

Basic Information
for
Starting a Small Business



Owner's Checklist for Starting a New Business

Background work

- assess your strengths and weaknesses
- establish business and personal goals
- assess your financial resources
- identify the financial risks
- determine the start-up costs
- decide on your business location
- do market research
- identify your customers
- identify your competitors
- develop a marketing plan

Business transactions

- select a lawyer
- choose a form of organization (proprietorship, partnership, or corporation, for example)
- create your business (register your name, incorporate the business, etc.)
- select an accountant
- prepare a business plan
- select a banker
- set up a business checking account
- apply for business loans (if applicable)
- establish a line of credit
- select an insurance agent
- obtain business insurance

First steps

- get business cards
- review local business codes
- obtain a lease
- line up suppliers (if applicable)
- get furniture and equipment
- obtain a business license or permit (if applicable)
- get a federal employer identification number (if applicable)
- get a state employer i.d. number (if applicable)
- send for federal and state tax forms
- join a professional organization
- set a starting date

Info referenced from: <http://www.toolkit.cch.com/tools/downloads/strtchek.rtf>

*B*asic Steps In Starting A Business

Compiled By
City of Austin
Small Business Development Program
Economic Growth and Redevelopment Services Office
P.O. Box 1088
Austin, TX 78767
512.974.7800 (voice)
512.974.7740 (fax)

www.CityofAustin.org/sbdp



Basic Steps In Starting A Business

IMPORTANT NOTICE

The information in this document is presented solely as an information resource available to entrepreneurs. The information does not serve as a substitute for legal advice or tax advice nor replace the independent judgment of an appropriate specialist. An entrepreneur should consult his/her attorney, accountant or other appropriate professional to answer specific questions about establishing a business.

The sources for this information include: Travis County Clerk, Texas Secretary of State, Texas Comptroller, and, Texas Economic Development.

Business Structure and Name



The first step in starting a business is to decide on the basic legal structure of the business and to properly record the business name. This step is important when starting a business because financial implications vary depending on the legal structure. These range from corporation responsibilities for annual franchise tax fees to personal liability for business dealings as a sole proprietorship. The business name selected is the identifying and marketing part of the business. A professional tax consultant, accountant, or attorney should always be consulted before determining legal structure and business name.

There are several legal structures available for operating a business in Texas. The following briefly describes each one.

Sole Proprietorship

A sole proprietorship exists when a single individual operates a business and owns all assets. A sole proprietor is personally liable for all debts and business ownership is non-transferable. The sole proprietorship makes no legal distinction between personal and business debts, and it does not require a separate income tax return. A sole proprietorship is often operated under the name of the owner. Whenever operating a business under a name other than the sole proprietor, an Assumed Name Certificate (DBA) must be filed with the County Clerk.

General Partnership

A *general partnership* exists when two or more individuals or businesses join to operate a business. Under a general partnership, a separate business entity exists, but creditors can still look to the partners' personal assets for satisfaction of debts. General partners share equally in assets and liabilities. A general partnership requires an annual partnership income tax return (separate from the partners' personal returns). A general partnership may be operated under the names of the owners, or a different name. In either case, a DBA must be filed with the County Clerk.

Limited Partnership

A *limited partnership* is a partnership formed by two or more persons or entities, under the laws of Texas, and having one or more general partners and one or more limited partnership. General partners share equally in debts and assets, while limited partners have limited debt obligations. A limited partnership must be registered with the Texas Secretary of State.

Registered Limited Liability Partnership

A *registered limited liability partnership* is a general partnership that has been registered with the Texas Secretary of State. A partner's liability in a registered limited liability partnership differs from that of an ordinary partnership. In a registered limited liability partnership, a partner is not individually liable, under some circumstances, for debts and obligations of the partnership arising from errors, omission, negligence, or malfeasance committed in the course of business by others in the partnership.

Corporation

A *corporation* (Subchapter C or S) is created when two or more individuals, partnerships, or other entities join together to form a separate entity for the purpose of operating a business in the state. A corporation has its own legal identity, separate from its owners. The corporation offers protection to the business owners' personal assets from debts and liabilities relating to the operation of the corporation. Taxation of the corporation varies depending on the type of corporation formed. A corporation must be registered with the Texas Secretary of State.

A Subchapter C Corporation is taxed at a higher rate than an individual. The owners are not taxed personally for profits; however, the owners do pay personal taxes on any salaries and/or dividends, and the corporation is also taxed on the profits.

Owners of Subchapter S Corporation may deduct business losses on personal income tax returns, similar to a partnership. The Subchapter S Corporation also offers alternative methods for distributing the business income to the owners.

Limited Liability Company

A *limited liability company* is an unincorporated business entity which shares some of the aspects of Subchapter S Corporations and limited partnerships, and yet has more flexibility than more traditional liability. The limited liability company is designed to provide its owners with limited liability and pass-through tax advantages without the restrictions imposed on Subchapter S Corporations and limited partnerships. A limited liability company must be registered with the Texas Secretary of State.

Business Name

Once the legal structure of the business has been determined, and if a separate business name will be used, the business name must be registered with the County Clerk's office and/or Secretary of State. If a corporation and an unincorporated company have very similar names, neither automatically has the right to the name. If both parties have properly filed the Assumed Name Certificate, the courts will most likely have to decide this matter. Taking the time necessary to conduct the name research at the beginning will help avoid legal costs after the business is opened and operating.

The following information provides information on filing your business' name in Travis County.

Sole Proprietorship

After you have decided on your business name, you need to complete a DBA Form.

You can download the DBA form and instructions by visiting the Travis County website at:

<http://www.co.travis.tx.us/business.asp>

Or, you can obtain a DBA form by visiting:

Travis County Clerk
5501 Airport Blvd
Austin, Texas 78701
512/854-9188

Next, you will search the county records to determine if the name you wish to use is available. An assumed name filing is valid for ten years, so you will have to search records for the last ten years. Travis County staff will provide a name search service for a nominal fee.

Finally, if the name is available, complete the DBA form and have it notarized or "signature acknowledged".

Filing fees are \$14 plus \$.50 for each name on the form, including the business name and each owner's name. *No personal checks* are accepted for fees. Pay by money order, cashier's check or cash.

Notary Services are available in the Tax Office for a fee of \$5.

"Signature Acknowledgment Services" by Travis County staff for a \$2 fee.

For more information and to download the DBA Form visit, Travis County website at <http://www.co.travis.tx.us/business.asp>

- Limited Partnerships**
- Registered limited liability partnerships**
- Limited liability companies**
- Corporations**
- Professional corporations**
- Nonprofit corporations**
- Professional associations**

Register your business with the Secretary of State.

The Secretary of State provides a summary of requirements for the creation of these entities, but does not provide forms except for registration of a limited liability partnership.

The Secretary of State published the *Filing Guide* that offers guidelines of registering business entities. The guide also includes administrative rules and sample forms promulgated by the Secretary of State. The state no longer publishes the guide, however, you can download the guide at:

<http://www.sos.state.tx.us/corp/forms/filingguide/index.shtml>

The web page for the Secretary of State states: "The Secretary of State has promulgated certain forms designed to meet statutory requirements and facilitate filings with the office; use of the forms is permissive.

Forms may be obtained from our Web site or by telephone. The telephone number is 1 (900) 263-0060 and there is a fee of \$1.00 per minute when using this service. Access to the business entity and UCC databases is available via the Internet through the [SOSDirect System \(http://www.sos.state.tx.us/corp/sosda/index.shtml\)](http://www.sos.state.tx.us/corp/sosda/index.shtml). For information on SOSDirect or to subscribe for the service, call 512.475-2755.”

You can also download these forms at:

<http://www.sos.state.tx.us/corp/forms.shtml>

You can download the fee schedule at:

<http://www.sos.state.tx.us/corp/forms/806.pdf>

You can reach the Secretary of State at:

Office of the Secretary of State
Corporations Section
P.O. Box 13697
Austin, TX 78711-3697
512.463-5555

Office of the Secretary of State
Corporations Section
James Earl Rudder State Office Building
1019 Brazos
Austin, TX 78701
512.463-5555

You can email information requests on specific business entities to corpinfo@sos.state.tx.us

Business Tax Responsibilities



The second step for starting a business is to determine the federal, state, and local tax obligations. It is strongly recommended that a professional tax advisor, accountant or attorney be consulted.

Federal Taxes

Information regarding federal income taxes, tax identification numbers, business tax credits, and employment tax regulations may be obtained at:

Income Taxes, Tax Identification Numbers, and Business Tax Credits

IRS
825 East Rundberg Lane
Suite H-4
Austin, TX 78753
800-829-1040 or 800-829-4059 (TDD)

You can also find valuable information on the IRS web page at:

<http://www.irs.ustreas.gov/businesses/small/index.html>

Employment Taxes

Social Security Administration
903 San Jacinto
Austin, TX 78701
512.916-5404 or 800-772-1213

You can also obtain information by visiting Social Security Administration's web page at:

<http://www.ssa.gov/employers/>

State Business Taxes

The Comptroller of Public Accounts is charged with the administration and collection of state and local sales tax from businesses operating in Texas and also collects franchise taxes owed by Texas corporations. There is no state income tax in Texas.

For more information on these taxes, contact:

Comptroller of Public Accounts
111 West Sixth St.
Austin, TX 78767-4843
512.463-4600 or 800-252-5555

You can obtain information about sales tax and a new business by viewing:

http://www.window.state.tx.us/taxinfo/sales/new_business.html

You can further learn about tax requirements, download tax forms, view tax calendar as well as link to other tax-related sites at:

<http://www.window.state.tx.us/m23taxes.html>



Licenses and Permits

Many businesses require special licenses or permits from various governmental agencies. You can determine what licenses, permits, certifications, registrations or authorizations are required for a specific business by visiting this web page:

<http://www.tded.state.tx.us/guide/INDEXOFBUSINESSTYPES.html>



Employer Requirements

The last step in starting a business is determining the federal and state employer requirements. As an employer, business owners have labor, safety, and tax obligations. You can view the various requirements and connect to appropriate links by viewing: <http://www.tded.state.tx.us/guide/STEP4.html>

Business Plan Outline

- I. Cover Letter
 - A. Identify the audience for your plan (Bank, Investor, Suppliers, Employees, Family, etc.)
 - B. Dollar amounts, terms and timing of funds or participation that you are seeking
 - C. Type and price of securities/collateral

- II. Executive Summary
 - A. Business Description
 - 1. Name
 - 2. Location and plant description
 - 3. Product/Service/Retail/Wholesale/Manufacturing
 - 4. Market and competition
 - 5. Management expertise
 - B. Business goals
 - C. Summary of financial needs and application of funds
 - D. Earning projections and potential return of investors

- III. Market Analysis
 - A. Description of total market
 - B. Industry trends
 - C. Target market
 - D. Competition

- IV. Products or Services
 - A. Description of product/service line
 - B. Proprietary position; patents, copyrights, legal and technical considerations
 - C. Comparison to competitor's products

- V. Manufacturing Process (if applicable)
 - A. Materials
 - B. Sources of supply
 - C. Production methods

- VI. Marketing Strategy
 - A. Overall strategy
 - B. Pricing policy
 - C. Sales terms (cash/credit, etc.)
 - D. Method of selling, distributing product or service

- VII. Management Plan
 - A. Form of business organization
 - B. Composition of business officials
 - C. Organization chart and key responsibilities
 - D. Resume of key personnel
 - E. Staffing plan/number of employees
 - F. Facilities plan/planned capital improvements
 - G. Operations plan/schedule of upcoming work for next one or two years

- VIII. Financial Data
 - A. Financial history (2-5 years)
 - B. Three-year financial projections (first year by quarters: remaining year annually)
 - 1. Profit and loss statements
 - 2. Balance sheets
 - 3. Cash flow chart (monthly)
 - 4. Capital expenditure estimate
 - C. Explanation of projections and how adjustments will be made
 - D. Key business ratios
 - E. Explanations of use and effect of new funds



Helpful Web Links for Small Businesses

General Information

City of Austin, Small Business Development Program

<http://www.cityofaustin.org/sbdp>

Office of the Governor, Economic Development and Tourism

<http://www.governor.state.tx.us/ecodevo>

U.S. Small Business Administration

<http://sba.gov>

U.S. Small Business Administration, San Antonio District Office

<http://www.sba.gov/tx/sanantonio/index.html>

Help on Business Plan

American Express Small Business: Creating an Effective Business Plan

http://www.133.americanexpress.com/osbn/tool/biz_plan/index.asp

Business Plan Pro software

<http://www.businessplanpro.com>

Gaebler Ventures' Help for Entrepreneurs

<http://www.gaebler.com/Writing-a-Business-Plan.htm>

StartUP Biz

<http://www.startupbiz.com>

U.S. Small Business Administration: Business Plan Basics

http://www.sba.gov/starting_business/planning/basic.html

Rates for credit card processing & Computerized merchandizing systems

National Retail Federation

<http://www.nrf.com>

Texas Retailers Association

<http://www.txretailers.org>



Helpful Web Links for Small Businesses

Tax Information

Internal Revenue Service: Small Business

<http://www.irs.gov/businesses/small>

Internal Revenue Service: Starting a Business and Keeping Records, Publication #583

<http://www.irs.gov/formspubs/index.html>

(click on "Publication number" and choose "Publ 583" from the List of PDF Files)

Social Security Administration

<http://www.ssa.gov/employers>

State of Texas: Comptroller of Public Accounts

http://www.window.state.tx.us/taxinfo/sales/new_business.html

Zoning, Permitting, Regulations and Inspections

City of Austin, Development Assistance Center

<http://www.ci.austin.tx.us/development>

City of Austin, Health & Human Services Department

http://www.ci.austin.tx.us/health/ech_consumer.htm

City of Austin, Purchasing: Doing Business with the City of Austin

<http://waller.ci.austin.tx.us/purchase/purchads.cfm>

Hazardous Waste Disposal Program for Small Businesses

<http://www.ci.austin.tx.us/sws/cesqg.htm>

State of Texas, Office of the Secretary of State: Register a Limited Partnership, Registered Limited Liability Partnership, Limited Liability Company, Corporations, Professional Corporations, Professional Corporations, Nonprofit Corporations, Professional Associations

<http://www.sos.state.tx.us/corp/forms.shtml>

Travis County Clerk: Registering Business Name with Travis County (DBA) - Sole Proprietorship

<http://www.co.travis.tx.us/business.asp>



Helpful Web Links for Small Businesses

Private-label credit card vendors

HSBC North America

<http://www.hsbcusa.com/retailservices/default.html>

Multi Service

<http://www.multiservicecorp.com>

Shoppers Charge Accounts

<http://www.shopperscharge.com>

Wendover (an EDS company)

http://www.wendover.com/services_consumer.html

Payroll service companies

ADP

<http://www.adp.com>

Paychex

<http://www.paychex.com>

Certification as a Minority-Owned or Woman-Owned Business

Capital Metro Procurement Department

<http://www.capmetro.org/business/procurementopportunities.asp>

Central & South Texas Minority Business Council

<http://www.cstmbc.org>

City of Austin, Department of Small and Minority Business Resources

<http://www.cityofaustin.org/snbr>

Lower Colorado River Authority

<http://www.lcra.org>

South Texas Regional Certification Agency (San Antonio Area)

<http://www.sctrca.org>

State of Texas, Building and Procurement Commission

<http://www.tbpc.state.tx.us>



Helpful Web Links for Small Businesses

State of Texas, Department of Transportation (TXDOT): DBE Information
<http://www.dot.state.tx.us/business/dbeinfo.htm>

Travis County: HUB Program
<http://www.co.travis.tx.us/purchasing/hub.asp>

U.S. Small Business Administration: 8(a) Certification
<http://www.sba.gov/8abd/>

Other websites that could help your business

Austin Bar Association's People's Law School
<http://www.austinbar.org/plsmain.shtml>

Freelance Austin – networking opportunities for creative professionals
<http://www.freelanceaustin.org>

Impact Austin
<http://www.impact-austin.org>

McCombs School of Business, UT-Austin: Bureau of Business Research
<http://www.mcombs.utexas.edu/research/bbr/>

McCombs School of Business, UT-Austin: Center for Business, Technology & Law
<http://btl.mcombs.utexas.edu/>

Quicken's Small Business Center
http://www.quicken.com/small_business

State of Texas, Real Estate Commission
<http://www.trec.state.tx.us/>

Texas A&M University: Center for Retailing Studies
<http://www.crstamu.org>

Texas State: Data Center and Office of the State Demographer
<http://txsdc.utsa.edu/>

U.S. Census Bureau
<http://www.census.gov>

U.S. Department of Labor: Bureau of Labor Statistics
<http://www.bls.gov>