



## STARTING A BUSINESS IN VIRGINIA



### 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. Calculate 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.

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

- Your business must comply with local building, zoning, traffic and fire regulations. If your business is located within the Town of Abingdon or the City of Bristol, VA you will need to obtain a business license from either:
  - **Abingdon Finance Department**
    - Municipal Building, 133 W. Main Street, Abingdon, VA 24210 | 276-628-3167
  - **Commissioner of Revenue**
    - City Hall, 497 Cumberland Street, Bristol, VA 24201 | 276-645-7316
- A business license is not required for a business operating solely in Washington County. The Washington County Commissioner of Revenue will help you determine the county taxes, if any.
  - **Washington County Building Inspector**
    - 1 Government Center Place, Ste A, Abingdon, VA 24210 | 276-525-1320
  - **Washington County Commissioner of Revenue**
    - 1 Government Center Place, Ste C, Abingdon, VA 24210 | 276-676-6270
- Any food related businesses, such as restaurants, grocery stores and cold warehouses must comply with the city, county or state food ordinances. To obtain a food permit or additional information:
  - **Washington County Health Department**
    - 15068 Lee Highway, Ste 200, Bristol, VA 24202 | 276-676-5604
  - **Bristol Virginia Health Department**
    - 341 Piedmont Avenue, Bristol, VA 24201 | 276-642-7335
- The Occupational Safety and Health Act regulations on safety and working conditions are administered by:
  - **Virginia Department of Labor & Industry**
    - 468 East Main Street, Ste 114, Abingdon, VA 24210 | 276-676-5465
  - **Bristol Virginia Health Department**
    - 341 Piedmont Avenue, Bristol, VA 24201 | 276-642-7335
- The Federal Government regulates wages and hour 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 details contact:
  - **U.S. Department of Labor**
    - 400 N. 8<sup>th</sup> Street, Richmond, VA 23219 | 804-367-8500
- Certain professions and occupations in VA require licenses, examinations and/or approval of the appropriate license board. For further info. contact: [www.dba.state.va.us/license](http://www.dba.state.va.us/license)
- Here are a few businesses or occupations that require licenses, check the web site to see all those involved:

- |                        |                   |                         |                        |
|------------------------|-------------------|-------------------------|------------------------|
| • Accountants          | • Driver Training | • Hearing Aid Co.       | • Real Estate Brokers  |
| • Armed Car Co.        | • Debt Collection | • Land Surveyors        | • Security Guard       |
| • Architects           | • Employment Co.  | • Landscape Architects  | • Speech Pathologists  |
| • Auctioneers          | • Engineers       | • Librarians            | • Wastewater Operators |
| • Audiologists         | • Geologists      | • Nursing Home Admin.   | • Water Works Operator |
| • Barbers              | • Guard Dog Co.   | • Opticians             | • Well Drillers        |
| • Boxing               | • Hairdressers    | • Polygraph Examiner    | • Wrestlers            |
| • Building Contractors | • Harbor Pilots   | • Private Investigators |                        |

- 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:
  - VA Dept. of Agriculture**
    - 1100 Bank Street, Richmond, VA 23219 | 804-786-2373
- Employers operating in VA are Required to display at their place of employment certain posters as prescribed by state law. The following posters and phone numbers for the various agencies to make the posters available:

<u>POSTER</u>	<u>AGENCY</u>
<b>Workers Compensation</b>	<b>Workers' Compensation Commission</b> 333 E. Franklin Street, Richmond, VA 23219 877-664-2566
<b>Unemployment Insurance Form VEC--B29A</b>	<b>VA Employment Commission</b> P.O. Box 1358, Richmond, VA 23218 804-786-4359
<b>Occupational Safety &amp; Health</b>	<b>VA Dept. of Labor</b> 600 East Main Street, Ste 207 Richmond, VA 23219 804-786-2392

- The following is a partial listing of additional offices to call if you feel your business may be under that department. If you do not find the department listed here, check the telephone book or log on to [www.dba.state.va.us](http://www.dba.state.va.us)
  - Department of Alcoholic Beverage Control**
    - 2901 Hermitage Rd, Richmond, VA 23220 | 804-213-4400
  - State Environmental Quality**
    - 629 E. Main St., Richmond, VA 23219 | 804-698-4000
  - State Corporation Commission**
    - 1300 E. Main St., Richmond, VA 23218 | 800-552-7945
  - VA Department of Labor | Boiler Safety Compliance**
    - 600 E. Main St., Ste 207, Richmond, VA 23219 | 804-786-3160

## 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 of if they file and excise tax return. To apply for and EIN, contact:
  - The Internal Revenue Service** at 1-800-829-4933 or [www.irs.gov](http://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, Withholding state income taxes on Payrolls, State Income Tax and Excise and Misc. Taxes (where applicable).
- All companies doing business within the state must register with the Virginia Dept of Taxation and obtain a State Tax Account Number or VEC (VA Employment Commission) account number at the office below.
  - VA Department of Taxation**
    - 1957 Westmoreland Street, Richmond, VA 23230 | 804-376-8031 | [tax.virginia.gov](http://tax.virginia.gov)
- The major local taxes include the local business tax, real estate tax, and personal property tax. For further information contact the City of Bristol, VA or Washington County, VA.

## **INSURANCE REQUIREMENTS**

- VA law requires that all employers with 3 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:
  - **VA Workers' Compensation Commission**
    - 333 E. Franklin Street, Richmond, VA 23219 | 877-664-2566
- 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 the types of 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 Chamber of Commerce**

20 Volunteer Parkway, Bristol, TN 37620  
423-989-4850

### **Small Business Development Center**

851 French Moore Jr. Blvd. Abingdon, VA 24210  
276-492-2065