

START-UP REQUIREMENTS FOR ALL TENNESSEE BUSINESSES

Starting your own business can be a daunting experience. In addition to planning your business activities, you need to be in compliance with local, state, and federal regulations related to your business. The following serves as a starting point to understand the various requirements governments have for small businesses and how to comply.

Federal Employer Identification Number

You must obtain a Federal Employer Identification Number (EIN) if you have one or more employees, *or* if you operate as a trust, estate, corporation, partnership, *or* a similar non-individual organization (whether you have employees or not). There is no cost to obtain an EIN.

You can apply on-line to get your EIN from the IRS at this web address:

<http://www.irs.gov/businesses/small/article/0,,id=102767,00.html>. You will obtain it immediately upon completion of the validation. When filling out the form the only punctuation and special characters allowed are hyphen (-) and ampersand (&). (*NOTE for LLC EIN applicants*) The EIN process is different and unique for a single member LLC in that you must obtain two EIN's. However, beginning February 25, 2008, one or both can be obtained on-line in the same session.)

Alternative methods of obtaining an EIN include

- Complete Form SS-4, available by downloading on line at this IRS address:
<http://www.irs.gov/pub/irs-pdf/fss4.pdf>. Download the instructions for this form here:
<http://www.irs.gov/pub/irs-pdf/iss4.pdf>. The form is also available from any Internal Revenue Service office, Social Security Administration office or SCORE offices (part of the IRS Business Tax Kit).
- Mail to the Internal Revenue Service, Stop 8143, Memphis, Tennessee 37501 or
- Fax to (901) 546-3916. This number is available from 3 am to 11 pm Central Standard Time.

Tennessee Employer Number (SUTA)

You must obtain a Tennessee Employer Identification Number if

- You employ one or more persons during twenty different calendar weeks in a calendar year
- You paid \$1,500 in gross wages during any calendar quarter
- You are liable under the Federal Unemployment Tax Act,

Get a Tennessee Employer Number (SUTA) on-line at the Tennessee Department of Labor & Workforce Development at <http://www.state.tn.us/labor-wfd/Employers/forms/LB0441R8.07.pdf> or call the Knoxville office (865) 594-6380. There is no cost.

Sales & Use Tax Certificate (Sales Tax Number)

Businesses selling retail are liable for collection and payment of Tennessee Sales and Use Taxes. Contact the Tennessee Department of Revenue 531 Henley Street, Knoxville, Tennessee 37902. Telephone: (865) 594-6100 to obtain your Certificate. There is no cost. Application registration can be found on-line at http://tn.gov/revenue/forms/general/f13005_1.pdf

A Sales Tax Number provides the capability to purchase items used for resale without tax. A Blanket Certificate of Resale can be obtained on line at <http://www.tennessee.gov/revenue/forms/sales/f1300701.pdf>

Business License(s)

You must register your business and obtain a Business License from the appropriate County Court Clerk and/or the city tax collection authority. The cost is \$20 renewable annually. There may be additional classification fees depending on the type of your business.

Some types of professions are exempt only because the Tennessee Business Tax or the Minimum Business Tax License Fee applies to them.

Responsibilities If I Hire Employees?

For every employee, you must

- Have each employee complete Form W-4 to determine the amount of income tax to withhold from the employee's wages.
- Deduct from their wages Social Security taxes, Medicare taxes, and income tax.
- Pay Federal Unemployment (FUTA) Tax.
- Pay State Unemployment (SUTA) Tax.
- Complete Form W-2 at the end of the year for each employee

Governmental Reporting Requirements:

FEDERAL: For each employee, you must maintain an Employment Eligibility Verification (Form I-9) for the US Department of Homeland Security, US Citizenship and Immigration Services. You can download Form I-9 instructions and the form from the Employment Eligibility Verification page found by clicking [HERE](#) or go to their main web site <http://www.uscis.gov/portal/site/uscis>

TENNESSEE: If you hire or re-hire an employee, you must report such employees within twenty (20) days after hire date. The preferred reporting method is on-line and registration is at: <http://www.tnnewhire.com/>. Alternate reporting methods are

- Faxing a copy of the state reporting form <http://www.tnnewhire.com/Reporting.pdf>
- Faxing a copy of the employee's Form W-4 (obtainable from any IRS office or online at <http://www.uscis.gov/portal/site/uscis>) to Tennessee New Hire at fax (877)-505-4761.
- Mail to Tennessee New Hire Reporting, PO Box 17367, Nashville, TN 37217, or by phone at: 1-888-715-2280.

FEDERAL TAXES: Taxes are reported to the Internal Revenue Service on Form 940 and Form 941... Most of the information you will need about IRS requirements is contained in IRS Publication 15 and can be

downloaded from website <http://www.irs.gov/pub/irs-pdf/p15.pdf> or obtained at the SCORE office or from the IRS office located in the John Duncan Building, 710 Locust Street, Knoxville, Tennessee.

What Else Do I Need to Investigate?

FEDERAL EXCISE TAX: Your business may also be required to pay excise taxes. Excise taxes apply to businesses that manufacture or sell certain products; operate certain kinds of businesses; or use various kinds of equipment, facilities, or products. To determine whether you must pay excise taxes, refer to IRS Publication 510. This publication can be downloaded from website <http://www.irs.gov/pub/irs-pdf/p510.pdf> or obtained at the IRS office or the SCORE offices.

TENNESSEE FRANCHISE & EXCISE TAX: Tennessee State Franchise & Excise taxes are excluded for sole proprietorships and general partnerships. Upon incorporation with the Secretary of State, you will be assigned a control number. The Department of Revenue will send you a welcome notice with your control number and request for additional registration information. The registration form should be mailed to the Tennessee Department of Revenue, 500 Deaderick Street, Nashville, TN 37242 or faxed to (615) 741-0682. The form can be downloaded from http://tennessee.gov/revenue/pdf_fill/FaEapplicationFill-in.pdf The Tennessee Department of Revenue Regional Office is located at 531 Henley Street, Room 606, Knoxville, TN 37902 at phone (865)-594-6100. The Franchise & Excise Tax Guide is found at <http://tennessee.gov/revenue/taxguides/feguide.pdf>

Help Available

Free counseling about these requirements or any other concerns you may have about starting your business is available by calling SCORE. To set up a counseling session call (865) 692-0716.

Source: Chuck Christiansen, SCORE Counselor

Feb 2008

The material in this publication is based on work supported by the U.S. Small Business Administration under cooperative agreement SBAHG-04-S-0001. Any opinions, findings and conclusions or recommendations expressed in this publication are those of the author and do not necessarily reflect the views of the U.S. Small Business Administration. *The information contained in this publication is believed to be accurate and authoritative but is not intended to be relied on as legal, accounting, tax or other professional advice. You should consult with a qualified professional advisor to discuss issues unique to your business.*

File: sb002_0802