



# How to Start a Business

## *Small Business Guidebook*

Compliments of ADP® and:



A more human resource.™

# You have a winning business idea...

... plus the passion and skills to make it a success. But the process of actually getting your company off the ground can be overwhelming.

**Trust us, you're not alone.**

We created this simple guide with you in mind — to help make the tricky (and let's face it, not so fun) aspects of becoming your own boss a little less daunting. As you perfect your business idea, here are a few things to keep in mind — complete with checklists — to help you get off to a smart start.

## **Step 1**

Choose your business structure

## **Step 2**

Choose your business name

## **Step 3**

File your articles of organization / incorporation

## **Step 4**

Apply for an Employer Identification Number

## **Step 5**

Open a small business bank account

## **Step 6**

Obtain business licenses, permits, and insurance policies

## **Step 7**

Create a web and social media presence

## **Step 8**

Pick retirement and health insurance plans for yourself and/or your employees



# Step 1

## Choose your business structure

First things first, you need to decide how your business will be structured. Whether you register as a sole proprietor, a corporation, or something in between, the decision you make now — at the start of your venture — will have important legal and tax implications for the foreseeable future. You should, of course, consult with a legal or tax professional to address your particular circumstances.

# So what are your options? And which one is right for you?

## Here's an overview of some of the more popular business structures:

Want to go a little more in depth or see more options? Visit the U.S. Government's [Small Business Administration \(SBA\) website](#) for more detail on the pros and cons of each structure, and examples of applicable industries.



### SOLE PROPRIETORSHIP

This is the most common structure for solo entrepreneurs, or "solopreneurs."



### PARTNERSHIP

If you are starting a business with one or more individuals, then a partnership structure may be for you.



### LIMITED LIABILITY COMPANY

This structure blends the limited liability features of a corporation and the tax efficiencies and operational flexibility of a partnership.



### COOPERATIVE

A business or organization owned by and operated for the benefit of those using its services, for example healthcare, retail, agriculture, art, and restaurant businesses.



### CORPORATION

Corporations are more complex from a legal and tax standpoint and are therefore more common among larger companies.



### S CORP

Eligible domestic corporations can avoid double taxation (once to the corporation and again to the shareholders) by electing to be treated as an S Corporation.



## Trusted advisors can help.

Even the savviest business owners sometimes need a helping hand when it comes to the logistical nitty gritty of running a company, which is why you might want to enlist some experts to help handle your legal, financial, and tax responsibilities. Nurturing trusted partnerships now — when you launch your business — can help set you up for success in the years to come. They'll also be an invaluable source of guidance when you need a knowledgeable sounding board, for the big stuff and the small.

### Small Business Accountant

Tax preparation and strategy, growth opportunities, risk management, bookkeeping, general financial planning, organization structure, profit distribution.

#### **Why You Might Need It**

The guidance a small business accountant provides can be invaluable, especially if your personal and business finances are closely tied.

### Small Business Lawyer

Assistance to help you start a business, run a business, file a trademark application, create smart contracts / other business agreements, advise on best practice for protecting assets and owners, and a range of other common legal matters for small businesses.

#### **Why You Might Need It**

Attorneys can help with many areas of your business, including incorporation, protecting your assets, and compliance.

### Financial Advisor

Advice on investment and retirement planning.

#### **Why You Might Need It**

To make sure you and your family are financially prepared for your future.

### Marketing Professional

Help creating your visual brand and a marketing strategy that fits your growth objectives including: website creation, advertising, social media and content recommendations, and more.

#### **Why You Might Need It**

To help hone your business story, market your products and services, and generate more leads / sales.



## Step 2

### Choose your business name

Now that you've determined your business structure, it's time to choose a name. Here's a quick checklist of things to consider.

# Checklist

- Does the name reflect your brand and business values?
- Does it say what you do or clearly convey the services you provide or products you sell?
- Would it work as a logo and resonate on social media and other marketing and advertising platforms?
- Is the name already taken?** Contact your state filing office or search your state's online database to find out.
- Even if it isn't already taken, the name may be protected under trademark.** Use the U.S. Patent and Trademark Office's (USPTO) [trademark search tool](#) to see if somebody has already applied for a trademark registration. If so, go back to the drawing board; if not, consider going ahead and starting that process yourself with USPTO, or hire a specialized trademark lawyer.
- Is the business name** — or some recognizable version of it — **available as a domain name?**
- Apply for your "Doing Business As" name (DBA) with** [this guide from the SBA](#).
- Claim your business on social media channels** (LinkedIn®, Twitter®, Facebook®, Instagram®, etc.) by opening accounts with your chosen name.





## Step 3

### File Your Articles of Organization / Incorporation

Every state has different rules and requirements, so once you determine where you want to incorporate, you'll want to visit that state government's website to follow their process. Once the Articles of Incorporation are filed with the appropriate state offices, you can start operating your business.

# State-by-State Lookup (A-M)

Click on your state to begin the filing process

## Alabama

<http://www.sos.alabama.gov/businessservices/Domestic-Corps.aspx>

## Alaska

<http://commerce.state.ak.us/dnn/cbpl/corporations/corpfirmsfees.aspx>

## Arizona

<http://www.azcc.gov/Divisions/Corporations/where-do-i-start.asp>

## Arkansas

[https://www.ark.org/sos/corpfilings/index.php?form\\_id=1](https://www.ark.org/sos/corpfilings/index.php?form_id=1)

## California

<http://www.sos.ca.gov/business-programs/business-entities/forms/>

## Colorado

[http://www.sos.state.co.us/pubs/business/helpFiles/ART-INC\\_55\\_HELP.html](http://www.sos.state.co.us/pubs/business/helpFiles/ART-INC_55_HELP.html)

## Connecticut

<http://www.concord-sots.ct.gov/CONCORD/NewBusinessFormation/BusinessRegistrationTool.jsp?plnquiry=false>

## Delaware

<http://corp.delaware.gov/>

## Florida

[https://efile.sunbiz.org/profit\\_file.html](https://efile.sunbiz.org/profit_file.html)

## Georgia

<https://cgov.sos.state.ga.us/Account.aspx/LogOn?ReturnUrl=%2f>

## Hawaii

<http://cca.hawaii.gov/breg/>

## Idaho

[http://www.sos.idaho.gov/corp/corp\\_form.html](http://www.sos.idaho.gov/corp/corp_form.html)

## Illinois

<https://www.illinois.gov/business/Pages/default.aspx>

## Indiana

<http://www.in.gov/sos/business/2426.htm>

## Iowa

<http://sos.iowa.gov/business/FormsAndFees.html>

## Kansas

[http://www.kssos.org/other/articles\\_of\\_formation.html](http://www.kssos.org/other/articles_of_formation.html)

## Kentucky

<http://www.sos.ky.gov/business-filings/Forms/Pages/default.aspx>

## Louisiana

<http://www.sos.la.gov/businessservices/filebusinessdocuments/getformsandfeeschedule/pages/default.aspx>

## Maine

<http://www.maine.gov/sos/cec/corp/nonprofit.html>

## Maryland

<http://www.dat.state.md.us/sdatweb/charter.html>

## Massachusetts

<http://www.sec.state.ma.us/cor/coridx.htm>

## Michigan

[http://www.michigan.gov/lara/0,4601,7-154-35299\\_61343\\_35413\\_35426-114724--,00.html](http://www.michigan.gov/lara/0,4601,7-154-35299_61343_35413_35426-114724--,00.html)

## Minnesota

<http://www.sos.state.mn.us/index.aspx?page=172>

## Mississippi

<http://www.sos.ms.gov/BusinessServices/Pages/default.aspx>

## Missouri

<http://s1.sos.mo.gov/business%5Ccorporations%5CstartBusiness.asp>

## Montana

<http://sos.mt.gov/business/Forms/>

## State-by-State Lookup (N-Z)

Click on your state to begin the filing process

### Nebraska

[http://www.sos.ne.gov/business/corp\\_serv/corp\\_form.html](http://www.sos.ne.gov/business/corp_serv/corp_form.html)

### Nevada

<http://nvsos.gov/index.aspx?page=129>

### New Hampshire

<http://www.sos.nh.gov/corporate/Corpforms.html>

### New Jersey

<http://www.nj.gov/treasury/revenue/filecerts.shtml>

### New Mexico

[http://www.newmexico.gov/business/Starting\\_A\\_Business.aspx](http://www.newmexico.gov/business/Starting_A_Business.aspx)

### New York

<http://www.dos.ny.gov/corps/>

### North Carolina

<http://www.secretary.state.nc.us/corporations/>

### North Dakota

<http://www.nd.gov/category.htm?id=160>

### Ohio

<http://business.ohio.gov/start-ing/>

### Oklahoma

[http://www.ok.gov/section.php?sec\\_id=4](http://www.ok.gov/section.php?sec_id=4)

### Oregon

<http://www.oregon.gov/business/Pages/registrations.aspx>

### Pennsylvania

<http://www.newpa.com/business/startups/start-ing-and-growing-business>

### Rhode Island

<http://sos.ri.gov/business/businessinfo/>

### South Carolina

<http://sc.gov/Business/Pages/licensePermitsAndRegistration.aspx>

### South Dakota

<http://sd.gov/business.aspx-#start>

### Tennessee

<https://tnbear.tn.gov/NewBiz/>

### Texas

<https://texaswideopenforbusiness.com/>

### Utah

<http://www.utah.gov/business/starting.html>

### Vermont

<http://www.vermont.gov/portal/business/index.php?id=87>

### Virginia

<http://www.bos.virginia.gov/starting.shtml>

### Washington

<http://business.wa.gov/start-your-business>

### West Virginia

<http://www.wv.gov/Pages/default.aspx#business>

If only you had a magic wizard to do it for you...

Well, now you do. Try the [Start-a-Business Wizard](#) from our trusted partners at LegalZoom.

### Wisconsin

<https://www.wdfr.org/corporations/forms/>

### Wyoming

<http://soswy.state.wy.us/business/startabusiness.aspx>



## Step 4

### Apply for an Employer Identification Number (EIN) or Tax ID

Employer Identification Numbers are issued for the purpose of tax administration, which might sound complicated, but the good news is, the folks at the IRS have made this super simple. You can fill out the form online in just a few clicks. Plus, you'll get your EIN immediately after submitting your information — no need to wait for it to arrive via snail mail!



## Step 5

### Open a small business bank account

You're going to need somewhere to deposit all those hard-earned dollars, but what type of account best fits your current requirements and future goals? Given that you're just starting out, you most likely need:

- ❑ A simple checking account with no or low monthly fees
- ❑ A bank that offers convenient locations and hours of operation
- ❑ Online banking and mobile apps (to help you manage your money on the go)
- ❑ Loan products should you need some growth capital now or in the future

# How to Open a Bank Account

Once you've settled on a bank, you'll need to have the following paperwork in place to successfully open a business account:

- Official business documentation, including filing documents, organizing documents, articles of incorporation and/or certificate of resolution
- Social Security number or EIN / business tax ID number
- Business name and address
- Date the business was established / incorporated
- Business owner's Social Security number, address, and date of birth

## Apply for financing

Particularly at the start, you may need to apply for a business line of credit to keep things moving. These short-term loans are useful for bridging temporary working capital needs, such as inventory purchases or operating expenses.


To apply for a line of credit you will need to provide the bank with proof of revenue. They will then set a limit, which (like a credit card) allows for continuous borrowing and repayment within the agreed duration of the loan.



## Step 6

### Obtain Business Licenses, Permits, and Insurance Policies

Before you get to work, take a moment to make sure that you have all the correct licenses, permits, and insurance policies to operate legally.



## Which licenses and permits do you need?

Certain industries (think agriculture, alcohol, TV and radio broadcasting) require a federal license, while others (doctors, hairdressers and dentists) require a specific professional license. Even if you don't fall into either of those categories, chances are you need some form of permit; even home-based freelancers and consultants may need a Home Occupation Permit.

**If you're unsure, take advantage of the SBA's Permit Me tool, which allows you to search by location and industry, as well as for general licenses required by all business owners in your state.**



# Which insurance do you need?

This will largely depend on what your business does, but there are some universally applicable policies, too. Here's a brief overview to give you some direction:



## General Liability

This will cover you for accidents, injuries and claims of negligence.



## Product Liability

Protects against financial loss as a result of a defective product that causes injury or bodily harm — this is essential for those who manufacture,



## Professional Liability

Also known as "errors and omissions insurance," this will protect you from malpractice, errors and negligence with regard to the services you provide.



## Commercial Property

This covers loss and damage of company property due to a wide variety of events such as fire, smoke, storms, civil disobedience, and vandalism.



## Business Owner Policy

Designed for small and medium-sized businesses, BOP groups general liability insurance and property insurance into a single, more cost-effective policy and can be tailored to your specific business needs.



## Workers' Compensation

In the case of workplace injury or disease, this insurance provides wage replacement and medical benefits to employees in exchange for mandatory relinquishment of their right to sue for negligence. This is a mandatory coverage in many states. Failure to have it may result in fines and penalties.



## Step 7

### Create a web and social media presence

Since most customers use the Internet to search for goods and services, a helpful and attractive website can be an integral piece of your marketing strategy. Though there are some platforms that facilitate site building with little or no development knowledge (Squarespace®, for example), it may be worth hiring a professional to do the job if you want to present a truly polished image to the world.



## Some Things to Consider Before You Build Your Site

- Who is your audience and what is the most effective way to engage them?
- How does your site work in unison with your overall marketing strategy?
- Which search terms do you want to place highly for? Use Google® Adwords® to research the competition and hone your SEO approach.
- Do you need a logo to go along with your website?
- What creative content (like a blog) if any do you want to produce for the site?
- Which social media platforms will you be active on and how will you integrate them?

If you decide to go the route of hiring a professional designer /developer, look for digital agencies who specialize in helping small businesses. They will be more likely to understand your needs and meet your budget requirements.



## Step 8

### Pick retirement and health insurance plans for yourself and/or your employees

It's not too early to understand your options and requirements for retirement, health insurance and other benefits, especially if you know that you'll be hiring employees and growing your team in the future. Even if you don't — or won't — have employees, you still want to consider these things for yourself as the business owner.



# What to Consider When Choosing a Health Insurance Plan

You can't underestimate good health coverage, but there are myriad factors to consider before you join a network and choose a provider.

- ❑ **How all-encompassing should coverage be?** Will you opt for a medical discount plan, limited benefit plan, or a full featured plan?
- ❑ **Does the plan offer access to all the services you require,** like specialists, mental health, ER care, preventative measures or wellness programs?
- ❑ **What will your responsibilities be in regard to co-pay fees, out-of-network doctors, deductibles, etc?**



# What to Consider When Choosing a Retirement Plan

## Simplified Employee Pension Individual Retirement Accounts (SEP)

A plan that lets business owners provide retirement benefits to employees, including themselves. A SEP IRA only permits contributions by the employer to employees' IRAs, not contributions from an employee's own pay. Contributions have to be made for most employees. Employer contribution limits are relatively high, potentially permitting the business owner to deduct more contributions as a business expense than for other types of plans; however, the overall amount of contributions made by the employer for employees may be higher. Administration is usually less time consuming and complicated than for a SIMPLE IRA or SEP.

## Simple IRA

A plan for employers with 100 or fewer employees that earned at least \$5,000 that encourages employees of small businesses to start saving for retirement. The plan must permit contributions by all employees (except for a few permitted exclusions), and requires a certain level of employer matching contribution (that is, a contribution based on how much the employee elects to contribute from his or her own paycheck) or a certain level of payments from the employer. Employer contribution limits are lower than those for a SEP IRA or a 401(k) plan. Administration is usually easier than for a 401(k) plan.

## 401(k) Plan

A broad-based retirement plan with high contribution limits for both the employer and employees. If such a plan is set up, business owners must offer it to all employees who worked a certain amount in the previous year and are eligible to participate under the terms of the plan, as the employer designs it. (Note that your plan can exclude classes of employees you choose, but if the plan favors highly-compensated employees too much, you may have to add, and make contributions for, some of your additional non-highly compensated employees into the plan). Plan administration can be more time-consuming and complex than for a SEP IRA or a SIMPLE IRA.

To determine which plan makes sense for you, consider your savings goals, potential desire to access the money before retirement, and time scale. The IRS has a full list of benefits and eligibilities to help you make an informed choice. And, of course, a small business banker or financial advisor can help you make the best decisions for your businesses.

If all goes well, your new venture should be up and running in no time and gathering momentum. With any luck, you'll soon have a new challenge to grapple with: **growth.**





# ADP helps more than 425,000 small businesses do their thing.

For more information speak with your CPA or Accounting partner.

[www.adp.com/solutions/small-business](http://www.adp.com/solutions/small-business)



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