



## ***SMALL BUSINESS DEVELOPMENT GUIDE***

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Welcome to Ohio's Small Business Development Center (SBDC). The SBDC, which is partially funded by the Ohio Department of Development and the U.S. Small Business Administration is hosted by the Kern Center for Community and Industrial Development at Terra Community College.

The SBDC can provide you with many **FREE** resources for starting and successfully operating your small business. These resources include educational programs, one-on-one counseling and resource materials such as this Small Business Development Guide, business planning guides and other valuable tools.

This Small Business Development Guide will give you the basic information you need to make decisions and get your business started right. If you have questions after reading this guide, please call the SBDC at 419.559.2210 or 800.826.2431. Remember, we're here to provide you with information and assistance. We look forward to working with you!



The Small Business Development Center Program of Ohio is a funded program of the Ohio Department of Development and the U.S. Small Business Administration. The support given through such funding does not constitute an express or implied endorsement of any of the co-sponsor(s)' or participant(s)' opinions, products or services. Special arrangements for the disabled will be made if requested in advance. This program is provided on a non-discriminatory basis.

## NAME REGISTRATION

If you wish to do business in the State of Ohio under any name other than your legal name, you must register this business name with the Ohio Secretary of State's office. First, you must contact the Secretary of State's office to make sure the name you wish to use is not already being used by someone else. Call the Ohio Secretary of State's office at 877.767.6446 or 614.466.2655 or on-line at [www.sos.state.oh.us](http://www.sos.state.oh.us).

There are three types of business name registrations: trade name, fictitious name and corporate name. A trade name offers protection from anyone else who also wants to register under that same business name. A fictitious name registers your business but does not offer any protection. A corporate name is protected much like the trade name and only can be used upon incorporation. The name must include "Company," "Co.," "Corporation," "Corp.," "Incorporated" or "Inc." The corporate name is effective as long as the corporation remains in good standing.

To register a sole proprietorship or general partnership as a trade or fictitious name registration, the cost is \$50.00. To register a limited partnership, c-corporation, s-corporation, and limited liability company (limited liability partnership), the registration cost is \$125.00.

## BUSINESS ENTITIES

*Note: Because there are certain formalities with forming business entities, it is recommended that you hire an attorney for assistance with filing and forming the appropriate entity for your business.*

### **\*\*\*Sole Proprietorship**

A sole proprietorship is a business operated and owned by a single person where this person is legally and financially liable for all activities which occur within the business.

- + easy to organize
- + Owner has complete control
- + Owner receives all income
- - Owner has unlimited liability
- - Benefits are not business deductions

### **\*\*\*Partnership**

It takes two or more people to form a partnership. There are two types of partnership, 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 recommended.

## **Limited PARTNERSHIP**

A limited partnership can be created when you have two classes of partners – general partners, who are responsible for the management and operations of the business and 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.

- + Easy to organize but needs agreement
- + Partners receive all income
- - Partners have unlimited liability
- - Partners may disagree
- - Life of business may be limited

## **\*\*\*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. There are two ways a corporation's taxes can be handled: as a regular corporation (commonly known as C-corporation) 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. For the owner/shareholder this double taxation is often a concern.

## **Sub-chapter S-corporation TAXES**

Unlike the C-corporation, S-corporation income profits and losses are passed on to the shareholder. Profits are taxed only at the shareholder level; the corporation pays no federal or state income taxes (single taxation).

- + Shareholders have limited liability
- + Can raise funds thru sale of stock
- + Life of business is unlimited
- - Incorporating takes time and money
- - May result in higher taxes overall

### **\*\*\*Limited Liability Company (LLC)**

An LLC is a hybrid of a partnership and a corporation. The State of Ohio recognizes a one-person LLC. The liability protection is similar to a corporation and the taxes are similar to a partnership.

A partnership that desires limited liability but finds it too difficult to organize as a limited liability company may organize as a limited liability partnership.

- + Members have limited liability
- + No double taxation
- - Initial organizational costs

### **DO I NEED A LICENSE?**

The following is a list of the approximately 40 trades and professions that require special licensing to do business within the State of Ohio:

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

Certain kinds of businesses may require additional licenses, as with the sale of alcohol and cigarettes. If you have any questions regarding a special permit, tax or other licensing requirements for your business, consult your city licensing office and the First Stop Business Connection at 800.248.4040 or 614-466-4232 or on-line at [www.odod.state.oh.us/onestop](http://www.odod.state.oh.us/onestop).

## VENDOR'S LICENSE

To collect sales tax, you must have vendor's license. There are four types of vendor's licenses. Descriptions of the different types are below. When you apply for a vendor's license, the Ohio Department of Taxation will send you the forms and information necessary for you to understand the Ohio Sales Tax Law.

<b>If your business...</b>	<b>You need a...</b>	<b>It will cost...</b>	<b>Contact...</b>
Sells taxable items from a fixed (permanent) business location	<b>REGULAR VENDOR'S LICENSE</b>	\$25 application fee	<b>COUNTY AUDITOR'S OFFICE</b>
Sells taxable items from a <b>temporary place of business</b> , such as a fair, carnival, flea market or similar event, in counties where you do not have a fixed place of business	<b>TRANSIENT VENDOR'S LICENSE</b>	\$25 application fee	<b>OHIO DEPARTMENT OF TAXATION</b>
Offers automatic data processing, computer, employment placement, telecommunication, building maintenance, janitorial, landscaping, lawn care or exterminating services	<b>SERVICE VENDOR'S LICENSE</b>	\$25 application fee	<b>OHIO DEPARTMENT OF TAXATION</b>
Makes taxable retail sales at the consumer's location through the delivery of goods or services to the consumer's location at a later date (for example, a mail order business)	<b>DELIVERY VENDOR'S LICENSE</b>	\$25 application fee	<b>OHIO DEPARTMENT OF TAXATION</b>

Contact the Ohio Department of Taxation at 888-405-4039 or the county in which your business resides to see if you fall within a business classification that must collect and remit sales tax. For more information, visit [www.tax.ohio.gov](http://www.tax.ohio.gov).

A record of tax exempt sales must be maintained. Properly completed certificates of exemption must support exempt sales. **Certificates must be maintained indefinitely and updated periodically based upon law and customer changes.**

## **ZONING**

If you will be starting a business in your home or any out-of-the-ordinary location, check with the city or township to determine if the neighborhood zoning laws allow for the type of business in that location.

## **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.

## **TAX REQUIREMENTS**

### **Federal Taxes**

To help businesses identify and comply with federal income tax rules, the Internal Revenue Service (IRS) has several toll-free taxpayer assistance telephone lines.

Tax information and notices: 800-829-4933

Tax forms only: 800-829-3676

Web Address: [www.irs.gov](http://www.irs.gov)

### **Ohio Taxes**

To help businesses identify and comply with state income tax rules, the Ohio Department of Taxation has several toll-free taxpayer assistance telephone lines.

General business questions: 888-405-4039

Order forms: 800-282-1782

Web Address: [www.tax.ohio.gov](http://www.tax.ohio.gov)

### **Local Taxes**

Contact your local government resources: municipality, township, county and school district.

## **EMPLOYER REQUIREMENTS**

Before you hire any employees, there are many requirements to consider:

### **Employer Identification Number (Internal Revenue Service)**

A business with employees must complete the federal Application for Employer Identification Number.

Phone: 800-829-4933

Web Address: [www.irs.gov](http://www.irs.gov)

### **Immigration Law (Bureau of Citizenship and Immigration Services)**

The United States Immigration Law requires employers to verify that their employees are allowed to work in this country.

Phone: 800-357-2099

Web Address: [www.immigration.gov](http://www.immigration.gov)

### **New Hire Reporting (Ohio New Hire Reporting Program)**

Federal and state laws require all employers to report all employees who live or work in Ohio.

Phone: 888-872-1490

Web Address: [www.oh-newhire.com](http://www.oh-newhire.com)

### **Wages and Hour (Ohio Department of Commerce)**

To make sure you are complying with Ohio's regulation of hours, minors and wages, contact the Ohio Department of Commerce.

Phone: 614-644-2239

Web Address: [www.com.state.oh.us](http://www.com.state.oh.us)

### **Unemployment (Ohio Department of Job & Family Services)**

Most employers of one or more workers must pay a state payroll tax on wages paid to employees to support Ohio's system of unemployment compensation benefits.

Phone: 614-466-2319

Web Address: [www.state.oh.us/odjfs](http://www.state.oh.us/odjfs)

### **Workers' Compensation (Ohio Bureau of Workers' Compensation)**

This insurance fund is a no-fault program designed to protect the employees and employers when a work-related injury, occupational disease or death occurs.

Phone: 800-644-6292

Web Address: [www.ohiobwc.com](http://www.ohiobwc.com)

## **Employee Rights (Ohio Civil Rights Commission)**

This commission enforces the State's anti-discrimination laws.

Phone: 614-466-5928

Web Address: [www.state.oh.us/crc](http://www.state.oh.us/crc)

## **CHOOSING PROFESSIONAL ADVISORS**

When starting your business, you may want to consider seeking professional help such as attorneys, accountants, insurance agents, bankers/lenders, financial advisors, etc. The best method of locating these necessary professionals is through referrals from other business owners, friends, other professionals or a small business or trade organization. Or, call the SBDC at 419.559.2210 or 800.826.2431.

## **LOCAL SOURCES OF START-UP ASSISTANCE**

Ohio Small Business Development Center, Fremont <a href="http://www.terra.edu">www.terra.edu</a> <a href="http://www.ohiosbdc.org">www.ohiosbdc.org</a> <a href="http://www.asbdc-us.org">www.asbdc-us.org</a>	419.559.2210 800.826.2431
Small Business Management –Vanguard / Sentinel <a href="http://www.vsc.k12.oh.us">www.vsc.k12.oh.us</a>	419.334.6901 419.448.1212
Service Corps of Retired Executives (SCORE), Toledo <a href="http://www.scoretoledo.org">www.scoretoledo.org</a>	419.259.7598
Small Business Administration, Cleveland <a href="http://www.sba.gov">www.sba.gov</a>	216.522.4180

*Contact your local Chambers of Commerce and Economic Development Organizations for additional assistance and services for your start-up business needs.*

## **BUSINESS PLANNING**

Once you have gathered all of the necessary information for your business, you should write a business plan. A business plan is the basic road map for your business and includes topics such as a description of products, services, marketing strategies, operations and management, and financial issues of your business. If you are writing the plan with the intention of getting a bank loan, you must also include how much of a loan you need, for what purpose, and when you will be paying the loan back. Contact the SBDC at 419.559.2210 or 800.826.2431 for assistance.



