



Starting Your Business in Ohio

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Quick Reference Guide to Starting Your Business

Do I need a business license?

In almost all cases, the state of Ohio requires businesses to register with the Ohio Secretary of State's office. Other types of licenses and registration are based on the business' legal organization, the types of goods or services offered or business activities.

1 Register your business with the Ohio Secretary of State *(see pages 4-6)*

Search the business name you want to use in the Ohio Secretary of State's online database at **businesssearch.sos.state.oh.us** or call the Business Services Division at **(877) 767-3453**. You must determine what legal structure is best for your business. Forms are online at **sos.state.oh.us/businesses/filing-forms--fee-schedule**.

2 Will your business have employees?

If the answer is **YES**, register with the following:

- ☐ **Internal Revenue Service (IRS)** — Form SS-4 (Application for Employer Identification Number). Go to **irs.gov** or call **(800) 829-4933**.
- ☐ **Ohio state agencies (business.ohio.gov):**
- ☐ **Ohio Department of Taxation** — Form IT-1 (Tax Withholding and School District Withholding Agent). Call **(888) 405-4039**.
- ☐ **Ohio Department of Job and Family Services** — Form UCO-1 (Report to Determine Liability). Call **(877) 644-6562**.
- ☐ **Ohio Bureau of Workers' Compensation** — Form U-3 (Workers' Compensation Coverage). Call **(800) 644-6292**.

If the answer is **NO**, register with the following:

- ☐ **Internal Revenue Service (IRS)** — Form SS-4 (Application for Employer Identification Number). Go to **irs.gov** or call **(800) 829-4933**.
- ☐ **Ohio Bureau of Workers' Compensation** — Form U-3 (Workers' Compensation Coverage). Call **(800) 644-6292**.
- ☐ **Beneficial Ownership Information** — Beginning on January 1, 2024, many companies in the United States will have to report information about their beneficial owners, i.e., the individuals who ultimately own or control the company. They will have to report the information to the Financial Crimes Enforcement Network (FinCEN). FinCEN is a bureau of the U.S. Department of the Treasury. Visit **https://www.fincen.gov/boi** or call **(800) 767-2825**.

3 Register your business with Ohio Department of Taxation *(see page 7)*

- ☐ **Vendor's License** — Registration sets your business up to collect and remit Ohio sales tax.
- ☐ **Commercial Activity Tax (CAT)** — Registration is required after your gross sales reach \$3,000,000.
- ☐ **Online registrations** with Ohio Business Gateway at **business.ohio.gov** to file and pay many types of taxes.

4 Special licenses or registrations

A checklist is available at **business.ohio.gov/starting** in a drop-down menu under *Checklists*. The checklist provides additional information, specific to the type of business, along with applicable Ohio Revised Code (ORC) and regulating agencies. Special assistance also is available from the Ohio Department of Taxation in the Business Self Help eLibrary at **tax.ohio.gov/self_help/self_help.aspx**.

For more, go to the Ohio Business Gateway's frequently asked questions at **business.ohio.gov/efiling/help**.

Business Planning

Developing a Business Plan

One of the first steps in starting a business is developing a business plan. A business plan defines what a company must accomplish, acquire and learn before it gets started. A business plan also can be used as a tool to access capital. It provides information to bankers and future employees about a company's goals and organizational structure.

A questionnaire to help you through the process begins on **Page 12** of this guide.

For help and to get started, contact a local Small Business Development Center (SBDC). The SBDCs are staffed by Certified Business Advisors (CBA) who offer confidential business counseling at no cost to your business.

To find your local SBDC, contact the Ohio Small Business Development Centers (SBDC) at (614) 466-2711 or online at: clients.ohiosbdc.ohio.gov

Small Business Development Centers



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How Should I Register My Business?

As an entrepreneur or future business owner, it is important to decide how to register your business. Selecting the right business structure in the beginning will protect you from issues in the future.

In Ohio, there are six legal structures for businesses:

- Sole proprietorship
- General partnership
- Limited partnership
- Limited liability partnership
- Limited liability company (for profit and nonprofit)
- Corporation (for profit, nonprofit and professional)

You will register by filing forms based on your choice of legal structure. The name of your business also will be secured when you file these specific forms.

Review the options and explore more in an overview available from the U.S. Small Business Administration (SBA):

Because the type of business entity you register as can affect both tax and legal liabilities, it is strongly encouraged that you seek professional legal and/or accounting advice when forming your business.

Find out how you need to register your business at a state, local or federal level.

Detailed information on state business filings and forms can be found at the Ohio Secretary of State's website:

sos.state.oh.us

OVERVIEW

Choose a business structure



sba.gov/business-guide/launch-your-business/choose-business-structure

Business Legal Structures in Ohio

SOLE PROPRIETOR

Single owner. {Name Registration (Trade or Fictitious) DBA}

Liability – Owner is responsible for own actions and employees' actions.

Taxed Once – Owner reports all income and expenses on personal tax return.

Advantage – No partnership agreement.

Disadvantage – Personal assets are more open to attack in a legal case.

FORM #534A

(In State or foreign to the State of Ohio)

PARTNERSHIPS

Owned and controlled by two or more.

Liability – Owners are responsible for own actions and actions of employees.

Taxed Once – Partners report share of income on individual tax return.

Advantage – Taxed only once.

Disadvantage – Personal assets more open to attack in a legal case.

FORM #535

(In State or foreign to the State of Ohio)

LIMITED PARTNERSHIP

Owned by at least one general partner and at least one limited partner.

Liability – Partners are responsible for own actions and employee actions.

Taxed Once – General and limited partners report their share of partnership income on individual tax returns.

Advantage – Limited partners' assets are less open to attack in a legal case.

Disadvantage – General partners' personal assets are more open to attack in a legal case. Approval needed from partners before management duties are transferred.

FORM #531A

LIMITED LIABILITY COMPANY

Owners of an LLC are called members and may include individuals, corporations, other LLCs and foreign entities.

Liability – Members are responsible for own actions and actions of the business.

Taxed Once – Members report their share of business income on individual tax returns.

Advantage – Personal assets are generally less open to attack in a legal case.

Disadvantage – Must have approval of all members before management duties are transferred.

Note: IRS does not recognize LLC business entity and must report as a sole proprietor on income taxes.

FORM #533A

C CORPORATION

Owners may be one or more individuals, corporations, other LLCs/foreign entities.

Liability – Shareholders are responsible for own actions and actions of the business.

Taxed Twice – Shareholders pay taxes on their earnings dividends. Corporation also pays taxes on corporate earnings.

Advantage – Easy to transfer shares.

Disadvantage – Personal assets can be attacked, but business assets are taken first.

FORM# 532

LIMITED LIABILITY PARTNERSHIP

A Limited Liability Partnership is usually formed by a general partnership that desires limited liability but finds it too difficult to organize as a limited liability company.

Businesses do not start out as limited liability partnerships.

FORM# 536

(FORM 537 for foreign to the State of Ohio registrant)

S CORPORATION

Business must be registered as a C Corporation before applying for S Corporation status from the Internal Revenue Service (IRS).

Shareholders pay taxes on their earnings. Corporation does not pay federal taxes.

IRS FORM# 2553

Naming Your Business

The Ohio Secretary of State's office is the agency of record for legal structure and your business' name. If a proposed name already is registered as a trade name, the Secretary of State's office will tell you that you cannot use it unless you have the permission of the business that has registered the name.

You should search the business name you want to use under the Business Search tool at the Secretary of State's website at sos.state.oh.us/businesses or call the Secretary of State's Business Services Division at (877) 767-3453.

A trade name cannot be used by any other business. Filing prevents any other business from registering the same name with the Ohio Secretary of State. There is a filing fee (Name Registration Form 534A).

A fictitious name is not as protected as a trade name. A fictitious name is registered with the Ohio Secretary of State,

but anyone can use it. There is a filing fee (Name Registration Form 534A).

To register your business, visit the Ohio Secretary of State website:

If you have not registered your business with the Ohio Secretary of State, go to

REGISTER YOUR BUSINESS
Filing forms & fee schedule



sos.state.oh.us/businesses/filing-forms--fee-schedule/

Register with the Internal Revenue Service (IRS)

sos.state.oh.us/businesses. Once you have selected your business type, it's time to get your Federal Employment Identification Number (EIN). This is a thumbprint that tells the Internal Revenue Service (IRS) who you are as a business. As an LLC or Sole Proprietor, you can use your Social Security number instead of an EIN until you hire your first employee.

Applying for an EIN is a free service offered by the IRS. Beware of websites on the internet that charge for this free service. Ways to apply for an EIN#:

- Online
- Fax
- Mail
- Telephone (international applications)

APPLY FOR AN EIN# ONLINE
Get started



irs.gov • call (800) 829-4933

Workers' Compensation Coverage

The Ohio Workers' Compensation Insurance Fund is a no-fault program designed to protect employees and employers when a work-related injury, occupational disease or death occurs.

In Ohio, all employers with one or more employees must have workers' compensation coverage. If you do not plan on having employees, you are self-employed, a partner in a business, or an officer of a family farm corporation, you are not automatically covered.

You may elect optional coverage for yourself. Please consider coverage options at the Ohio Bureau of Workers' Compensation website at bwc.ohio.gov.

Tax Requirements

Throughout the year, you'll have to forward the taxes you have withheld from your employees, remit state and local sales taxes and pay tax on income.

You are strongly encouraged to seek the advice of professional accountants and/or attorneys to determine your applicable local, state and federal tax requirements.

Your next step is to register with the Ohio Business Gateway. Ohio businesses can use the Gateway to register and file commercial activity taxes (CAT), sales taxes, employer withholding taxes, unemployment insurance and municipal income taxes.

The Ohio Business Gateway offers Ohio's businesses a time- and money-saving online filing and payment system that helps simplify business relationships with government agencies.

For technical support and more information, contact the Gateway Help Desk at **1-866-OHIO-GOV (866-644-6468)** or visit **business.ohio.gov**.

Ohio Income Taxes

- Sole Proprietors must pay Ohio income taxes on their Ohio net earnings (income after expenses).
- Partners must pay Ohio income taxes on their share of the partnership's net earnings.
- Corporations must pay Ohio income taxes on their net earnings. The shareholders must pay Ohio income taxes on their dividends.
- For more information, go to **tax.ohio.gov**.

Commercial Activity Tax (CAT)

- The CAT is an annual tax imposed on the privilege of doing business in Ohio; it is measured by the gross receipts from business activities in Ohio. The CAT is not a transactional sales tax.
- Businesses with taxable gross receipts of \$3,000,000 or more in a calendar year will file the CAT when the threshold is reached, file all the applicable returns and make all corresponding payments.
- CAT applies to:
 - i. Service providers, such as medical professionals, attorneys and accountants.

- ii. Persons engaged in the sale or rental of any type of property.
- iii. Out-of-state businesses that meet any of the following criteria:
 - » Have more than \$500,000 in taxable gross receipts in Ohio.
 - » Have more than \$50,000 in real or personal property in Ohio.
 - » Expand more than \$50,000 in payroll for work in Ohio.
 - » Conduct more than 25 percent of business activity in Ohio.

For more information, go to **tax.ohio.gov/commercial_activities.aspx**.

Federal Taxes

To help businesses identify and comply with federal income tax rules, the Internal Revenue Service (IRS) has a complete online resource dedicated to small businesses.

Employee Withholdings

More information on filing employee withholding taxes is available in the Hiring your First or Next Employee guide at **business.ohio.gov/starting**.

SMALL BUSINESS RESOURCE
Self-employed tax center

irs.gov/businesses/small-businesses-self-employed





Do I Need a Vendor's License?

Ohio Vendor's License

Ohio law requires any person or business making retail sales of tangible personal property or taxable services to register for the sales tax by obtaining a vendor's license. The vendor's license is the mechanism that allows you to collect sales and use taxes from your customers and to remit those sales and use taxes to the Ohio Department of Taxation.

To purchase your vendor's license, you can download the forms from the website at tax.ohio.gov/sales_and_use/license.aspx.

How Often Will I Pay Sales and Use Taxes?

You can apply at your local county auditor or on the Ohio Business Gateway at business.ohio.gov.

To apply for your vendor's license, you will need to identify the NAICS code that best represents your business. The North American Industry Classification System (NAICS) is used by business and government to classify business establishments according to the type of economic activity.

Visit census.gov/eos/www/naics and use the keyword search to identify the NAICS code that best represents the type of business you plan to operate.

Type of Return	Taxpayer	Payment Date
Monthly	Vendors, Sellers, Transient Vendors, Direct Pay Permit Holders and Consumer Use Tax Accounts	By the 23rd day of the month for the tax collected during the preceding month. Taxpayers whose annual liability exceeded \$75,000 will be required to make accelerated and final payments by electronic funds transfer.
Quarterly	Direct Pay Permit Holders and Consumer Use Tax Accounts	By the 23rd day of January, April, July and October for their tax liability during the preceding three months. This method of payment may be authorized for accounts with less than \$15,000 in quarterly tax liability.
Semi-annual	Vendors, Sellers and Transient Vendors	By the 23rd day of the month following the close of each semi-annual period (pre-determined by filing schedule) for the tax collected during the preceding six-month period. This method of payment may be authorized for vendors and sellers whose tax liability is less than \$1,200 per six-month period.

Vendor's Licensing Types, Fees and Applications

Taxpayer	Cost of License	Description	Type of Application
Vendor	\$25.00	Each person with a fixed place of business in Ohio from which taxable sales are made. Vendors must have one license for each fixed place of business. License issued by the County Auditor. Go to caao.org/auditors-directory .	ST-1 (PDF)
Transient Vendor	\$25.00	Retailer who transports stock(s) of goods to temporary places of business in order to make sales. The license is issued by the Department of Taxation and is valid throughout the state.	ST1-T (PDF)
Seller	No fee	Retailer located outside of Ohio who makes retail sales of property or services for storage, use or consumption in Ohio. The license is issued by the Department of Taxation.	UT-1000 (PDF)
Direct Pay Permit Holder	No fee	Manufacturers or other consumers who purchase tangible personal property for which the taxable status cannot be determined at the time of purchase. These consumers are authorized to make sales and use tax payments directly to the state. The license is issued by the Department of Taxation.	ST-900 (PDF)
Consumers Use Tax Account	No fee	Purchasers who have not paid the tax to a vendor or seller (in most cases for out-of-state transactions) make payments directly to the state. The license is issued by the Department of Taxation.	UT-1008 (PDF)

How Much Sales Tax Do I Charge?

The Ohio sales tax rate varies by location across the state. The statewide base rate is 5.75 percent, but you may need to collect additional county or other local sales and use taxes. You can access local tax rates at:

thefinder.tax.ohio.gov/StreamlineSalesTaxWeb.

Certificate of Exemption

The state of Ohio does not issue a sales tax exemption number. A vendor's license number is NOT a sales tax exemption number. To claim exemption, you must provide a properly completed exemption certificate to your supplier. You also must keep such exemption certificates for your customers.

Understanding Environmental Laws

Small businesses, like big businesses, need to know and understand environmental regulations. The Ohio Environmental Protection Agency (EPA) makes sure everyone complies with environmental laws. The agency monitors land, air and water. Businesses should contact the Ohio EPA while in the planning process. The Ohio EPA has programs, such as the Small Business Assistance Program, that help new businesses understand environmental laws.

Water and Sewer

Before your business connects to a publicly owned wastewater system, the local sewer department must approve it. If your business is constructing a new private disposal system, contact the Ohio EPA for information about regulations.

Hazardous Waste

If your business will create, transport, store, treat or dispose of any hazardous or toxic wastes or used oil, contact the Ohio EPA for information about regulations.

Solid and Infectious Waste

The Ohio EPA regulates the transfer and disposal of nonhazardous solid wastes and scrap tires. Disposal facilities include landfills, compost operations and incinerators. The Ohio EPA also regulates generators and transporters of infectious waste. For information about these regulations, contact the Ohio EPA.

Air

All businesses that emit a certain amount of air contaminants must have permits to install and operate the air contaminant source. The Ohio EPA also should be notified if any building areas with asbestos will be demolished or renovated. Open burning of materials generally is not allowed in Ohio.

To contact the Ohio EPA, go to epa.state.oh.us or call **(614) 644-3020**.

Additional Resources:

- Office of Compliance Assistance and Pollution Prevention: epa.ohio.gov/ocapp.
- Small Business Compliance Assistance: epa.ohio.gov/ocapp/sb/index.
- Ohio EPA Permit Wizard: ohioepa.custhelp.com/app/opa.
- Guide to Environmental Permitting in Ohio: epa.ohio.gov/portals/41/sb/publications/permitguide.pdf.
- Self-Assessment Guide: epa.state.oh.us/portals/41/sb/publications/selfgde.pdf
- Checklist for Industry Specifications: business.ohio.gov/starting and click on the drop-down menu under Checklists.

Consumer Laws

The Ohio Attorney General's office enforces laws to ensure a fair marketplace for businesses and consumers. The Consumer Sales Practices Act (ORC 1345.01 and OAC 109:4-3-01 codes.ohio.gov) is the state's main consumer protection law. It prohibits deceptive, unfair and unconscionable sales practices in consumer transactions. A consumer transaction is a sale or advertisement of a product or service that would be used for the home or personal use. The Ohio Attorney General has a helpful publication outlining how to comply with the Ohio consumer law: ohioattorneygeneral.gov/Files/Publications-Files/Publications-for-Business/Complying-With-Ohio-Consumer-Law-A-Guide-for-Busin.

Zoning Requirements

Zoning is a process used by local governments to determine allowable activities on a specific property. Zoning laws can affect many facets of your business, including what can be built on a property, what activities are allowed and even if your company can operate at a specific location. Therefore, it is important to check with your local zoning authority to determine if the neighborhood zoning laws allow for that type of business in that location.

Patent Requirements

The U.S. Patent and Trademark Office (USPTO) is an agency of the U.S. Department of Commerce and issues patents for protection of inventions and trademarks.

To receive a patent, an application must be filed in the U.S. Patent and Trademark Office. There are three types of applications that may be filed. They are: utility, design and plant. There are various application fees depending on the patent you are applying for.

1. **Utility patents** should be applied for by those who “invent or discover any new and useful process, machine, article of manufacture, or compositions of matters, or any new useful improvement thereof.”
2. **Design patents** should be applied for by those who “invent a new, original and ornamental design for an article of manufacture.”
3. **Plant patents** should be applied for by those who “invent or discover and asexually reproduces any distinct and new variety of plant.”

What is a Copyright?

Copyright is a form of protection provided to the authors of “original works of authorship,” including literary, dramatic, musical, artistic and certain other intellectual works, both published and unpublished. The 1976 Copyright Act generally gives the owner of copyright the exclusive right to reproduce the copyrighted work, to prepare derivative works, to distribute copies of the copyrighted work, to perform the copyrighted work publicly or to display the copyrighted work publicly.

The copyright protects the form of expression rather than the subject matter of the writing. For example, a description of a machine could be copyrighted, but this would only protect against others copying the description; it would not protect others from writing a description of their own or from making and using the machine. Copyrights are registered by the Copyright Office of the Library of Congress.

To contact the U.S. Patent and Trademark Office, go to uspto.gov or call **(800) 786-9199**.

Licenses and Permits

You may be required to apply for a specific license or permit to operate a business. To learn more, go to business.ohio.gov/starting and click on the drop-down menu under *Checklists*.

INDUSTRY CHECKLIST
Choose the business type



Insurance Information

You should consider insuring your business and its assets. Possible types of coverage for your business include:

- Liability
- Buildings
- Business interruption
- Business income
- Boiler and machinery
- Business personal property
- Commercial auto
- Management protection
- Human failure
- Employee protection
- Computer equipment
- Vehicles
- Burglary

It is recommended you talk with an attorney or insurance agent to ensure that every aspect of your business is covered.

U.S PATENT & TRADEMARK
Learn the basics





Business Plan Guide

The websites listed below will help you find additional business plan resources.

U.S. Small Business Administration (SBA) – Resources
sba.gov

Palo Alto Software Inc. – Free business plan samples
bplans.com/sample_business_plans.cfm

Inc.com –How to write a great business plan
inc.com/guides/write-a-great-business-plan.html

Are You Ready to Start a Business? Questionnaire

This questionnaire asks for basic information you will need to develop a basic business plan. It will be helpful when you meet with a Small Business Development Center (SBDC) business advisor. Attach additional sheets as needed.

Name: _____

Company Name (if known): _____

Address: _____

Phone: _____

- 1. Describe the product/service your business is planning to offer. Specifically describe what the value your product/service will bring to your customers.**

2. Where will your business be located? What geographic area will it serve?

3. What is your business?

- ☐ New business
- ☐ Expansion of a current business
- ☐ Take-over of an existing business
- ☐ Other (describe): _____

4. What is your business type?

- ☐ Sole Proprietorship
- ☐ C-Corporation
- ☐ Partnership
- ☐ S-Corporation
- ☐ Limited Liability Partnership
- ☐ Limited Liability Company
- ☐ Nonprofit Corporation
- ☐ Unsure

5. Why are you going into business? Think about financial and nonfinancial goals.

Financial Goals:

- _____
- _____
- _____
- _____
- _____

Nonfinancial Goals:

- _____
- _____
- _____
- _____
- _____

PART I. MARKETING

1. Who are your potential customers (also known as your target market)? Describe your target market in general demographic terms, such as age, income and gender.

2. Describe your target market's buying habits. Think about how often your customers will purchase your product/service. Think about prices and seasonal buying patterns.

3. List factors you have considered in choosing your location, such as cost, overhead, traffic flow, parking, zoning laws, building codes, options for expansion, etc.

4. Who is your competition?

5. Describe your main competitors. Include your competitors' business names and locations and the success of the business.

6. Why do you think customers will buy from you? Include product/service benefits and company strengths. What are the differences between your products/services and the competitors' products/services?

7. How is your product/service priced compared to the competition?

- ☐ Higher
☐ Same
☐ Lower
☐ Unsure

8. Explain how you decided to price your product/service. Include information about how much you expect your costs to be and how much profit you expect to make.

9. Is there a market (need) for your business? What percentage of the market do you think you will get? Think about the market's past growth and future growth.

10. How do you plan to advertise your product/service?

11. How will your product/service reach your target market? These are known as your sales and distribution methods.

12. Describe your future customers, locations and new products.

PART II. MANAGEMENT

1. Describe your educational background and managerial experience in this type of business. Include all types of related experience. Attach a current resume.

2. Do you belong to any trade or business organizations?

3. What management and staff positions have you identified? What duties will they have? What skills do they need? Have you completed the necessary paperwork?

4. Which records have you thought about using to control your business?

☐

Payroll

☐

Sales/accounts receivable

☐

Inventory

☐

Purchases/accounts payable

☐

Computer software package (name): _____

☐

Customer relationship management: _____

Other (describe): _____

PART III. EQUIPMENT AND INVENTORY

1. What equipment and inventory items are required to start and run your business? Attach complete lists, including costs of what you currently own and what you need to purchase or lease.

2. List the potential suppliers of the items you need for your business.

PART IV. TAXES, INSURANCE AND REGULATIONS

1. What kind of taxes will your business have to pay? Who will prepare your taxes?

2. Have you talked with an insurance agent? What type of insurance do you need? How much will it cost?

3. Which local, state and federal regulations apply to your business? What types of licenses do you need?

PART V. FINANCES

1. On a separate sheet of paper, make a list of all the costs you expect to incur.
2. What is the minimum amount you need to take home from the business to live?
\$ _____ per month.
3. When your business makes a profit, how much money are you willing to keep in the business to help it grow?
\$ _____

4. What will you do if sales do not cover expenses?

5. How much, in total, will you need to start your business? \$_____

6. Approximately what percent of this money will come from (out of 100 percent)?

- ☐ Personal funds _____
- ☐ Borrowed funds from a bank _____
- ☐ Borrowed funds from family _____
- ☐ Private investors _____

7. Explain what the money will be used for.

8. What will you use as collateral against the money you will borrow?

- ☐ Nothing
- ☐ Car
- ☐ House or personal real estate
- ☐ Other (specify): _____

9. Are you willing to give up ownership rights in the company or share ownership?

10. Who will be responsible for your debts (your cosigner) if your business fails? Make sure you have consulted with this person.

11. Attach cash-flow projections.

12. Attach business ratios.