



Business Basics



Presented by:

The Central Ohio Minority Business Association

Columbus Minority Contractors Business Assistance Program

Central Ohio Women's Business Center

Ohio Business Development Group

The Ohio Department of Transportation

The 912 Group

Moses Law Office

This presentation will cover:

- What is COMBA?
- Are you an entrepreneur?
- Business Start-up Check List
- Legal Business Structures
 - Sole Proprietorship
 - Partnership
 - Limited Liability Company
 - Corporation
 - S-Corporation
- How to name your business
- How to register your business
- Business Plan Writing
- Business Resources

Legal Information Is Not Legal Advice

These materials provide information about business and the law designed to help users safely cope with their own legal and business needs. Legal information is not the same as legal advice – the application of law to an individual’s specific circumstances. Although we go to great lengths to make sure our information is accurate and useful, we recommend you consult a lawyer if you want professional assurance that our information, and your interpretation of it, is appropriate to your particular situation.

What is COMBA (The Central Ohio Minority Business Association)?

The Central Ohio Minority Business Association, founded in 1978, is celebrating 32 years of exemplary service to minority and small business in the Central Ohio area. Historically, COMBA was established as a private non-profit 501 (c)3 organization and was incorporated in Ohio in 1986. Initially, COMBA services were primarily targeted to the construction industry. Over the years, COMBA recognized the growth of entrepreneurial interests and expanded its services to include comprehensive business assistance to minority, disadvantaged, and women owned businesses enterprises.

COMBA is committed to assisting small business with meeting the challenges of the global marketplace. COMBA has maintained strong strategic partnerships that:

- assists minority and small businesses in the delivery of services and programming to survive and prosper;
- encourage business development and expansion throughout the region;
- provides training, workshops and seminars on topics relevant to our clients and the growth of their enterprises.

COMBA actively engages minority, disadvantaged, and women owned businesses through the process of self-employment. COMBA administers The Columbus Minority Business Assistance Program which is funded by the Ohio Department of Development. COMBA also manages a construction plan room.

The Central Ohio Women's Business Center is another economic development program of COMBA. The goal of the program is to advocate, develop and empower women business owners in all phases of entrepreneurship through education/training, counseling and networking.

Are you an Entrepreneur?

In business, there are no guarantees. There is simply no way to eliminate all the risks associated with starting a small business - but you can improve your chances of success with good planning, preparation, and insight. Start by evaluating your strengths and weaknesses as a potential owner and manager of a small business.

Carefully consider each of the following questions:

- Are you a self-starter? It will be entirely up to you to develop projects, organize your time, and follow through on details.
- How well do you get along with different personalities? Business owners need to develop working relationships with a variety of people including customers, vendors, staff, bankers, and professionals such as lawyers, accountants, or consultants. Can you deal with a demanding client, an unreliable vendor, or a cranky receptionist if your business interests demand it?
- How good are you at making decisions? Small business owners are required to make decisions constantly - often quickly, independently, and under pressure.
- Do you have the physical and emotional stamina to run a business? Business ownership can be exciting, but it's also a lot of work. Can you face six or seven 12-hour workdays every week?
- How well do you plan and organize? Research indicates that poor planning is responsible for most business failures. Good organization — of financials, inventory, schedules, and production — can help you avoid many pitfalls.
- Is your drive strong enough? Running a business can wear you down emotionally. Some business owners burn out quickly from having to carry all the responsibility for the success of their business on their own shoulders. Strong motivation will help you survive slowdowns and periods of burnout.
- How will the business affect your family? The first few years of business start-up can be hard on family life. It's important for family members to know what to expect and for you to be able to trust that they will support you during this time. There also may be financial difficulties until the business becomes profitable, which could take months or years. You may have to adjust to a lower standard of living or put family assets at risk in the short-term.

Once you've answered those questions, you should consider what type of business you want to start. Businesses can include franchises, at-home businesses, Web-based businesses or brick-and-mortar stores.

Business Startup Checklist

- **Select a Name and Legal Structure.**
- **Write a Business Plan.**
- **Obtain your Federal Employer Identification Number (FEIN).** A FEIN is necessary to open up a bank account.
- **Select an accountant and attorney.**
- **Open the Company Bank Account.**
- **Lease Office, Warehouse or Retail Space** (if not home-based).
- **Secure your website domain name and email addresses** even if you are not ready to go “live” on the internet.
- **Obtain Licenses and Permits.** Check with the 1st Stop Business Connection at www.development.ohio.gov/onestop to get a information on special licensing.
- **Hire Employees** (if applicable.)
- **Set up an accounting and record-keeping system.** Most company documents should be kept for three years. The common documents to be kept are, formation documents, financial statements, annual reports, changes to the company and tax records and filing.
- **Obtain Business Insurance.** General business insurance covers everything from product liability to company vehicles.
- **Systemize and Organize.** Establish methods to process orders, pay bills, pay employees, pay taxes, etc.
- **Develop a Business Identity.** Order business cards, letterhead and other promotional materials. Work with a professional graphic artist to create your company logo.
- **Marketing Plan.** Get the word out about your business. Create a marketing plan that promotes your product and/or to your target group.

Legal Business Structures

The primary legal structures for businesses are sole proprietorship, partnership, corporation and Limited Liability Company.

Sole Proprietor

A **sole proprietorship** is a single individual engaged in a business activity.

- The sole proprietorship is a simple informal structure that is inexpensive to form.
- It is owned by a single person.
- The owner operates the business.
- The owner is personally liable for all business debts.
- The owner can freely transfer all or part of the business.
- The owner can report profit or loss on his/her personal income tax return.
- The sole proprietorship should register its name, fictitious name, or trade name with the Secretary of State.

Partnership

A **partnership** is two or more persons who come together to engage in a business activity.

- A business owned and controlled by two or more people. Partners share profit, risk and management responsibilities.
- Partnerships are inexpensive to form.
- They require an agreement between two or more individuals or entities to jointly own and operate a business.
- Profit, loss and managerial duties are shared among the partners.
- Each partner is personally liable for partnership debts.
- Partnerships do not pay taxes, but must file an information return.
- Individual partners report their share of profits and losses on their personal return.
- Short-term partnerships are also known as joint ventures.
- Required to complete the *Name Registration Form (534)*.

Limited Liability Company

A **limited liability company (LLC)** is a flexible legal structure that provides the owners with limited liability.

- The LLC is generally considered advantageous for small businesses because it combines the limited personally liability feature of a corporation with the tax advantages of a partnership and sole proprietorship.
- Profits and losses can be passed through the company to its members or the LLC can elect to be taxed like a corporation.
- LLCs do not have stock and are not required to observe corporate formalities.
- Owners are called members.
- LLCs are managed by these members or by appointed managers.

Legal Business Structures (continued)

- Members have limited liability. Members have limited personally liability for obligations unless LLC formalities have not been observed. Such formalities provide evidence that the LLC is a separate legal entity from it members. Failure to do so may open the members to liability of the LLC debts.

Formalities include:

- Conducting organizational and annual meetings
- Maintaining minutes and other company records.
- Having core organizational documents such as an operating agreement
- An LLC is formed by preparing articles of organization and other core organizational documents.

Corporation

A **corporation** is a traditional and formal legal structure that provides the owners with limited liability.

- This is a complex business structure with more start-up costs than many other business forms.
- A corporation is a legal entity separate from its owners.
- Corporations can be created for profit or nonprofit purposes.
- Corporations may be subject to increased licensing fees and government regulation than other structures.
- Profits are taxed both at the corporate level and again when distributed to shareholders.
- Shareholders are not personally liable for corporate obligations unless corporate formalities have not been observed. Such formalities provide evidence that the corporation is a separate legal entity from it shareholders. Failure to do so may open the shareholders to liability of the corporation's debts.

Corporate formalities include:

- Issuing stock certificates
- Holding annual meetings
- Recording the minutes of the meetings
- Electing directors or ratifying the status of existing directors.
- Formed by preparing articles of incorporation and other core organizational documents.

Sub Chapter S Corporation

- This structure is identical to the Corporation in many ways but offers avoidance of double taxation.
- If a corporation qualifies for S status with the IRS, it is taxed as a pass-through entity like a partnership or sole proprietorship. The corporation is not taxed but the income flows through to the shareholders who report the income on their individual income tax returns.

It is strongly recommended that you consult with both an attorney and an accountant to determine the best business structure for your company.

How to Name Your Business

All businesses must register with the Secretary of State.

- **Trade Name** – The name cannot be used by any other business in the State of Ohio. Filing prevents any other business from registering the same name with the Secretary of State. There is a \$50 filing fee. The name must be renewed every five years. If a name is registered as a trade name, the Secretary of State will tell you that you can not use the name unless you have the permission of the business with that name.
- **Fictitious Name** – The name is not protected as a trade name. A fictitious name is registered with the Secretary of State but anyone can use it. There is a \$50 filing fee. The name must be renewed every five years.
- Sole proprietors and partnerships will file the *Name Registration Form #534*
- LLCs and corporations will register business names by filing forms specific to that legal structure. The name of the business will be secured when you file the proper forms.

To check on name availability call the Secretary of State at 1-877-767-3453 or search online at www.sos.state.oh.us

Employee Issues

Independent Contractor or Employee?

It is important to determine whether your workers are independent contractors or employees so you will know if you are liable for worker's compensation, certain taxes, unemployment compensation, etc.

- According to the Internal Revenue Service, "A general rule is that you, the payer, have the right to control or direct only the result of the work done by an independent contractor, and not the means and methods of accomplishing the result."

- Individuals will likely be considered employees if they receive **extensive** instruction on:
 - How, when or where to do the work they will perform.
 - What tools or equipment to use.
 - Where to purchase supplies and services.

- Individuals will likely be considered employees if they receive training about required procedures and methods.

- Individuals will likely be considered independent contractors if they:
 - Make significant investment in their work.
 - Do not get directly reimbursed for expenses.
 - Have the ability to make profit or loss on their work.
 - Receive no benefits from the company, such as health insurance and paid vacation.

Before you hire any employees, there are several requirements:

- **Employer Identification Number.** A business with employees must complete the Federal application for *Employer Identification Number (Form SS-4)*.
 - If your business is a corporation, partnership or LLC, it must have an EIN even if there are no employees.
 - Sole proprietors must have an EIN to pay wages to one or more employee.

You can contact the Internal Revenue Service at www.irs.gov or at 1-800-829-4933 for more information.

Employee Issues (continued)

- **Immigration Law.** The U.S. government requires employers to verify that their employees are allowed to work in this country. *Employee Eligibility Verification – Form 1-9* must be completed for every employee hired.

You can contact the US Bureau of Citizenship and Immigration Services Office of Business Liaison at 1-800-357-2099 or www.immigration.gov

- **New Hire Reporting.** Federal and state laws require all employers to report all employees who live or work in Ohio. The law was created to improve child support collection and reduce false unemployment and workers compensation claims.

Employers must report the employees name, address, Social Security Number, date of birth, date of hire and the state in which the employee works. The information must be received no later than 20 days from the date of hire. Employers are to submit the *New Hire Reporting Form 7048*.

You can contact the Ohio New Hire Reporting Program at 1-888-872-1490 or at www.oh-newhire.com

- **Ohio Income Tax Withholding.** All employers with an office in Ohio or who are doing business in Ohio must withhold Ohio income tax from their employees' wages each pay period. This applies only to wages for work performed in Ohio. Employers must complete the *Application for Registering as an Ohio Withholding Agent Form IT-1*.

You can contact the Ohio Department of Taxation at 1-888-405-4039 or at www.tax.ohio.gov for more information

- **Unemployment.** Employers with one or more workers aside from agricultural and domestic employees must pay a state payroll tax on wages paid to employees. This tax is called contributions.

You must make unemployment contributions if:

- You employ at least one worker in 20 different weeks during this year or last year.
- You pay \$1,500 or more in wages during any quarter of this year or last year.
- You are subject to the federal unemployment law this year or last year.
- You acquire a business from an employer who was subject to Ohio law or
- You elect to cover employees voluntarily

Employee Issues (continued)

To register with the Ohio Department of Jobs and Family Services (ODJFS) complete the *Report to Determine Liability*.

You can contact ODJFS at 614-466-2319 or visit www.state.oh.us/odjfs

- **Workers' Compensation.** Every employer with one or more employees must have workers' compensation coverage. This program is designed to protect the employees and employers when a work-related injury, occupational disease or death occurs.

To begin coverage, employers file the *Application for Coverage Form U-3*.

For more information call Ohio BWC at 1-800-644-6292 or visit www.ohiobwc.com

Tax Requirements

Local Taxes

For information on local tax requirements, please check with your local municipality.

Ohio Taxes

- Sole Proprietors must pay Ohio income tax on their Ohio net earnings (income after expenses).
- Partnerships must pay Ohio income tax on their share of the partnership's net earnings.
- Corporations must pay Ohio income tax on their net earnings. The shareholders must pay Ohio income tax on their dividends.

The corporation franchise tax must be paid annually by all corporations operating in Ohio. The minimum annual tax is \$450. Once Articles of Incorporation are filed with the Secretary of State, the Ohio Department of Taxation will automatically send out the franchise tax return. Some corporations do not have to pay this tax. Included in this group are: credit unions, insurance companies, public utilities, S-Corporations and most nonprofits.

- **Commercial Activity Tax (CAT)**
 - The CAT is a tax on the privilege of doing business in Ohio. The tax is measured by gross receipts received in an annual calendar or quarter time period.
 - The CAT is not a transactional sales tax.
 - Most types of businesses with taxable gross receipts of \$150,000 or more in a calendar year will file the CAT.
 - The CAT applies to:
 - Service providers, such as medical professionals, attorneys and accountants.
 - Persons engaged in the sale or rental of any type of property.
 - Out-of-state businesses that meet any of the following criteria:
 - Have more than \$500,000 in taxable gross receipts in Ohio.
 - Have more than \$500,000 in real or personal property in Ohio.
 - Expand more than \$50,000 in payroll for work in Ohio.
 - Conduct more than 25% of business activity in Ohio

For more information contact the Ohio Department of Taxation at www.tax.ohio.gov or call 1-800-282-1782.

Federal Taxes

For information on federal taxes and the requirements for business owners, please visit www.irs.gov or call 1-800-829-4933.

Tax Requirements (continued)

Vendor's License

- The Ohio sales tax rate is 6.0 percent. Counties are allowed to add from .25 percent to 1.5 percent for local sales tax.
- To collect sales tax, you must have a vendor's license. There are four types of vendor licenses:
 - **Regular Vendor's License** – Each person with a fixed place of business in Ohio from which taxable sales are made. Vendors must have one license for each fixed place of business. The license is issued by the County Auditor. *ST1 Form*
 - **Service Vendor's License** – Person or business that provides automatic data processing computer services and electronic information services; telecommunication services, lawn care and landscaping services, private investigation, security services, building maintenance and janitorial services, employment placement services, employment services, exterminating services, satellite broadcasting services and snow removal services. The license is issued by the Ohio Department of Taxation. *ST1-S Form*
 - **Transient Vendor's License** – Retailer who transports stock(s) of goods to temporary places of business in order to make sales. The license is issued by the Ohio Department of Transportation and is valid throughout the state. *ST1-T Form*
 - **Delivery Vendor's License** – This license is for retailers who maintain no store, showroom or similar place of business where merchandise is offered for sale, or who has no location where merchandise displayed in catalogs may be selected or picked up by customers. The license is issued by the Ohio Department of Taxation. *ST1-D Form*

Business Plan

The key to success for any potential business is the owner's ability to plan for growth and profits. For the owner, a business plan provides a pathway toward success and a tool for measuring the company's progress. A well-written plan can communicate vital information to investors, sales personnel, suppliers and others about your firm's operations. Lenders will usually need to see a business plan as a part of a loan application. A lender will look at the plan to understand the purpose and details of your business, how you propose to achieve your goals, your present situation. The business plan helps show the reader your knowledge and skills in your business.

Your business plan can also be an informal document for internal use, which is continually revised as you progress. It has been said that the process of planning is more important than the plan itself. Preparing your business plan will stimulate your thinking, help you organize your thoughts, and identify areas that need more work.

The following outline includes most, if not all, of a business plan's components. Not all of the items necessarily apply to each business. To get started, try writing one or two sentences after each item. Then gradually elaborate on them, getting advice and help where you need it.

I. Overview

- Business Description
- Name and history
- Location and facility description
- Product
- Market and competition
- Management expertise
- Business goals

II. Market Analysis

- Description of total market
- Industry trends
- Target market
- Competition

III. Products or Services

- Description of product line
- Proprietary position: patents, copyrights, and legal and technical considerations
- Comparison of competitor's products

IV. Manufacturing Process (if applicable)

- Materials
- Sources of supply
- Sales Terms
- Production methods

V. Marketing Strategy

- Overall strategy
- Pricing policy
- Method of selling, distributing, and servicing products

VI. Management Plan

- Form of business organization
- Board of directors composition
- Officers: organization chart and responsibilities
- Resumes of key personnel
- Staffing plan & number of employees
- Facilities plan & planned capital improvements
- Operating plan & schedule of work for the next one to two years

VII. Financial Data

- Financial statements (prior three years to present)
- Financial projections (for at least two years, preferably longer, depending on nature of the business and when you expect to reach breakeven)
- Explanation of projections
- Key business ratios
- If your business plan will be used to support a loan request, add a cover letter or executive summary to include:
 - Dollar amount requested
 - Terms and timing desired
 - Summary of financial need and use of funds
 - Summary of effect on key ratios and comparison to industry averages

Business Resources

Area Business Resources

Central Ohio Minority Business Association

www.comba.com

○ **Federal**

- Small Business Administration – www.sba.gov
- SCORE – www.score.org

○ **State**

- State of Ohio First-Stop Business Connection – www.odod.state.oh.us/
- State of Ohio Entrepreneurship & Small Business Division – www.odod.state.oh.us/entrepreneurship
- State of Ohio Division of Minority Business Affairs – www.odod.state.oh.us/dmba
- State of Ohio Procurement Technical Assistance Center - www.odod.state.oh.us/dmba/ptac.htm

○ **City of Columbus**

- City of Columbus Equal Business Opportunity Office - <http://eboco.ci.columbus.oh.us/>

○ **Others**

- Diversity Bridge – www.diversitybridge.com
- Greater Columbus Chamber of Commerce – www.columbus.org
- Moses Law Office – www.moseslawoffice.com
- Ohio Business Development Group – www.ohiobdg.com
- Central Ohio Women’s Business Center – www.CentralOhioWBC.com

Contacts Recommended for Going into Business in the State of Ohio

Agriculture, Ohio Dept of

8995 East Main Street
Reynoldsburg, OH 43068
614-728-6201

<http://www.agri.ohio.gov>

Chamber of Commerce

Columbus Area
150 South Front Street
Suite 200
Columbus, OH 4321
614-221-1321

<http://www.columbus.org>

City Income Tax

City of Columbus
50 West Gay Street
4th Floor
Columbus, OH 43215
614-645-8368

<http://incometax.columbus.gov/>

Dealers Licensing

State of Ohio
Bureau of Motor Vehicles
1970 West Broad
Columbus, OH 43223
614-752-7636

<http://ohioautodealers.com/>

Driving Services License Section

City of Columbus
750 Piedmont Rd, South Entrance
Columbus, OH 43224
614-645-8366

<http://www.cityofcolumbus.org>

Environmental Health & Food Services

Columbus Public Health
240 Parsons Avenue
Columbus, OH 43215
614-645-7005

<http://publichealth.columbus.gov/>

Financial Institution, Div. of

Ohio Dept. of Commerce
77 South High Street
21st Floor
Columbus, OH 43215
614-728-8400

<http://www.com.ohio.gov/fiin/>

Food Stamps – Retailers

US Food & Nutrition Service
200 North High Street, RM 750
Columbus, OH 43215
888-258-5518

<http://www.fns.usda.gov/fns/>

Food Service (Outside city limits, but within Franklin County)

Franklin County
Board of Health
280 East Broad Street
Columbus, OH 43215
614-462-3160

<http://www.co.franklin.oh.us/fc/>

Industrial Compliance, Dept. of

State of Ohio
6606 Tussing Road
Reynoldsburg, OH 43068
614-644-2223

<http://www.com.ohio.gov/dico/>

Internal Revenue Service

200 North High St.
Columbus, OH 43215
614-280-8691

<http://www.irs.gov>

Dept. of Jobs & Family Services

30 East Broad Street
Columbus, OH 43215
614- 466-1551

<http://jfs.ohio.gov/>

Liquor Control, Dept. Of

State of Ohio
6606 Tussing Road
Reynoldsburg, OH 43068-4004
614-644-2360
<http://www.com.ohio.gov/liqr/>

Lottery Commissions

State of Ohio
780 Morrison Road
Columbus, OH 43230
800-589-6445
<http://www.ohiolottery.com>

1st Stop Business Connection

Ohio Dept. of Development
P.O. Box 1001
Columbus, OH 43216
614-466-4232
<http://development.ohio.gov>

**Register All Business Names
Name Availability**

Secretary of State – Corporations
30 East Broad Street
Columbus, OH 43215
614-466-3910

SCORE Columbus

Small Business Administration
401 North Front Street
Suite 200
Columbus, OH 43215
614-469-2357
<http://scorecolumbus.org>

Taxation, Ohio Dept. of

30 East Broad Street
20th Floor
Columbus, OH 43215
888-405-4089
<http://www.tax.ohio.gov/>

Worker's Compensation

State of Ohio
30 West Spring Street
Columbus, OH 43215
800-644-6292
<http://ohiobwc.com>

Notes

