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Summer 2013

The Rebuilding of an Entrepreneurial Nation: How to Launch a Successful Business – Nuts and Bolts

by Sherri Mahoney–Battles



The success of your business is dependent on the foundation it's built upon, and a business owner that takes the time to lay down a strong foundation will avoid future pitfalls.

Surely, the baby steps involved in opening a new business are so exciting, the grand opening, the first sale, the new sign, the first signed contract, all of these things are great to behold.

No doubt some of the other more tedious tasks are a little less awe-inspiring. They are, nonetheless, an intrinsic part of starting a new business, and a business whose owner neglects those tasks will be hindered from the get go.

One of the first steps in starting a business is to explore licensing and reporting requirements. Typically, states and towns require businesses to be licensed within their jurisdiction, and most trades have licensing requirements.

In many situations there may be a lengthy licensing process so start the process well ahead of your anticipated launch date. Day care providers, for example, are required to be licensed and inspected prior to opening.

Businesses that produce food items typically need to be inspected by a state health department official. Most types of businesses are regulated and licensed in order to protect consumers, and the fines for operating outside these requirements are usually quite steep.

Additionally, businesses that have employees will need to withhold payroll taxes and file payroll tax returns. The penalties levied at employers who fail to properly withhold or pay these taxes are exceptionally high, and I always recommend that companies work with a reputable payroll company to help meet the filing requirements.

A company that sells taxable merchandise or food items is required to collect and submit sales tax on a regular basis, and you will need to register your business with the state taxing authority in order to submit sales or meals reports.

A crucial element in starting a business is to establishing a bookkeeping system. Businesses usually start to incur expenses even before opening their doors so you will want to have a method of tracking income and expenses early on.

Setup a separate checking account for your business so that you can easily separate business and personal items. In the event of a tax audit it's much easier to support business deductions when they are paid through a separate business account versus being lumped in with personal expenses.

As you pay business expenses start to think in terms of expense accounts. Some examples of expense accounts are advertising, office supplies, repairs and maintenance, dues and publications, materials, supplies, postage, and telephone.

A general ledger includes income and expense accounts that can be tailored to meet specific tracking needs. For example, some businesses might elect to have separate accounts for different types of advertising such as print, radio or television while another business might chose to have one total for all of their advertising expense.

Identify the method that you will use to track your income and expenses. Many small business owners elect to use software such as QuickBooks to do their bookkeeping while others use more manual systems.

In our office we still have clients that use green ledger sheets or folders labeled with expense accounts. Any method that you use will need to be able to provide totals by income and expense categories that can be utilized in preparing tax returns.

If tracking income and expenses isn't part of your skill-set, you may want to find a reputable bookkeeping service that can assist you in this area.

Start assembling a team of professionals that can help facilitate the growth and success of your business. A tax professional that specializes in small business development can help educate you about tax issues and point you towards the bookkeeping solution that best coordinates with your abilities.

Certain businesses are required to obtain an employer identification number (EIN) from the IRS. An EIN allows the IRS to track wages and other payments from your business to the business's employees and owners. Businesses that operate as LLC's, corporations or partnerships are required to have EIN's.

Additionally, sole-proprietorships that have employees are required to have EIN's. An EIN is helpful in establishing a business bank account that's separate from your personal bank account, and some organizations that you do business with may require that your business have an EIN.

Additionally, companies that have income reporting requirements (1099 Forms) will request an identification number for your business. Your social security number will meet this requirement, however, I recommend that you safeguard your social security number and obtain an EIN instead. Be very wary in distributing your social security number since this number in the wrong hands can be quite damaging!

The IRS offers a free service on their website, www.irs.gov/businesses, so that businesses can apply for and obtain an EIN quickly and easily. The streamlined questionnaire on the website will generate an EIN in just a few minutes.

A phone call to your insurance agent can help you determine what your insurance requirements are. Businesses that have employees are required to have workers compensation insurance. Most businesses will require business owner's liability, professional and/or property business. A business should have the appropriate insurance before it commences operations.

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Another important consideration is the type of entity your business elects to operate under.

Most small single-owner businesses operate as sole-proprietorships, but many businesses operate as corporations, partnerships or LLC's. Your attorney and accountant can help advise you in this area, and the entity you chose will impact your tax filings, insurance needs, banking, and bookkeeping.

So, if you know that you will be operating your business as a corporation it would be wise to establish the corporation early in the start-up process.

Starting a new business can be exciting and terrifying at the same time, and the list of things that need to be is far too lengthy to address in one article.

Every business should have a business and marketing plan. Some businesses will require a logo, location, signage, press releases, marketing materials, business cards, stationary, computers, vehicles, equipment, operating systems, financing etc.

The list of things to consider can seem endless, but the business owner that spends the time to lay down a strong foundation will find the process a little less stressful.

In helping clients with their small business development needs I have always found that the clients that did a little more legwork early in the start-up process spent less time running around putting out fires later.

Certainly, not every situation or event can be predetermined and addressed, but a little bit of groundwork and planning can help to level out a few of the bumps in the road ahead.

Publisher's Note: This article was previously published and is reprinted here courtesy of [The South Coast Insider](#) (or Prime Times)

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