



START UP GUIDE

FOR DOWNTOWN BUSINESSES



2024

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This guide was adapted from materials and information provided by the Ohio State University South Centers SBDC with assistance from the Athens County Economic Development Council and Buckeye Hills Regional Council



1 PLANNING FOR YOUR BUSINESS

In the age of e-commerce and digital marketing, social media tools can be a small business's best friend because they're simple, free, and the potential economic impact is immense. Here are some of the most common reasons why small businesses use social media:

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 wise to evaluate your competitors' strengths and weaknesses. Other marketing decisions you will need to make include business 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, and the internet. For more information call your local SBDC office at 740-373-9056.

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.ohio.edu/> for additional information and assistance.



Did you know the Small Business Development Center supports aspiring entrepreneurs and existing small businesses as clients completely free of charge?

1 PLANNING FOR YOUR BUSINESS

TYPES OF BUSINESS ENTITIES

When formally organizing your business, the organization will be created as one of the following entities with the [Ohio Secretary of State](#).

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 Tax** 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 <https://info.bwc.ohio.gov/>.



1 PLANNING FOR YOUR BUSINESS

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.

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 of the business. See the Sole Proprietorship section of this guide for tax information. For more information please contact the City of Marietta Income Tax Department at 740-373-4032.



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PLANNING FOR YOUR BUSINESS

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 <https://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 C-Corporation) or as a sub-chapter S- Corporation.

C-CORPORATION

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](#) for Federal income tax which is due annually. Make all payments [online](#).
- ❑ **Corporation Franchise Tax (State of Ohio income tax)** is filed on Form [FT-1120-s](#), 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.



1 PLANNING FOR YOUR BUSINESS

S-CORPORATION

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 an 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 <http://www.irs.gov> or call 800-829-4933.
- Corporation 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.

NONPROFITS

Nonprofit organizations, although classified as a business, are not owned by individuals and do not issue stock for repayment. All 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.

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PLANNING FOR YOUR BUSINESS

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 as 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 four-factor test. For information, contact the Bureau at 1-800-644-6292.

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 as 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.

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PLANNING FOR YOUR BUSINESS

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 Ohio Secretary of State's website or you can call the [Secretary of State's Business Services Division](#), 1-877-767-3453.

To make sure the name of your business does not conflict with another business' trademark nationally, contact the [U.S. Patent and Trademark Office](#), 1-800-786-9199.

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.



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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

□ **Investors** 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 Economic/Community Development Departments—check with your city or local Department of Economic Development for other possibilities of start-up business lending.



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OPERATING YOUR BUSINESS

Social media platforms are a tool for telling the story of your business; photography is a conduit for how clients and customers learn about you, your mission, and your products/services. A quality photographer can make a big difference in whether revenue is generated from any single post, so investing in thoughtful photos is important. But, you don't need to be a photographer to share great pictures using your phone.

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, and 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 city and county health departments to determine if your business needs any special health permits or inspections. Contact the Washington County Health Department at 740-374-2782 or visit them online at: <http://washingtongov.org/137/Health-Department>. Contact the City of Marietta Health Department at 740-373-0611.

ZONING

If you will be starting a business in your home, or any other potential non-commercial location, check with the City of Marietta to determine if the zoning laws allow your business to operate in that location. City of Marietta Zoning Codes can be found here. Any requests for variances must be made through the City of Marietta Planning Commission.

PERMITTING

When starting your business, if you will be undertaking any construction or modification of an existing structure, the installation of signage, or any other development whether in or out of a flood plain area, permits will be required. Building and Flood permits can be obtained from the Washington County Building Department, they can be reached at 740-374-4185.

LICENSURE

Many types of trades and professions in the state of Ohio require a license to do business. The following is a partial list of businesses, trades, and professions requiring a license. For more information, and a complete list, visit the [State of Ohio eLicense Center](#).

- Accountants
- Ambulance Services
- Architects
- Athletic Agents
- Attorneys
- Auctioneers
- Audiologists
- Barbers
- Boiler Operations
- Cemetery Registrars
- Chiropractors
- Commission Merchants
- Cosmetologists
- Counselors
- Debt Pooling Companies
- Dental Hygienists
- Dentists
- Dietitians
- Dispensing Opticians
- Embalmers
- Emergency Medical Service
- Funeral Directors
- Gristmills
- Hearing Aid Dealers

- Innkeepers
- Junk Yards
- Motor Vehicle Salvage
- Nuclear Medicine Technologists Nurses
- Nursing Home Administrators
- Occupational Therapists
- Physicians
- Physicians' Assistants
- Precious Metal Dealers
- Private Investigators
- Professional Engineers/ Surveyors
- Psychologists
- Radiation Therapy Tech.
- Radiographers
- Real Estate Appraisers / Brokers
- Respiratory Care
- Sanitarians
- Secondhand Dealers
- Security Services
- Social Workers
- Speech Pathologists
- Steam Engineers
- Veterinarians
- X-Ray Machine Operators

Food and foodservice providers will require a license to provide food to the public within the City of Marietta. For more information on this licensure please contact the [City of Marietta Health Department](#) at 740-373-0611.

Certain kinds of businesses may require additional licenses. Please refer to chapter 721 of the [City of Marietta Code of Ordinances](#) for more information, or contact the Mayor's office at 740-373-1387.

Permits for peddlers or solicitors can be found [here](#). For more information contact the Community Development Department at 740-373-9354.

SALES TAX

Ohio offers several different types of licenses. Please [click here](#) to learn more about Ohio's licensing and filing requirements.

REGULAR VENDOR LICENSE

The regular vendor 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 license from the County Auditor's office for the county in which your business is located. There is a nominal fee. Vendors must obtain one license for each fixed place of business in Ohio. Any change in ownership requires a new license. Vendors holding an active class C or D liquor permit must continue to operate under the permit holder's vendor license until the permit transfers.

TRANSIENT VENDOR LICENSE

If you are going to sell goods at locations away from a fixed place of business, you may obtain a transient vendor 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.

DELIVERY VENDOR 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 services, 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 license may be required if you have an internet company with no fixed place of business. There is a nominal fee.

SERVICE VENDOR 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 to see if you fall within a service business classification that must collect and remit sales tax.

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SERVICES SUBJECT TO SALES TAX COVERED BY A SERVICE VENDOR 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 SUBJECT TO SALES TAX COVERED BY A REGULAR VENDOR 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 sports club service, repair of tangible personal property (except repair of property, which is exempt from sales tax*), installation of tangible personal property (except the 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 License issued by the Department of Taxation to vendors who make sales based on the delivery of goods and certain services at the consumer's location. Vendors should check with the Department of Taxation before obtaining a license.

For Washington County tax rates, contact the Washington County Auditor's office.

CERTIFICATE OF EXEMPTION

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

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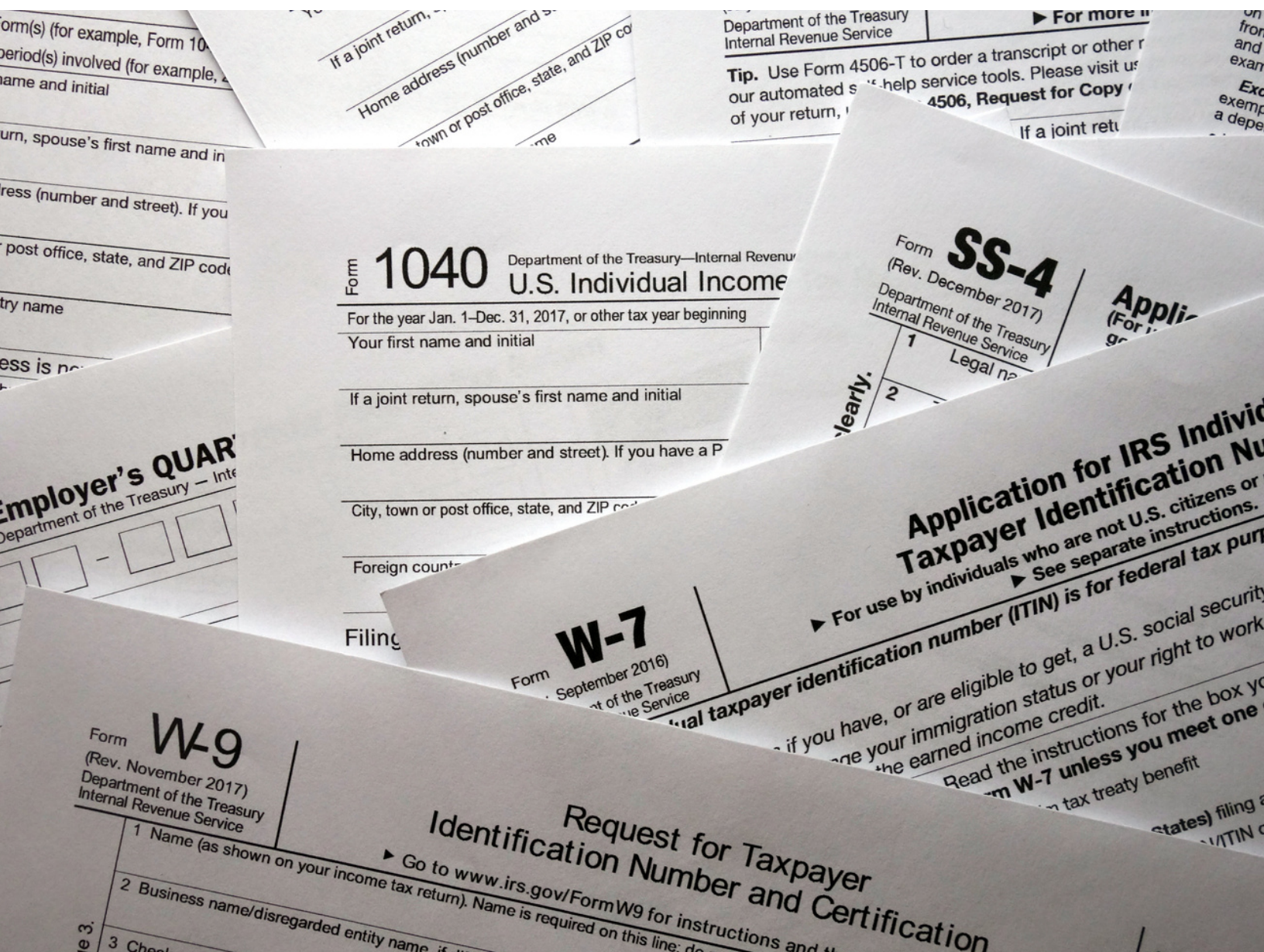
OPERATING YOUR BUSINESS

COMMERCIAL ACTIVITY TAX

The Commercial Activity Tax 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.

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 Washington County auditor to learn more.



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EMPLOYING YOUR BUSINESS

If you are hiring individuals to work as employees, then you need to address payroll taxes and workers' compensation for those employees. If your organization is 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 make deposit payments utilizing EFT. They are due on the 15th of the following month. Call the IRS for 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 make all payments utilizing EFT. They are due on the 15th of the following month. Call the IRS for 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, contact the Ohio Department of Taxation.
- 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 must be made utilizing EFT. These deposits should be made quarterly if greater than \$100.
- 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.

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.

You must keep a record of your **Employees' Eligibility for work in the United States** with Form I-9 from the US Department of Homeland Security – U.S. Citizenship and Immigration Services.

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 or with [Ohio Business Gateway](#) the specific regulatory agencies for more information.

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EMPLOYING YOUR BUSINESS

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 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.