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 of a corporation or 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.

3) Register with Local, State and Federal Agencies

Your business must comply with local building, zoning, traffic ad 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 Dept. 
133 W. Main St.
276-628-3167

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. Contact:

Washington Co. Building Inspector 
1 Government Center Place, Suite A
276-525-1320
Abingdon, VA 24210

Any food related businesses, such as restaurants, grocery stores and cold water must comply with the county, state or state food ordinances. To obtain a food permit or additional information contact:

Washington Co. Health Dept. 
15068 Lee Hwy, Suite 1000
276-676-5604
Abingdon, VA 24202

• The Occupational Safety and Health Act regulations on safety and working conditions are administered by: Unemployment Insurance Form VEC—B29A

VA Dept. of Labor 
600 East Main St. Suite 207
276-676-5604
Abingdon, VA 24202

• 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. Dept. of Labor
400 N. 8th St. Richmond, VA 23219
224-367-8500

Two lists of particular state or local regulations are that of pest control and of food sales. The following are a few samples of state laws.

- Certain professions and occupations in VA require licenses, examinations and/or approval of the appropriate license board. For further info. contact: www.dbp.state.va.us/license

- Manufacturers and distributors of many food, beverage, drug, cosmetic, 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

- 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 posting available:

Here are a few businesses or occupations that require licenses, check the web site to see all those involved:

• Accountants • Armed Car Co • Architects • Auctioneers • Audiologists • Barbers • Boxing • Bus Driver • Car Dealership • Collection • Employment Co. • Engineers • Geologists • Guard Dog Co. • Hairdressers • Harbor Pilots • Hearing Aid Co. • Land Surveyors • Landscape Architects • Librarians • Nursing Home Admin. • Opticians • Polygraph Exam. • Private Investigators • Real Estate Brokers • Security Guard • Speech Pathologists • Stock Water Operators • Water Works Operator • Well Drillers • Wrestlers

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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

2) Decide on the form of your organization

It is necessary to decide what form of organization you will use before opening the business. Die to the tax implications, SCORE suggests 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 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 break even point.

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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 any cash flow to pay your bills, it may be too late.

The Bristol SCORE office recommends that, wherever possible, small business owners become computer friendly to take 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 your business.

Among the many sources of assistance, advice, guidance and mentoring of small businesses on our area, small businesses should contact the following organizations for no cost help and assistance.

Bristol Chamber of Commerce
20 Volunteer Parkway
Bristol, TN 37620
Phone: 423-989-4850

Small Business Development Center
Abingdon, VA 24210
Phone: 276-492-2065

My Southwest Virginia Opportunity
www.myswvaopportunity.org

4. Register with Federal and State Tax Authorities
   • All corporations and partnerships must obtain an 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 an EIN, contact:
   The Internal Revenue Service at 1-800-829-4933 or www.irs.gov/Business/Small-Business-&-Self-Employed-ID-Numbers-EINs

   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 Virginia 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 St.
   Richmond, VA 23230
   804-376-8031
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.

5. 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 Workman’s Compensation Commission
   1000 DMV Dr., P.O. Box 1794, 23220
   877-664-2566
   wcw.state.va.us

   • 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.

6. 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 and the Internal Revenue Service, as well as 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 in your business or assume it will get done with out 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 any cash flow to pay your bills, it may be too late.

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