



STARTING A BUSINESS IN

TENNESSEE

PREPARE A BUSINESS PLAN

- A well developed business plan is an essential key to the success of a new business. It is a guideline which can serve to assist in determining the feasibility and desirability of starting a new business. It will also provide a path to follow during the critical early stages of development. A plan makes it easier for others (bankers, suppliers and advisors) to understand the direction of the business. In preparing your business plan you should:
 - Define your business, describing the services or products you plan to offer or manufacture.
 - Describe the location of the business
 - Describe the existing market, i.e. size and characteristics, potential for sales and profit, and identify and assess your competition.
 - Identify the capital and other assets required for the operation of the business, the equity to be invested, and the source of additional funds that you may require.
 - List the personnel required and their duties
 - Prepare an estimate of the projected sales and expenses and the projected cash flow for the first year of operation. Do the same for the second and third year. Calculated the sales breakeven point

DECIDE ON THE FORM OF YOUR ORGANIZATION

It is necessary to decide what form of organization you will use before opening the business. Due to the tax implications, it is suggested that you consult an Accountant for assistance in your decision making process.

Most small businesses operate as a **Sole Proprietorship**. This is the simplest form of organization with the greatest freedom from regulation and paper work. Its chief disadvantages are unlimited personal liability for debts of the business and the fact that business terminates with the death of the owner.

In a **general Partnership** (like a sole proprietorship except two or more persons are involved), the liability of the firm's debts is also unlimited. Death of a partner terminates the business and any one of the partners can commit the firm to obligations. A Limited Partnership is a team made up of one or more general partners and one or more limited partners. The general partners are responsible for all the debts and liabilities of the business, while the limited partners are responsible only for the amount of their investment. This form of organization is used to attract investors who do not wish to be part of the day-to-day running of the business. One of its requirements is the filing of a certificate of limited partnership with the County Court Clerk's office where the business is located.

Limited Liability Company (LLC) enjoys the favorable Federal tax treatment of a partnership and the flexibility offered by a professional corporation's limited liability of owners. LLCs are generally alike in terms of articles of organization; members and membership; management; limited liability; operating agreement; capital contributions and allocation of profits, losses and distributions; limited life; and use by professionals.

Corporations (C-Corp., S-Corp.) have the advantage of limiting personal liability to the amount owners have paid for their shares of stock. Its continuity is unaffected by death or transfer of shares by any of the owners. Also, ownership may be widely distributed to many stockholders, thus increasing the possibility of raising capital. Major disadvantages of the corporate form of organization are that it requires more record keeping, it is more costly form of organization, and there can be a double taxation on profits as dividends are paid out.

The State agency responsible for maintaining business records is the State Corporation Commission in VA and Secretary of State in TN.

REGISTER WITH LOCAL, STATE & FEDERAL AGENCIES

- If your business is located in Bristol, TN, you obtain a business license from the City of Bristol & Sullivan county. In Bristol, contact
 - **Planning and Codes Enforcement**
 - 801 Anderson St., Bristol, TN 37620 | 423-989-5500 | www.bristoltn.org/finance.
- To obtain a Sullivan County business license, contact the Sullivan Co. Clerk at 423-323-6428.
- Food related businesses, such as restaurants, grocery stores, and food warehouses must comply with the city, county and state food ordinances. To obtain food permits or get additional information contact:
 - **Sullivan County TN Health Dept.**
 - 154 Blountville By-Pass, Blountville, TN 37617 | 423-279-2777
- Occupational Safety and Health regulations are administered by:
 - **Tennessee Occupation Safety and Health**
 - 220 French Landing Dr., Nashville, TN 37243 | 615-741-2793
- The Federal Government regulates Wages and Hours for those businesses in interstate commerce. If the product you use or sell crosses state lines, you are deemed to be in interstate commerce. For further information contact:
 - **TN Dept. of Labor and Workforce Development**
 - 220 French Landing Dr., Nashville, TN 37243 | 1-844-224-5818
- Certain professions and occupations in TN require licenses, examinations and/or approval of the appropriate license board. Many of the businesses regulated in this manner are shown below. For further info. contact:
 - **TN Dept. of Regulatory Boards**
 - Davey Crockett Tower, 500 James Robertson Pkwy, Nashville TN 37243 | 615-741-2241
- The following businesses or occupations require licenses:
 - Accountants
 - Alarm Contractors
 - Architects
 - Auctioneers
 - Auto Dealers
 - Auto Race Tracks
 - Barbers
 - Cemetery Operations
 - Cosmetologists
 - Debt Collection
 - Embalmers
 - Employment Agencies
 - Geologists
 - Interior Designers
 - Land Surveyors
 - Landscape Architects
 - Pharmacists
 - Polygraph Examiners

- Manufacturers and distributors of many food, beverage, drug, animal feed, fertilizer, pesticide products and nursery stock growers and retailers are required to obtain special permits of to satisfy particular state or local regulations. Contact:
 - **TN Dept. of Agriculture**
 - 440 Hogan Rd., Nashville, TN 37220 | 615-837-5117
- Employers operating in TN are subject to minimum wage laws, laws covering payment of wages, laws governing unions and the employment of minors. Contact:
 - **TN Dept. of Labor**
 - 220 French Landing Dr., Nashville, TN 37243 | 615-741-2793
- Employers in TN are also subject to the Unemployment Compensation law, which requires mandatory insurance covering employees by that employer against unemployment. Contact:
 - **TN Dept. of Labor**
 - 220 French Landing Dr., Nashville, TN 37243 | 1-844-224-5818
- The sale of alcohol beverages by manufacturers, wholesalers, retail stores and liquor by the drink establishments are subject to the requirements of:
 - **TN Alcohol Beverage commission**
 - 207 N. Boone St. #1300, Johnson City, TN 37601 | 423-434-6451
- The sale, distribution and manufacture of beer and tobacco are subject to the regulations of:
 - **TN Dept of Revenue**
 - 500 Deaderick St., Nashville, TN 37242 | 615- 253-0600
- Environmental Regulations covering sewage, industrial waste water, air pollution and solid waste management are handled by:
 - **TN Dept. of Environment & Conservation Johnson City Field Office**
 - 2305 Silverdale Road Johnson City, TN 37601-2162 | 423- 854-5400
- Liability resulting in injury, death or property damage from manufacture, construction, design, marketing or labeling of any product are subject to regulations of:
 - **TN Dept. of Labor**
 - 220 French Landing Dr., Nashville, TN 37243 | 615-741-2793

Note: Visit www.state.tn.us to gain access to all regulatory information

REGISTER WITH FEDERAL AND STATE TAX AUTHORITIES

- All corporations and partnerships must obtain and Employee Identification Number (EIN) from the U.S. Internal Revenue Service to use as a taxpayer identification number. Sole proprietors must also have an EIN if they pay wages to one or more employees or if they file an excise tax return. To apply for and EIN, contact:
 - **The Internal Revenue Service** at 1-800-829-4933 or www.irs.gov
- The major Federal taxes applicable to businesses are Withholding taxes on payrolls, Social Security tax on payrolls, Federal Excise tax on labor, (part of the UCC tax that is paid to Federal), Excise taxes (when applicable), Income taxes.
- The major Tennessee taxes applicable to businesses are: State Sales tax, Unemployment Compensation tax, Liquor, Beer and Tobacco taxes, State Severance taxes, and Special Privilege taxes.
- Any business liable for the collection of sales and use taxes is required to obtain a sales and use tax certificate and a sales tax number from:
 - **TN Dept. of Revenue, Taxpayer Services Division**
 - 204 Highpoint Dr. Johnson City, TN 37601 | 423-854-5321
- For further information concerning state, corporate & excise taxes and state special privilege tax contact:
 - **TN Dept of Revenue, Franchise, Excise and Income Tax Division, Taxpayer Services**
 - Andrew Jackson Building, 500 Deaderick St. Nashville, TN 37242 | 615-253-0600
- The major local taxes include the local business tax, real estate tax, and personal property tax. For further information contact the City of Bristol or Sullivan County.

INSURANCE REQUIREMENTS

- TN law requires that all employers with 5 or more employees be covered by Workman's Compensation Insurance for accidents occurring on the job. The cost of such insurance varies by industry and occupation and the entire cost is paid by the employer. For info. contact:
 - **TN Bureau of Worker's Compensation**
 - 220 French Landing Dr. Nashville, TN 37243 | 615-532-4812
- Other forms of insurance which should be considered before starting a business are Comprehensive General Liability, Comprehensive Fire, Theft, Bonding and Health insurance. These should be discussed with a qualified insurance agent or insurance company who can advise you on insurance needed for your business and its cost.

ESTABLISH A PROPER RECORD KEEPING SYSTEM

- Proper records are required for the operation of a successful business. In addition, records will be required by your banker, the Internal Revenue Service, and other legal and taxing authorities. There is no required way to keep books or records. The IRS says you may choose any system suited to the purpose and nature of your business. If you have inventories you are required to use the accrual basis of accounting for income tax purposes. The usual system will provide for:
 - A daily summary of cash receipts
 - A disbursements journal
 - A business check book and bank account
 - Payroll records (w/ SS & Withholding)
 - A Leger of accounts
- A business owner should not underestimate the value of proper records or assume it will get done without effort or time devoted to it. Many small businesses pay little attention to record keeping at the outset and have no idea of the financial status of the business until they are in trouble. If you are not knowledgeable in this area, hire a professional accountant to work with you in developing a system.
- It is important that your record keeping system will tell you every month whether you made or lost money and how much, what your cash flow has to be, and where it will come from. If you wait for the end of the year or the end of the quarter to find out if you have a profit or nay cash flow to pay your bills, it may be too late.
- It is recommended that, wherever possible, small business owners become computer friendly had make maximum advantage of current business software. There are inexpensive accounting programs such as QuickBooks, Quicken and Microsoft Money that are very easy to use and will provide the necessary accounting information to allow proper management of you business.

ADDITIONAL RESOURCES

- Among the many sources of assistance, advice, guidance and mentoring of small businesses on our area, small businesses should contact the following organization for no cost help and assistance. allow proper management of you business.

Bristol, Tennessee

www.bristoltn.org/416/Business-AssistanceFrom-City-Department

Sullivan County

www.sullivancountyclerktn.com/
www.tn.gov/main/article/sullivan-county

Small Business Development Center

2109 West Market St. Johnson City, TN 37604
Phone: 423-439-8505 | www.tsbdc.org