PA-100 Enterprise Registration Form and Instructions.

- If your business will be serving food or beverages, contact your local health department or the Pennsylvania Department of Agriculture regarding registration or licensing procedures. Refer to the section on Business Requirements and Regulations.

- Check with the local municipality (city, borough or township) concerning zoning requirements and any necessary or mandatory local licenses and permits.

- Check with federal, state and local government (city, borough, township or school district) agencies concerning their tax laws and business requirements.

Part of owning a successful business is understanding the best practices and standards within your industry. The resources below may be of some assistance as you develop your small business.

RESOURCES

In addition to resources listed in this publication, the following sources of information can be helpful:

- Commonwealth of Pennsylvania web site:
www.state.pa.us
- Local area telephone directories
- Directories of trade associations and their research offices
- Trade shows and trade show directories
- Trade and industrial publications and data bases
- State, national and international directories of manufacturers
- Local Chambers of Commerce
- Local economic and industrial development agencies (see your telephone directory)
- Census data (state and local libraries)
- Annual reports of similar businesses
- Industry buyers
- State Library web site:
www.statelibrary.state.pa.us

.....

How to Form Your Legal Business Structure

One early and essential step in starting your small business is choosing the legal structure under which your venture will operate. Legal and tax considerations, along with your personal and business needs will influence your decision. There are three principal types of business structures: the sole proprietorship, the partnership and the corporation.

Each of these business structures has advantages and disadvantages. Examine your options thoroughly and consult a knowledgeable legal and/or accounting professional when considering the formation of your small business.

Sole Proprietorship

Most small businesses operate as sole proprietorships, which is the simplest form of organization and allows the single owner to have sole control and responsibility of the business. Some advantages of the sole proprietorship are less paperwork, minimal legal restrictions, owner retention of all the profits, and

ease in discontinuing the business. Disadvantages include: unlimited personal liability for business debts, limited ability to raise capital and termination of the business upon the owner's death.

You should note that a small business under this structure may begin immediately. A sole proprietor may choose to include partners or change the legal structure at a later date.

General Partnership

A partnership is similar to a sole proprietorship, except that two or more individuals join together to form the business. A General Partnership is easy to establish and can draw upon the financial and managerial strength of all partners. Profits in a General Partnership are taxed to the individuals and not the Partnership. Disadvantages of a General Partnership include unlimited personal liability for all business debts and liabilities, termination of the business upon the death of a partner and the ability for any single partner to commit the business to obligations.

The partnership is formed by an agreement entered into by each partner. This agreement may be informal, but it is advisable to have a written agreement drawn up between all parties. While no filing is required to form a general partnership, refer to the section in this guide on How to Register Your Business Name.

Limited Partnership (LP)

A limited partnership is a partnership formed by two or more individuals. Limited Partnerships have one or more general partners and one or more limited partners. The limited partners have limited exposure to liability and are not involved in the day-to-day operations of the limited partnership. A Pennsylvania limited partnership is formed by filing a Certificate of Limited Partnership on form DSCB: 15-8511 with the Corporation Bureau, Pennsylvania Department of State.

Limited Liability Partnership (LLP)

A limited liability partnership is an existing partnership that files an election with the Corporation Bureau, Pennsylvania Department of State, claiming LLP status, on form DSCB: 15-8201A. The goal of a LLP is to provide general partners with additional protection from liability.

Limited Liability Company (LLC)

The limited liability company is a hybrid between a partnership and a corporation, and provides the liability protection of a corporation, with the advantage of being treated as a partnership. A Certificate of Organization is required to be filed with the Corporation Bureau, Pennsylvania Department of State, on form DSCB: 15-8913, accompanied by a docketing statement, form DSCB: 15-134A.

S Corporation (S Corp)

Closely maintained corporations may elect to be taxed as federal or state S corporations (IRC 1361-1379). Shareholders then pay taxes on corporate net income personally, as if it were a partnership. S corporation status is limited to corporations that have no more than 100 shareholders. A Pennsylvania corporation cannot elect to be an S corporation unless it has also applied for federal S status.

To apply for Pennsylvania S status, file form REV-1640 with the Pennsylvania Department of Revenue within 75 days of the beginning of your fiscal year. When you receive a copy of your federal notification of approval from the IRS, you must furnish a copy to the Pennsylvania Department of Revenue. S corporations are responsible for filing and paying the Capital Stock and Foreign Franchise Tax.

PA Department of Revenue
Bureau of Corporation Taxes, Specialty Taxes Division
Attn: S Corporation
Department 280704
Harrisburg, PA 17128-0704
717-783-6035 www.revenue.state.pa.us

Corporation (C Corp)

A corporation is the most complex form of business organization. It is costlier and more difficult to create because of the paperwork required. Business activities are restricted to those listed in the corporate charter. However, most corporations list a general-purpose clause.

In a corporation, liability is limited to the amount owners have paid for their shares of stock, and the corporation's continuity is unaffected by the death or transfer of shares by any of the owners. However, extensive record keeping, close regulation and double taxation (taxes on profits and taxes on dividends paid to owners) are involved.

To form a corporation in Pennsylvania, you must file Articles of Incorporation, form DSCB: 15-1306, with the Corporation Bureau, Pennsylvania Department of State, accompanied by a docketing statement, form DSCB: 15-134A.

Foreign (out of state) corporations must submit an application for a Certificate of Authority, form DSCB:15-4124, accompanied by a docketing statement, form DSCB: 15-134A, to conduct business in Pennsylvania.

PA Department of State
Corporation Bureau
206 North Office Building
Harrisburg, PA 17120
717- 787-1057 www.dos.state.pa.us

What is a Fictitious Name?

A situation in which a business owner operates a company under a name different from his or her real name. The owner must file a "fictitious name statement" or similar document with the appropriate agency -- for example, the county clerk.

How to Register Your Business Name

Any sole proprietorship, partnership, corporation or other form of association conducting business under a fictitious business name must register this name with the Pennsylvania Department of State. A fictitious name is any assumed name, style or designation other than the proper name of the entity using such name. These types of entities include any association, general partnership, syndicate, joint venture or similar combination of groups of persons.

The surname of a person, standing alone or coupled with words that describe the business, is not a fictitious business name and need not be registered. For example, Jones' Radio Repair would not be a fictitious name because it includes the last name of the owner. However, Bill's Radio Repair is considered to be a fictitious business name because the owner's last name is not listed.

The inclusion of words that suggest additional owners, such as Company, & Company, & Sons, & Associates, makes the name fictitious. For partnerships, the last name of all partners must be listed or the fictitious name rule applies. For example, if Moore, Johnson, & Smith include all three partners' names, it is not considered to be a fictitious business name. If all the partner names are not included, then the name must be registered with the Pennsylvania Department of State.

To register an assumed or fictitious business name, you must file form DSCB:54-311 with the Corporation Bureau. After registering a fictitious name, you will be required to place an advertisement in a newspaper of general circulation in the county in which your business will be located and one in a legal publication or newspaper in that same county. You can identify the legal publication by contacting the county courthouse or county bar association in the county where your business headquarters is located. The Corporation Bureau also can assist you.

The penalty for failing to file a fictitious name registration is that the unregistered entity may not use the courts of Pennsylvania to enforce a contract entered into using the fictitious name. The failure to register the fictitious name does not void the contract, but merely prevents such enforcement until registration. The court has the option of imposing a \$500 penalty in these instances where the entity seeks to enforce the contract and subsequently registers the fictitious name in an untimely manner.

PA Department of State - Corporation Bureau
206 North Office Building
Harrisburg, PA 17120
717-787-1057 www.dos.state.pa.us

How to Apply for an Employer Identification Number

Every employer subject to employment taxes is required to have an Employer Identification Number (EIN) to identify his or her business with the Internal Revenue Service (IRS) and the Social Security Administration. Some businesses such as corporations, partnerships, and enterprises that maintain a Keogh Plan or pay Federal Excise Tax are required to have an identification number for use on tax returns, statements and other documents even though they do not have any employees.

An authorized individual of a company can obtain an EIN by calling the Tele-TIN Unit, 1-866-816-2065. (International applicants must call 215-516-6999.)

The IRS suggests Form SS-4 (EIN application) be filled out prior to making the telephone call to assure information is accurate. The IRS will ask for the pertinent information and will assign a number to the authorized individual. To apply for an EIN, you must obtain Form SS-4 from the Internal Revenue Service by calling the Forms Hotline at 1-800-TAX-FORM or downloading from the Internal Revenue Services web site at www.irs.gov. When you file this form, you will automatically receive all other federal tax forms and instructions required for a new business. Your federal EIN also will be used as your Pennsylvania Employer Identification Number.

ENTREPRENEUR RESOURCE GUIDE

Chapter 1: Starting Your Business
Chapter 2: Financing Your Business
Chapter 3: Marketing Your Business

This is a publication of Community First Fund. For more information on starting a business see our website or talk to one of our lenders.



Community First Fund™
capital powering prosperity

www.commfund.org
Toll Free: 1 866-822-3862
© 2009 Community First Fund