



guide to
starting a
business
arlington • virginia • usa



2004
7th Edition

This document was prepared by Arlington Economic Development in collaboration with other Arlington County agencies and small business service providers.

Information in this publication is considered accurate as of the date of publication, but changes do occur from time to time. Therefore, readers should always check to determine if new or different provisions apply in their case. This document is also available on the Arlington Economic Development website at www.arlingtonvirginiausa.com/bizLaunch or the Arlington County homepage at www.co.arlingtonva.us.

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choosing a location

Zoning Requirements

The Arlington County Zoning Ordinance regulates the location of various kinds of land uses including different types of businesses. A business cannot operate at a certain location unless permitted by the Zoning Ordinance, which is given through a Certificate of Occupancy. If you are unsure if your business can operate at a certain location, call the Arlington Zoning Office at (703) 228-3883.

To help guide you in planning your location, you may obtain a zoning map from the zoning office or online at www.co.arlington.va.us.

Arlington's Zoning Ordinance permits certain land uses by-right and other uses by special exception depending on the zoning district. The following list gives a brief description of the zoning districts where retail, office, and industrial uses are allowed. These brief descriptions are only intended as a general guide.

Retail uses generally are permitted by-right in these six different commercial zones (as well as industrial zones). However, certain service-oriented commercial uses (for example, an auto repair garage) must obtain a use permit to locate in these zones:

- C-1-R:** Restricted local commercial districts in isolated locations
- C-1:** Low-intensity commercial, mainly retail and personal services
- C-2:** Commercial development serving the broad community
- C-3:** Similar to C-1 and C-2 uses but at higher intensity of use, density and height
- C-TH:** Commercial townhouse
- C-R:** Mixed-use development at medium density
- C-O-A:** Coordinated mixed-use development near Metro stations

Offices are permitted by-right in the above seven districts, in the following five office districts, and the three industrial districts below.

- C-1-0:** Non-retail uses such as offices and financial institutions at low density
- C-O-1.0 and C-O-1.5:** Office, hotel, apartment — moderate intensities
- C-O-2.5:** Office, hotel, apartment — highrise, in Metro transit corridors
- C-O:** Office, hotel, apartment — highrise, highest intensity

Industrial uses are permitted in three manufacturing zones, which also permit office and retail uses. These are:

- C-M:** Light manufacturing, wholesale and distribution uses
- M-1:** Light industrial uses
- M-2:** Service industrial uses

By special exception certain businesses can locate in zones that otherwise would not be permitted subject to obtaining a use permit. For example, under certain circumstances offices are permitted in residential areas and retail uses can locate in office apartment and hotel zones.

Home Occupations are permitted in residences within limits. Some owners of rental properties limit or prohibit lessees from operating businesses, so be sure to check your lease before initiating a home-based business. The Zoning Ordinance also regulates building heights, floor areas, lot area coverage, setbacks (yards), parking, signs, loading space, and landscaping. Owners of lots or buildings which are in conflict with the Zoning Ordinance may apply for a variance.

Remember, it is important for you to verify zoning requirements with the Zoning Office before you sign a lease, purchase a property, or make improvements. For more information, contact the Arlington Zoning Office at (703) 228-3883.

site considerations

When choosing a site for a business, consider the nature of your service or product and who your customers will be. What kind of trading area do you want to serve?

- commercial
- industrial
- residential
- seasonal
- tourist
- educational or institutional
- daytime or evening trade

Retail businesses which desire walk-in trade usually seek a location on a main street, in a shopping center, or near a Metro station. Wholesalers, distributors and manufacturers usually need more space at lower cost per square foot, require less visibility, and also want good vehicle and loading access. Business and professional services tend to look for office buildings, professional centers, or upper floors above retail businesses. Auto-oriented businesses and businesses with a large trade area want sites on busy streets and highways. In selecting a location, consider these factors in addition to zoning:

- Cost of rent for space
- Visibility
- Image
- Parking for customers
- Parking for employees
- Highway, street or walk-in access
- Loading space
- Compatibility with nearby businesses

You may also want additional information about the neighborhood such as:

- Demographic characteristics
- Direct Competition
- Public and private development plans
- Information on nearby businesses
- Pertinent regulations and ordinances

For this and other information you may find it useful to contact any of the following organizations: Arlington Economic Development at (703) 228-0808, the Arlington Chamber of Commerce at (703) 525-2400, or the Arlington County Planning Division at (703) 228-3525.

In addition, for information on specific commercial areas in the County, contact the following public/private partnership organizations below. These are available to market their respective areas. Each has full-time staff prepared to assist area businesses:

- Ballston–Virginia Square Partnership (703) 528-3527
- Clarendon Alliance (703) 276-0228
- Columbia Pike Revitalization Organization (CPRO) (703) 892-2776
- Rosslyn Renaissance (703) 522-6628

Good advice and ideas can also come from talking to relevant trade associations, equipment and product suppliers, as well as business owners with experience in your field.

filing for a certificate of occupancy

The first and most important legal step to starting a business in Arlington County is to obtain a Certificate of Occupancy (CO). You must show proof that you have applied for a CO before a business license will be issued.

If you intend to operate a business in your home, please see the section on home occupations.

To obtain a CO, complete an Application for Certificate of Occupancy and pay the appropriate fee. Fees vary according to the intended uses and type of structure. The Community Inspections Division will make arrangements for an inspection of the premises by appropriate County agencies. Final issuance of a CO requires an average of 10 working days, assuming that no violations or discrepancies are found on the premises. For more information call the Arlington Zoning Office at (703) 228-3883.

The CO ensures that the premises for your business comply with all provisions of the law. An inspection of the premises is required. The inspection is required whether or not the use or the occupant changes. Keep your CO on file for future reference.

If you plan to make alterations or repairs, see the section Obtaining a Construction Permit for more information. Applications for a CO should be filed only when the premises is ready for inspection. No inspection will be made unless:

- The applicant or authorized representative is present on the premises
- Utility services are established and operating
- All equipment has been installed and connected

Compliance is ultimately your responsibility. Before finalizing any purchase or lease contract, it is important to determine what repairs and alterations to the property are needed and to agree on which party will pay for them.

Recycling

Each business is required to file a recycling plan within 30 days of Occupancy and to establish a recycling program within 90 days of receiving its Certificate of Occupancy. If you qualify for a Home Occupation Permit, you are exempt from this requirement. For more information call the Arlington Department of Environmental Services at (703) 228-6570.

Home Occupations

Arlington permits individuals to operate certain types of businesses within their homes 'with limitations' by issuing a Home Occupation Permit.

To obtain a Home Occupation Permit, two forms must be filed with the Zoning Administrator. These are the Acknowledgement and Agreement To Comply with the Conditions of a Home Occupation and the Parking Space Disclosure. No fee is required. Once you obtain a permit you are requested to file for a business license.

Some examples of permitted home occupations include: child care, consultant, contractor, dressmaker, home crafts, minister, musician, photographer, professional office (doctor, attorney), real estate broker, sales representative, telephone service, watch repair and writer.

Here are some of limitations, which apply:

- No signs are permitted
- No displays or sale of merchandise
- No more than one employee who is not a bona fide resident of the dwelling may be employed or perform work on the premises
- No more than 20 cubic feet are permitted for storage of merchandise and materials
- No storage of contracting equipment or materials except in a commercial vehicle and no loading or unloading on the property
- Only one commercial vehicle not larger than one ton parked on the property
- No more than 12 students or clients served per day and no more than four persons at any one time

There are other limitations that apply to home occupations. Please check with the County's Zoning Office for a complete and accurate listing of all conditions affecting home occupations before you make any decision to proceed with operating a business in your home. For more information call the Arlington Zoning Office at (703) 228-3883.

obtaining a construction permit

All new construction and all alterations – other than painting – involving building, electrical, plumbing, mechanical, and fire protection work require a construction permit.

To obtain a permit, file an application along with your construction or renovation plans with the County's Inspection Services Division.

Before work begins, you must receive approval of your plans in the form of a permit for each category of work to be undertaken and pay a fee. The amount of the fee depends on the amount of plan review and inspection work involved. The time needed for plan approval typically takes from 14 to 60 days depending on the complexity of the plans.

Construction permits are issued to property owners, licensed contractors, lessees, architects or engineers. A contractor must be licensed as required by state and county law and possess an Arlington County business license. In certain instances a bond must be obtained. A permit becomes invalid if work is not started within six months.

On-site inspections may occur while work is in progress. A final inspection is made upon completion. Once all construction has been satisfactorily completed, you are ready to apply for a Certificate of Occupancy (CO).

For information on applying for a construction permit or the need for a permit, contact the Arlington Inspection Services Division at (703) 228-3800.

applying for a business license

A new business must obtain a business license within 75 days from the date the business begins operation. To obtain a business license an applicant must show evidence that he or she has applied for a Certificate of Occupancy or a Home Occupation Permit and has either registered the business as a corporation or partnership, or has registered a trade name, if applicable.

If business license tax is applicable, it must be pre-paid as part of the application. The tax rate varies depending on the type of business. Most businesses pay a tax based on gross receipts earned in the previous calendar year. A few categories of businesses pay a flat fee. A new business must estimate its gross receipts in order for its tax to be calculated. The tax will be adjusted the following year to reflect actual gross receipts for the estimated year.

Businesses are taxed based on gross receipts. Businesses which are taxed on gross receipts and whose license basis does not exceed \$10,000 do not owe a tax. However, you must still file to obtain a license. Businesses with a tax basis between \$10,001 and \$50,000 pay a fee of \$30. Businesses with gross receipts between \$50,001 and \$100,000 pay a fee of \$50. Businesses with projected gross receipts over \$100,001 pay their tax based on the rate for their business category.

Business licenses must be renewed and taxes paid no later than March 1 each year. Certain small businesses are eligible to pay the tax on a semi-annual installment basis. For more information, call the Arlington Commissioner of Revenue at (703) 228-3060.

Please note that the local business license is in addition to any professional licensing requirements of the State of Virginia, discussed in the State Licensing section.

State Licensing

The Commonwealth of Virginia regulates certain businesses, occupations, and professions by requiring licensure before beginning operations in the state. Entry into each profession is regulated by respective Virginia regulatory bodies which establish minimum standards for education and training and may require an oral or written examination.

To obtain a license, these requirements must be met. Certain other occupations require state licensing other than for regulating entry. Please note that the accuracy and completeness of the list below cannot be guaranteed due to possible changes in state regulations.

Persons entering the businesses or occupations listed below should contact the identified State of Virginia agency for licensing information.

The Department of Professional and Occupational Regulation licenses the following occupations and businesses:

- Architects
- Asbestos Occupations
- Auctioneer
- Barber
- Boxer
- Branch Pilot
- Certified Interior Designer
- Certified Public Accountant
- Contractor
- Cosmetologist
- Engineer, Professional
- Geologist
- Hearing Aid Specialist
- Land Surveyor
- Landfill Operator
- Optician
- Polygraph Examiner
- Real Estate Appraiser
- Real Estate Agent
- Soil Scientist
- Water/Wastewater Works Operator
- Wrestler

For more information see the quick reference for licenses and permits page, or call the Virginia Department of Professional and Occupational Regulation at (804) 367-8500.

The Alcohol Beverage Control Board licenses businesses involved in the production, distribution, storage, transportation and/or sale of alcoholic beverages.

For more information, see the quick reference for licenses and permits page, or call the Virginia Alcohol Beverage Control Board at (703) 518-8090.

The following professions are licensed by the Department of Health Professions:

- Audiology
- Speech Pathology
- Dentistry
- Funeral Directors/Embalmers
- Medicine
- Nursing
- Nursing Home Administrators
- Optometry
- Pharmacy
- Professional Counselors
- Psychology
- Social Work
- Veterinary Medicine

For more information see the quick reference for licenses and permits page, or call the Virginia Department of Health Professions at (804) 662-9990.

The Department of Education accredits, licenses or regulates the following:

Private Schools

- Elementary
- Secondary
- Nursery Schools
- Trade
- Technical
- Business
- Correspondence Schools
- Schools for the Handicapped

Education Occupations

- Public School Administrator
- Teacher
- Guidance Counselor

For more information, see the quick reference for licenses and permits, page, or call the Virginia Department of Education at (800) 292-3820.

registering your business

Trade Name & Partnership Registration

All businesses in Arlington that use trade names and all general partnerships must register with the Clerk of the Circuit Court. A \$10 fee is required to register a trade name. A sole proprietor who does not have a trade name is not required to register. For more information, call the Arlington Clerk of the Circuit Court at (703) 228-7010.

Corporations

A new business incorporating in Virginia must file its articles of incorporation with the Virginia State Corporation Commission and pay a filing fee of \$25.

Stock corporations must pay a charter fee based on the number of authorized shares. The charter fee is \$50 for every 25,000 shares or fraction. For over one million shares, the fee is \$2,500. Non-stock corporations (those organized not for profit) pay a charter registration fee of \$25.

Foreign corporations are corporations doing business in Virginia but incorporated elsewhere. In order to transact business or conduct affairs in Virginia, a foreign corporation must apply for a Certificate of Authority To Transact Business In Virginia from the Virginia State Corporation Commission. The fees are the same as for domestic corporations (above).

All corporations doing business in Virginia must register annually with the Virginia State Corporation Commission and pay a fee. Stock corporations pay a \$50 fee for 5,000 or fewer shares plus \$15 for each additional 5,000 or fewer shares to a maximum of \$850. Non-stock corporations pay an annual fee of \$25. For more information, call the Virginia State Corporation Commission Clerk's Office at (804) 371-9733 or toll-free (in-state) at (866) 722-2551.

Limited Partnerships

Limited partnerships, domestic or foreign, must file a certificate of limited partnership with the State Corporation Commission and pay a \$100 filing fee.

A limited liability company is an unincorporated association. The owners have liability protection as in a corporation, but are treated as a partnership for income tax purposes. The company must file articles of organization with the Virginia State Corporation Commission and pay a filing fee of \$100. The annual registration fee is \$50. To register or obtain information, call the Virginia State Corporation Commission Clerk's Office at (804) 371-9733 or toll-free (in-state) at (866) 722-2551.

Contractors

Contractors must register their business both with the state and the County government. To bid on or undertake a job, contractors must possess a contractor's license issued by the State Board for Contractors. Contractors who perform work in Arlington must register with the County Inspection Services Division. For more information, call the Virginia State Board for Contractors at (804) 367-8511 and the Arlington Inspection Services Division at (703) 228-3800.

Restaurant Meals Tax

Restaurants must register with the Arlington Commissioner of Revenue for collection of the County meals tax. New restaurants must register with the Business Tax Division before sales begin.

The tax rate is 4% and is collected from the customer and held in trust by the restaurant until the 20th of each month, when it is paid to the County. This meals tax is in addition to what the state charges. For more information, call the Arlington Commissioner of Revenue at (703) 228-7180.

Franchise & Trademark Registration

Franchises must be registered with the Virginia State Corporation Commission before they may be offered or sold in Virginia.

Trademarks owned or used in Virginia may be registered by filing an application and a filing fee of \$30. To register either a franchise or a trademark, call the Virginia State Corporation Commission at (800) 552-7945 (toll free in Virginia only).

summary of state and local taxes

Tax	Notes	Agency	Number
Business License Tax	Every person, firm or corporation engaging in any business, occupation or profession is required to obtain a business license by filing an application in the jurisdiction where the activity is to be conducted. The tax is levied on the basis of gross receipts. Rates vary by category of business.	Arlington Commissioner of Revenue	(703) 228-3060
Business Tangible Personal Property Tax	Arlington levies a tax on tangible personal property owned or leased by businesses (furniture, fixtures, machinery, and tools) located in Arlington on January 1st. Programmable computer equipment is afforded a faster depreciation rate.	Arlington Commissioner of Revenue	(703) 228-3060
Vehicle Personal Property Tax	Every person or business owning a motor vehicle (car, truck, bus, motorcycle, trailer, boat, aircraft, semi-trailer, recreation vehicle, mo-ped, and motor home) principally garaged in Arlington is required to file a personal property tax return. A vehicle is considered of commercial use if: <ul style="list-style-type: none"> • More than 50% of the annual mileage is deducted from your taxes or reimbursed by your employer. • More than 50% of the vehicle depreciation is deducted in your taxes. • The cost of the vehicle is declared as an expense, according to the section no. 179 of the Internal Revenue Service (IRS) code. • The vehicle is rented to another person and the rental company is the one paying the property tax, not being this one reimbursed. • if the vehicle's title is under a commercial name. 	Arlington Commissioner of Revenue	(703) 228-3135
Corporate Income Tax	All domestic and foreign corporations registered with the Virginia State Corporation Commission must file a corporate income tax return with the state. Public service corporations (other than railroads and telecommunications companies), banks, trust companies, credit unions, and insurance companies pay taxes in lieu of the corporate income tax. S-corporations are required to file a return but do not pay a tax. Non-profit corporations are taxed on non-related business taxable income. Corporations engaged in multi-state activities pay a tax on only the portion of their income from Virginia resources.	Virginia Department of Taxation	(804) 367-8037
Partnership Returns	Effective for taxable years beginning on or after January 1, 1987, Virginia partnerships or partnerships with income from Virginia sources are not required to file a return of partnership income. Partnerships are required to provide information to the Department of Taxation on request	Virginia Department of Taxation	(804) 367-8037
Individual Income Tax Return	Virginia residents must file a Virginia income tax return if they are required to file a federal income tax return or have income above specified minimum levels depending on marital status. Non-residents with taxable income from Virginia sources and who file a federal income tax return must file Virginia Non-Resident Income Tax Form 763.	Arlington Commissioner of Revenue	(703) 228-4017
Individual Estimated Income Tax	Resident and non-resident individuals whose estimated tax liability exceeds their Virginia withholding and other tax credits by \$150 must file a declaration of estimated income tax.	Arlington Commissioner of Revenue	(703) 228-4017
Employer's Unemployment Tax	Virginia levies an unemployment tax based on wages of employees who work in Virginia. The employer pays the tax into a state fund from which unemployment benefits are paid.	Virginia Employment Commission	(804) 786-1485
Employer Income Tax Withholding	An employer who pays wages to one or more employees must deduct and withhold state income tax from such wages. Employers are required to register with the Virginia Department of Taxation.	Virginia Department of Taxation	(804) 367-8037
Retail Sales and Use Tax	Retail sales are defined as sales to a consumer or any person for purposes other than for resale. Sellers are subject to sales tax imposed on gross receipts from retail sales or leases of tangible personal property, unless the retail sales or leases a re-exempt by law. The use tax applies to tangible personal property uses, consumed or stored in Virginia but purchased out of state that would have otherwise been subject to sales tax.	Virginia Department of Taxation	(804) 367-8037
Meals Tax	This sales tax applies to food and beverages including alcoholic, sold by restaurants, whether consumed on or off-premises. Restaurants include caterers, carry-outs, delis, ice cream parlors, food carts, pizza and other food deliveries, and any business that sells prepared foods in a state ordinarily associated with consumption at one period by a person or group. The tax does not apply to grocery items.	Arlington Commissioner of Revenue	(703) 228-7180
Transient Occupancy Tax	Arlington levies a tax on charges made by hotels, tourist homes, and motels that offer accommodations on a short-term basis.	Arlington Commissioner of Revenue	(703) 228-7580
Real Estate Tax	All property, except that specifically exempt, is subject to taxation according to a uniform rate. Property is assessed at the local level, on the basis of 100% of fair market value as of January 1st of each year.	Real Estate Assessments	(703) 228-3920
Utility Tax	Arlington levies a tax on electric and gas utility service excluding bottled gas, provided to commercial and industrial users defined as the owner, occupant or tenant of property used primarily for commercial and industrial purposes.	Arlington Department of Management & Finance	(703) 228-3420
Cigarette Tax	Arlington levies a tax of 5 cents per 20 cigarettes on packs of cigarettes sold by wholesalers and coin cigarette machines.	Arlington Commissioner of Revenue	(703) 228-3017
Recordation Tax	Virginia imposes a state tax on the admission of record of deeds, deeds of trust, mortgages, leases, and contracts. The amount of the tax is determined and collected by the Arlington Clerk of the Court in the local jurisdiction where the document is first recorded. Arlington also imposes a tax.	Arlington Clerk of Court	(703) 228-4370
Litter Tax	A litter tax is imposed on every business operating as a manufacturer, wholesaler, distributor, or retailer of certain enumerated products. It does not apply to consumers. For more information visit www.deq.state.va.us/recycle/programs.html .	Arlington Commissioner of Revenue	(804) 698-4000
Motor Vehicle Fuel Sales Tax	This sales tax is imposed on retail sale of fuels are liable for collecting and remitting the tax and must register as a dealer with the Department of Taxation.	Virginia Department of Taxation	(804) 367-8037

business tax requirements

Your business will be subject to various federal, state and local taxes in addition to the business license tax already mentioned. The most common taxes that Virginia businesses pay are listed below. No single business will, of course, be affected by all these tax categories.

For instance, if you do not hire employees, you need not be concerned with employer taxes. In fact, the only taxes listed that affect all businesses are federal and state income taxes.

A brief explanation about federal income taxes here may be helpful.

Sole Proprietorships file federal income taxes on a Schedule C which is part of IRS Form 1040, the personal income tax return. Sole proprietors pay taxes only on profit. Any profit or loss shown on Schedule C is transferred to Form 1040 where it is included with the taxpayer's other income. A profit may also require paying a self-employment (i.e., social security) tax which is reported on Schedule SE.

Partnerships file IRS Form 1065, Partnership Return of Income, but do not pay taxes.

Any profit or loss earned by a partnership is distributed among the partners, using a Form K-1, in proportion to their percentage of ownership.

Regular Corporations file and pay federal and state income taxes completely separately from the owners' taxes. Federal income taxes are reported and filed using IRS Form 1120 (or Form 1120-A, a short form available to certain small corporations).

A regular corporation can retain earnings and its net operating losses can be carried forward or backward to offset future and past gains.

S-Corporations treat income taxes somewhat similarly to a partnership by passing profits or losses through the corporation to the stockholders. An S-corporation cannot retain earnings. Net operating losses cannot be carried forward or backward. Taxes are filed using IRS Form 1120-S.

The IRS publishes Publication 334, Tax Guide for Small Business, is available free from any IRS office. It provides extensive information on the federal tax laws affecting most businesses.

miscellaneous other taxes

Other Virginia taxes apply to specific businesses, products, and business legal transactions. The taxes are listed below by the administering agency. Space does not permit descriptions, but information can be obtained from the agency listed.

Tax	Agency	Number
Aircraft Sales & Use Tax	Virginia Department of Taxation	(804) 367-8037
Alcoholic Beverage Taxes & Licenses	Virginia Department of Alcoholic Beverage Control	(703) 518-8090
Bank Franchise Tax	Virginia Department of Taxation	(804) 367-8037
Beer and Beverage Excise Tax	Virginia Department of Alcoholic Beverage Control	(703) 518-8090
Cigarette Tax	Virginia Department of Taxation	(804) 367-8037
Corn Assessment	Virginia Department of Taxation	(804) 367-8037
Corporation Charter, Registration, & Entrance Fees	Virginia State Corporation Commission	(804) 371-9733
Daily Rental Passenger Car Tax	Virginia Department of Motor Vehicles	(866) 368-5463
Egg Excise Tax	Virginia Department of Taxation	(804) 367-8037
Estate Tax	Virginia Department of Taxation	(804) 367-8037
Fiduciary Income Tax	Virginia Department of Taxation	(804) 367-8037
Forest Products Tax	Virginia Department of Taxation	(804) 367-8037
Motor Vehicle Fuel Tax	Virginia Department of Motor Vehicles	(866) 368-5463
Insurance Company License Taxes	Virginia State Corporation Commission	(804) 371-9733
Licensing & Titling of Motor Vehicles	Virginia Department of Motor Vehicles	(866) 368-5463
Motor Vehicle Sales & Use Tax	Virginia Department of Motor Vehicles	(866) 368-5463
Out-of-State Contractors Use Tax	Virginia Department of Taxation	(804) 367-8037

Peanut Excise Tax	Virginia Department of Taxation	(804) 367-8037
Probate Tax	Virginia Department of Taxation	(804) 367-8037
Public Service Corporation Taxes	Virginia State Corporation Commission	(804) 371-9733
Road Tax on Motor Carriers/Motor Vehicle Carriers	Virginia State Corporation Commission	(804) 371-9733
Rolling Stock Tax	Virginia Department of Taxation	(804) 367-8037
Soft Drink Excise Tax	Virginia Department of Taxation	(804) 367-8037
Soybean Assessment	Virginia Department of Taxation	(804) 367-8037
Vending Machine Sales Tax	Virginia Department of Taxation	(804) 367-8037
Watercraft Sales & Use Tax	Virginia Department of Taxation	(804) 367-8037
Writ Taxes	Virginia Department of Taxation	(804) 367-8037

employer tax requirements

If you hire employees, you will have to comply with various legal requirements and know about state and federal forms and filing procedures. It may be advantageous to use the services of an accounting or business counseling firm to either complete and file the forms for you or to teach you how to do it. While the process appears complex, many business owners handle it easily. Above all, accurate record keeping is essential for timely and correct filing of employer tax.

The nearest federal Internal Revenue Service (IRS) office, for walk-ins only, is located at 5205 Leesburg Pike, #900, Falls Church, VA 22041

Internal Revenue Service (800) 829-1040
For publications and forms (800) 829-3676

For information on Virginia taxes and forms, call the Virginia Department of Taxation at (703) 359-6715.

Employer Identification Number

All employers, corporations and partnerships are required to obtain a federal employer identification number (EIN). The EIN identifies your business's tax accounts on all federal and state tax forms. A sole proprietor without employees does not need to obtain an EIN and may use his or her social security number instead.

To apply for your federal EIN, file Form SS-4 which you can obtain from an IRS or Social Security office. No fee is required. Allow several weeks for your identification numbers to be mailed. For more information call (800) 829-1040.

Employees & Independent Contractors

Businesses sometimes prefer to hire a person as an independent contractor because the nature or duration of the work does not justify hiring a person as an employee.

If a business hires and pays an independent contractor \$600 or more during the year, the business is required to report this information to the IRS using Form 1099. A business is not required to withhold or pay employer taxes for monies it pays an independent contractor. The independent contractor is responsible for reporting his or her income and paying taxes. The distinction between an employee and an independent contractor is important to understand because the IRS may assess taxes and penalties if a worker is improperly treated as a contractor instead of an employee. The difference depends on the working relationship between the employer and the person performing services.

Independent contractors, generally, are persons who offer their services to the general public. The general rule is that a person is an independent contractor if the employer has the right to control or direct the result of the work, but not the methods or means of accomplishing the work. Independent contractors generally supply their own tools, work at times and places of their choosing, and cannot be discharged by the employer. A written contract for work may help define these facts. In contrast, in an employer-employee relationship the employer supplies tools and a place to work, has the right to fire the employee, and generally controls the means of work.

There are exceptions to these general rules and sometimes it may be difficult to know the correct decision. Check with your accountant or tax professional if you are unsure. If the IRS concludes that an employer has no reasonable basis for treating a worker as an independent contractor, the employer may be liable for back payroll taxes for the worker.

Employer Tax Withholding

As an employer, the law requires you to withhold federal and state income taxes and Social Security (FICA) taxes from the earnings of each of your employees. In addition, the business is required to make payments from its own funds to Social Security for each employee.

The amount of income and social security taxes to be withheld and paid for each employee will vary depending on the rate of pay, marital status, and number of exemptions claimed by the employee on the Form W-4 (described below). If you are preparing employer tax returns yourself, be sure you have the most recent withholding tax tables since these tables change frequently due to changes in the tax law.

Federal withholding and social security taxes are filed four times a year on Form 941. Small businesses make payments monthly; large businesses make payments twice a week. For this purpose a small business is one which reported \$50,000 or less in payroll taxes the prior year. The payments are made via deposits to a bank (called a federal depository) using Coupon 8109.

Virginia income tax withholding is reported quarterly on Form VA-5. Payments may be required quarterly, monthly or quarter-monthly depending on payroll size.

Each employee must complete and return to you a federal Form W-4 at the beginning of his or her employment and when he or she wishes to change it. The W-4 indicates the number of exemptions (withholding allowances) which the employee claims so that you can properly determine withholding amounts during the year.

If you are a sole proprietor or a partner in a partnership, you are not considered an employee and are not subject to withholding. In lieu of withholding, you may be required to make quarterly estimated tax payments if withholding from your other income, such as salary from another job, is not enough.

To figure and pay estimated taxes to the IRS use Form 1040-ES and to the State of Virginia use Form 760-ES. It is your responsibility to make sure these payments accurately reflect the taxes you will owe and are paid in a timely manner. In general if you expect to owe \$500 even after subtracting withholding (and other tax credits), you may have to make estimated tax payments. You do not have to make estimated tax payments if your withholding tax payments for the year either equal last year's tax liability or equal 90 percent of your current tax liability.

The tax laws on this are complex and changing, so check with an accountant or tax expert.

If your business is incorporated, you as the owner are automatically an employee and are subject to withholding on any salary the corporation pays you. Therefore, you would not have to file estimated tax returns as an individual. However the corporation may be required to make estimated tax payments on corporate income, using Form 1120-W.

Unemployment Tax

Virginia and the federal government each require employers to pay an unemployment tax which is based on an employee's wages.

The Federal Unemployment Tax (FUTA) is filed annually on federal Form 940. The FUTA tax must be paid at least annually by January 31 of the following year or quarterly (on Coupon 8109) if a higher payroll requires it.

Virginia unemployment taxes are levied on wages of employees who work in Virginia. These taxes go into a state fund from which benefits are paid to claimants. Unemployment insurance offers workers protection from loss of earnings while partially or completely laid off from their jobs through no fault of their own. This tax is filed and paid quarterly by using Virginia form VEC-FC-20. The tax rate varies depending on each business's experience rating; that is, the amount of unemployment claims against each business. As a new business you can obtain your tax forms and your tax rate by filing form VEC-FC-27. For information and forms call the Virginia Employment Commission at (703) 813-1300.

Worker's Compensation Insurance

Any employer who has three or more regular employees is required to furnish, at no cost to the employee, worker's compensation insurance. The insurance may be purchased through a private insurance company or the employer can apply to the

Industrial Commission to obtain a certificate of self insurance. The cost of the insurance varies by industry and occupation.

Worker's compensation insurance provides compensation and medical benefits to workers or their dependents if the workers become disabled or die from accidental injury or occupational disease due to their employment. For information call the Virginia Workers' Compensation Commission at (804) 367-8600 or toll free in VA only (877) 664-2566.

Employment Eligibility

Under the Immigration Reform and Control Act of 1986, all new employees must verify with their employer their eligibility to work. New employees must be American citizens or aliens who are authorized to work in this country.

As an employer, you must verify employment eligibility of anyone hired after November 6, 1986, and complete and retain a one-page Employment Eligibility Verification (Form I-9), or obtain an Employment Certificate from the Virginia Employment Commission. The Immigration and Naturalization Service publishes a Handbook For Employers, Form M-274, which explains the law and how to comply. For more information, call the U.S. Naturalization Services at (800) 375-5283.

Americans with Disabilities Act

The Americans with Disabilities Act (ADA) became federal law in 1990. It prohibits discrimination against individuals with disabilities in employment and mandates their full participation in both publicly and privately provided services and activities. The ADA requirements became effective on July 26, 1992 for employers with 25 or more employees; and on July 26, 1994 for employers with 15 or more employees.

The ADA requires that public accommodations, such as restaurants, retail stores, hotels, theaters, doctors' offices, pharmacies, private schools and day care centers, may not discriminate against persons with disabilities. Reasonable efforts must be made to remove existing barriers and new construction must be accessible.

The law is complex and wide ranging and cannot be briefly summarized here. For information call any of the following agencies:

Equal Employment Opportunity Commission (EEOC) (publishes The ADA – Your Responsibilities as an Employer)	(800) 669-3362
Regional Business Technical Assistance Center	(703) 228-4786
U.S. Department of Justice Hotline	(202) 514-0301

Right-to-Work Law

Virginia has a right-to-work law which prohibits a union shop or closed shop. This law means that an employer in Virginia cannot deny a person the right to work on account of membership or non-membership in a labor union or organization; require employees to become or remain members of a union; or require dues to be paid to a union as a condition of employment. The law also regulates other aspects of employee/management relations. For more information, call the Department of Labor & Industry at (703) 392-0900.

Minimum Wage

Federal and Virginia laws require employers to pay employees a minimum wage of \$5.15 per hour. Certain employees, including employees who receive tips, are subject to different pay standards. For more information, call the Department of Labor & Industry at (703) 392-0900.

Other State Labor Regulations

The Virginia Department of Labor and Industry enforces other regulations pertaining to:

- Minimum wage
- Equal pay
- Child labor
- Apprenticeship training
- Bulletin board poster requirements

For information, call the Department of Labor & Industry at (703) 392-0900.

quick reference — useful telephone numbers

Emergency – Fire and Police**911**

(For non-emergency see below)

(703) 558-2222

TTY for Hearing Impaired

(703) 228-4610

Arlington County

General Information

(703) 228-3000

TTY for Hearing Impaired

(703) 228-4611

Getting Started

Trade Name & Partnership

(703) 228-7010

Certificate of Occupancy

(703) 228-3883

Zoning Office

(703) 228-3883

Inspection Services

(703) 228-3800

Child Care Approval/Licensure

(703) 228-1685

Recycling (Solid Waste Division)

(703) 228-6570

Services

Refuse Collection

(703) 228-6570

Snow and Ice Removal

(703) 228-6485

Water & Sewer Problems

(703) 228-6485

Street Lights

(703) 228-3576

Police Non-Emergency

(703) 558-2222

Fire Marshal

(703) 228-4644

Environmental Health (Food Service Inspection)

(703) 228-4826

Taxes

Meals Tax

(703) 228-7180

Business License Tax

(703) 228-3060

Real Estate Assessments

(703) 228-3920

Real Estate Tax Payments

(703) 228-3090

Business Tangible Tax

(703) 228-3060

Personal & Vehicle Property Tax

(703) 228-3135

State Income Tax (Comm. of Revenue)

(703) 228-3055

Internal Revenue Service

(800) 829-1040

Virginia Dept. of Taxation

(703) 359-6715

Technical Assistance

Arlington Economic Development	(703) 228-0808
Planning Division	(703) 228-3525
Inspection Services (Contractors)	(703) 228-3800
Consumer Affairs	(703) 228-3260
Crime Unit	(703) 228-4151
Arlington County Public Library	(703) 228-5990
Arlington Purchasing Agent	(703) 228-3410
Hacker's Office (Vendors, Peddlers)	(703) 228-4252

Other Important Offices

Arlington Chamber of Commerce	(703) 525-2400
Arlington Small Business Development Center	(703) 993-8200
BizLaunch	(703) 228-0853
State Corporation Commission	(804) 371-9733
Virginia Employment Commission	(703) 813-1300
Dominion Virginia Power	(888) 667-3000
ECDC Enterprise Development Group	(703) 685-0510
U.S. Small Business Administration	(202) 606-4000
Procurement Technical Assistance Program	(703) 277-7750
Virginia Dept. of Minority Business Enterprise	(800) 223-0671
State Board for Contractors	(804) 367-8511
Alcoholic Beverage Commission (ABC)	(703) 518-8090
Center for Innovative Technology (CIT)	(703) 689-3000
Virginia Small Business Financing Authority	(804) 371-8200
SCORE Counseling (at Central Library)	(703) 358-5990
Technology Resource Alliance	(703) 277-7710
Entrepreneurship Center	(703) 277-7700
National Association of Women Business Owners	(301) 608-2590
Small Business Clinic, National Law Center	(202) 994-7463
Arlington Bar Association	(703) 228-3390
Arlington Adult Education	(703) 228-7200
Virginia Economic Development Partnership	(804) 371-8100

quick reference — permits & licenses

Permit/License	Agency	Number
Alcoholic Beverages	ABC Commissioner 2901 Hermitage Rd. Richmond, VA 23220	(804) 367-0605
Architects	Virginia Department of Professional and Occupational Regulation 3600 West Broad Street Richmond, VA 23230	(804) 367-8500
Asbestos Related Occupations	Virginia Department of Professional and Occupational Regulation 3600 West Broad Street Richmond, VA 23230	(804) 367-8500
Attorneys	State Bar Examiners 707 East Main Street #150 Richmond, VA 23219	(804) 775-0500
Auctioneers	Virginia Department of Professional and Occupational Regulation 3600 West Broad Street Richmond, VA 23230	(804) 367-8500
Audiology and Speech Pathology Specialists	Virginia Department of Health Professions 6606 West Broad St., 4th floor Richmond, VA 23230	TTY: (804) 662-7197 (804) 662-9900
Barbers	Virginia Department of Professional and Occupational Regulation 3600 West Broad Street Richmond, VA 23230	(804) 367-8500
Blasting	Arlington County Fire Marshall 2100 Clarendon Blvd., Suite 400 Arlington, VA 22201	(703) 228-4644
Block Party	Arlington County Department of Public Works 2100 Clarendon Blvd., Suite 706 Arlington, VA 22201	(703) 228-3575
Boilers	Arlington County Department of Community Planning, Housing and Development 2100 Clarendon Blvd., Suite 804 Arlington, VA 22201	(703) 228-3800

Branch Pilots	Virginia Department of Professional and Occupational Regulation 3600 West Broad St. Richmond, VA 23230	(804) 367-8500
Brokerage Firms	State Corporation Commission Tyler Building, 1300 E. Main Street Richmond, VA 23219	(804) 371-9733
Building Permits	Arlington County Department of Community Planning, Housing and Development 2100 Clarendon Blvd., Suite 804 Arlington, VA 22201	(703) 228-3800
Burning	Arlington County Fire Marshall 1020 North Hudson Street Arlington, VA 22201	(703) 228-4644
Bus Companies	State Corporation Commission Tyler Building, 1300 E. Main Street Richmond, VA 23219	(804) 371-9733
Business and Professional Licenses (Local license taxation)	Arlington County Commissioner of Revenue 2100 Clarendon Blvd., Suite 208 Arlington, VA 22201	(703) 228-3060
Certified Public Accountant	Virginia Department of Professional and Occupational Regulation 3600 West Broad Street Richmond, VA 23230	(804) 367-8500
Child Care Licenses	Arlington County Department of Human Services 2100 Clarendon Blvd., Suite 411 Arlington, VA 22201	(703) 228-5300
Commercial Truck Carriers	State Corporation Commission Tyler Building, 1300 E. Main Street Richmond, VA 23219	(804) 371-9733
Contractors	Virginia Department of Professional and Occupational Regulation 3600 West Broad St. Richmond, VA 23230	(804) 367-8500
Corporations (to incorporate)	State Corporation Commission Tyler Building, 1300 E. Main Street Richmond, VA 23219	(804) 371-9733
Cosmetologist	Virginia Department of Professional and Occupational Regulation 3600 West Broad Street Richmond, VA 23230	(804) 367-8500

County Decal/Car Registration	Arlington County Commissioner of Revenue 2100 Clarendon Blvd., Suite 218 Arlington, VA 22201	(703) 228-3135
Dentistry	Virginia Department of Health Professions 6606 West Broad Street, 4th Floor Richmond, VA 23230	(804) 662-9900
Digging	"Miss Utility" Program Calls only; Call two days before you dig	(800) 257-7777
Driver Licenses	Virginia Department of Motor Vehicles 4150 S. Four Mile Run Dr. Arlington, VA 22206	1-(866) 368-5463 1-(800) 435-5137
Dumpster (Construction)	Arlington County Department of Public Works 2100 Clarendon Blvd., Suite 706 Arlington, VA 22201	(703) 228-3575
Elevator	Arlington County Department of Community Planning, Housing and Development 2100 Clarendon Blvd., Suite 804 Arlington, VA 22201	(703) 228-3800
Employment Agencies	Virginia Department of Professional and Occupational Regulation 3600 West Broad Street Richmond, VA 23230	(804) 367-8500
Fairs	Arlington County Department of Community Planning, Housing and Development 2100 Clarendon Blvd., Suite 812 Arlington, VA 22201	(703) 228-3800
Federal I.D. Number for Businesses	Internal Revenue Service 5205 Leesburg Pike (Skyline Center) #900 Falls Church, VA 22041	(800) 829-1040
Fence	Arlington County Department of Community Planning, Housing and Development 2100 Clarendon Blvd., Suite 812 Arlington, VA 22201	(703) 228-3800
Fire Hydrants (Use of)	Arlington County Department of Public Works 2100 Clarendon Blvd., Suite 813 Arlington, VA 22201	(703) 228-4644
Food Carts (with propane)	Arlington County Fire Marshall 1020 North Hudson Street Arlington, VA 22201	(703) 228-4644
Food Establishments	Arlington Department of Human Services Environmental Health 2049 N. 15th Street, 2nd Floor Arlington, VA 22201	(703) 228-4826

Fumigation	Arlington County Fire Department 2100 Clarendon Blvd., Suite 400 Arlington, VA 22201	(703) 228-4644
Funeral Services	Virginia Department of Health Professions 6606 West Broad Street, 4th floor Richmond, VA 23230	(804) 662-9900
Gas Pumps	Virginia Department of Agriculture Office of Product and Industry Standards Agriculture and Consumer Services Washington Building, Capitol Square 1100 Bank Street Richmond, VA 23219	(804) 786-2476
Geologists	Virginia Department of Professional and Occupational Regulation 3600 West Broad Street Richmond, VA 23230	(804) 367-8500
Handicapped Parking	Virginia Department of Motor Vehicles 4150 S. Four Mile Run Drive Arlington, VA 22207	1-(866) 368-5463 1-(800) 435-5137
Hauling	Arlington County Department of Public Works 2100 Clarendon Blvd., Suite 706 Arlington, VA 22201	(703) 228-3575
Hearing Aid Specialists	Virginia Department of Professional and Occupational Regulation 3600 West Broad Street Richmond, VA 23230	(804) 367-8500
Insurance Companies	State Corporation Commission Tyler Building, 1300 E. Main Street Richmond, VA 23219	(800) 552-7945
Land Surveyors	Virginia Department of Professional and Occupational Regulation 3600 West Broad Street Richmond, VA 23230	(804) 367-8500
Landscape Architects	Virginia Department of Professional and Occupational Regulation 3600 West Broad Street Richmond, VA 23230	(804) 367-8500
Lead Abatement	Virginia Department of Professional and Occupational Regulation 3600 West Broad Street Richmond, VA 23230	(804) 367-8500
Massage Therapy	Arlington County Department of Human Services Environmental Health 2049 N. 15th Street, 2nd Floor Arlington, VA 22201	(703) 228-7400

Mechanical	Arlington County Department of Community Planning, Housing and Development 2100 Clarendon Blvd., Suite 804 Arlington, VA 22201	(703) 228-3800
Mechanics, State Inspection	Inspection of Vehicles, Licenses 9801 Braddock Road Fairfax, VA 22032	(703) 323-4500
Nail Technicians	Virginia Department of Professional and Occupational Regulation 3600 West Broad Street Richmond, VA 23230	(804) 786-2441
Noise	Arlington County Department of Community Planning, Housing and Development Code Enforcement Office 2100 Clarendon Blvd., Suite 709 Arlington, VA 22201	(703) 228-3232
Nursing	Virginia Department of Health Professions 6606 West Broad Street, 4th Floor Richmond, VA 23219	(800) 552-3402
Nursing Home Administration	Virginia Department of Health Professions 6606 West Broad Street, 4th Floor Richmond, VA 23219	(800) 552-3402
Occupancy Permit	Arlington County Department of Community Planning, Housing and Development 2100 Clarendon Blvd., Suite 812 Arlington, VA 22201	(703) 228-3883
Opticians	Virginia Department of Professional and Occupational Regulation 3600 West Broad Street Richmond, VA 23230	(804) 367-8500
Optometry	Virginia Department of Health Professions 6606 West Broad Street, 4th Floor Richmond, VA 23230	(800) 552-3402
Parade	Arlington County Department of Community Planning, Housing and Development 2100 Clarendon Blvd., Suite 706 Arlington, VA 22201	(703) 228-3575
Patents	U.S. Patent and Trademark Office P.O. Box 1450 Alexandria, VA 22313	(703) 308-4357
Peddlers	Arlington County Police Department 1425 N. Court House Rd. Arlington, VA 22201	(703) 228-4258

Pharmacy	Virginia Department of Health Professions 6606 West Broad St., 4th Floor Richmond, VA 23230	(804) 662-9900
Polygraph Examiners	Virginia Department of Professional and Occupational Regulation 3600 West Broad St. Richmond, VA 23230	(804) 367-8500
Professional Examiners	Virginia Department of Professional and Occupational Regulation 3600 West Broad St. Richmond, VA 23230	(804) 367-8500
Psychology	Virginia Department of Health Professions 6606 West Broad St., 4th Floor Richmond, VA 23230	(804) 662-9900
Rail Companies	State Corporation Commission Tyler Building, 1300 E. Main St. Richmond, VA 23219	(800) 552-7945
Real Estate Appraisers	Virginia Department of Professional and Occupational Regulation 3600 West Broad St. Richmond, VA 23230	(804) 367-8500
Real Estate/Fair Housing	Virginia Department of Professional and Occupational Regulation 3600 West Broad St. Richmond, VA 23230	(804) 367-8500
Restaurant Plan Review	Arlington County Department of Human Services 2100 Clarendon Blvd., Suite 411 Arlington, VA 22201	(703) 228-5300
Recycling	Arlington County Department of Environmental Services 4300 S. 29th Street Arlington, VA 22206	(703) 228-6491
School Accreditation	Virginia Department of Education 101 North 14th Street Richmond, VA 23219	(804) 225-2691
Sewers	Arlington County Department of Environmental Services 2100 Clarendon Blvd., Suite 807 Arlington, VA 22201	(703) 228-3636
Sign Permits	Arlington County Department of Community Planning, Housing and Development 2100 Clarendon Blvd., Suite 812 Arlington, VA 22201	(703) 228-3883

Social Workers	Virginia Department of Health Professions 6606 West Broad St., 4th Floor Richmond, VA 23230	(804) 662-9900
Soil Scientists	Virginia Department of Professional and Occupational Regulation 3600 West Broad St. Richmond, VA 23230	(804) 367-8500
Solicitors	Arlington County Police Department 1425 N. Court House Rd. Arlington, VA 22201	(703) 228-4252
Swimming Pools/Spas	Arlington County Department of Human Services Environmental Health 2049 N. 15th Street, 2nd Floor Arlington, VA 22201	(703) 228-7400
Teacher Certification	Virginia Department of Education 101 North 14th Street Richmond, VA 23219	(800) 292-3820
Trademarks	U.S. Patent and Trademark Office 2900 Crystal Dr. Arlington, VA 22202-3513	(703) 308-9000
Underground Storage	Arlington County Fire Marshall 2100 Clarendon Blvd., Suite 400 Arlington, VA 22201	(703) 228-4644
Utilities, Licenses	State Corporation Commission Tyler Building, 1300 E. Main Street Richmond, VA 23219	(804) 371-9733
Veterinary Medicine	Virginia Department of Health Professions 6606 West Broad Street, 4th Floor Richmond, VA 23230	(804) 662-9900
Waste Management Facility Operators	Virginia Department of Professional and Occupational Regulations 3600 West Broad Street Richmond, VA 23230	(804) 367-8500
Water and Wastewater Workers Operators	Virginia Department of Professional and Occupational Regulation 3600 West Broad Street Richmond, VA 23230	(804) 367-8500
Weights and Measures	Agriculture and Consumer Services Washington Building, Capitol Square 1100 Bank St. Richmond, VA 23219	(804) 786-2042

quick reference — legal structure

To begin any type of new business you must decide how you want the business structured. Businesses fit into one of three basic types.

These are:

- Sole Proprietorship
- Partnership
- Corporation — Regular or S-corporation

The decision on how to structure a business varies for each owner. There is, of course, no need to make the business structure more complicated than necessary. If you feel the need, consult with an attorney, accountant or business counselor. The person who helps you should be familiar with your type of business, your business goals and personal finances.

Sole Proprietorship

Most businesses begin as sole proprietorships, the simplest form of business. No special legal steps are required to get started and it is easiest to end. Bookkeeping and tax preparation are also the simplest.

For income tax reporting purposes, as a sole proprietor you and your business are the same. You do not pay yourself a salary as such, because your profits, if any, are your salary. You may or may not have a trade name, as you choose.

Partnership

There may be good reasons why you need to consider incorporating or forming a partnership. Partnerships are necessary when two or more persons wish to enter into business together. Partnerships have the advantage of combining the resources or skills of two or more people into the enterprise. A partner, for example, might provide a source of needed start-up capital for a business.

A written partnership agreement, although not mandatory, is almost always a practical necessity. It describes each person's responsibilities, how profits and losses will be divided, how a partner can leave the business, and what happens in case of a partner's death, disability or serious discord. You may wish to use an attorney for this purpose.

Partnerships do not have permanence; if one partner leaves, the partnership is dissolved. Partners are personally liable for all liabilities of the partnership. But note that a new form of partnership called a limited liability company, approved by the State of Virginia in 1991, provides liability protection for partners.

Partnerships must file a federal income tax return but do not pay tax; each partner's share of profits or losses are included in the individual partner's income tax return.

Corporation

The advantages and disadvantages of incorporating are numerous and complex. They take into account issues of duration of the business, capital formation, income distribution and retention, liability protection, ownership transfer, taxation, and legal costs. One main reason businesses incorporate is for the liability protection that a corporation provides to shareholders. The choice between a regular corporation versus an S-corporation deals largely with tax considerations. S-corporations pass through profits or losses directly to the shareholders, much like in a partnership.

In the eyes of the government, a corporation is a legal entity distinct from its owner or owners. It reports and pays taxes separately and its organization and operation are regulated by Virginia law. A corporation has permanence; unlike a partnership or a sole proprietorship, it cannot be so easily dissolved. Using an attorney to incorporate is not legally mandatory but is recommended.

quick reference — business glossary

Accounting Period a period of time, (month, quarter, year), for which a financial statement is produced.

Accounts Payable this represents what a business owes to its suppliers and other creditors at a given point in time.

Accounts Receivable this represents the amount due to a business by its customers at a given point in time.

Accrual Accounting a method of bookkeeping in which income and expenses are allocated to periods to which they apply, regardless of when actually received or paid. For example, when an invoice is rendered, its value is added to income immediately, even though it has not been paid. (Also see Cash Accounting)

Audit verification of financial records and accounting procedures generally conducted by a CPA or accounting firm or if you're really unlucky, the IRS.

Balance Sheet financial statement showing assets and liabilities at a specific time.

Bond a third party obligation promising to pay if a vendor does not fulfill its valid obligations under a contract. Types of bonds include LICENSE, PERFORMANCE, BID, INDEMNITY & PAYMENT. (Also see SURETY BOND)

Break-Even Point the point at which sales equal total costs.

Capital Asset An asset that is purchased for long-term use such as machinery and equipment.

Cash Accounting the simplest form of accounting in which income is considered earned when received and expenses are not taken into account until paid.

Caveat Emptor a phrase which translates to "Let the buyer beware"

Certified Lenders banks that participate in the SBA's guaranteed loan program.

Collateral an asset that can be sold for cash and which has been pledged to a creditor to secure a future obligation. (For example, if you finance a car it is the collateral for the loan).

Compound Interest is interest earned on previously accumulated interest plus the original principal. Most spreadsheets can calculate this easily for you but for the curious, the formula is $C = P(1 + r/n)^n$, where C=compound amount, P=original principal, r=annual interest rate, n=total number of periods over which interest is compounded.

Contract an agreement between two (or more) parties in which each promises to perform in some way. Contracts can be complex and should always be reviewed by an attorney. A contract may not be binding if not correctly drafted and executed.

Credit Report a listing of an individual or company's history of repaying past loans and other liabilities.

Debt Financing this is financing in which you get a loan from someone or somewhere and go into debt! You are obligated to repay the money at some predetermined interest rate.

Depreciation decrease in the value of equipment over time. Depreciation of equipment used for business is a tax-deductible expense.

Drop Shipment a shipment directly from the manufacturer to the end user.

DUNS (Data Universal Numbering System) a database maintained by Dun and Bradstreet that is used by the Government to identify each contractor and their location(s). This number is required to register with the Central Contractor Register (CCR) that is used by the government's electronic commerce/electronic data interchange (EC/EDI) system called FACNET. You can obtain a DUNS number at no cost by calling Dun and Bradstreet at 800-333-0505.

Employer Identification Number (EIN) a number obtained by a business from the IRS by filing form SS-4. If you are a sole proprietorship, your EIN is your social security number.

Entrepreneur a person who is willing to assume the responsibility, risks and rewards of starting and operating a business.

Equity Financing this involves selling a portion of your company to an outside investor. You have no obligation to repay the funds. In general, venture capital firms provide this type of funding.

Escrow temporary monetary deposit with an independent third party by agreement between two parties. The escrow money is released when certain agreed conditions have been met.

ESOP (Employee Stock Ownership Plan) plan where employees have a vested interest (stock ownership) in the company

Factoring the buying and selling of invoices or accounts receivables at a discount.

Fiduciary a person or company entrusted with assets owned by another party (beneficiary), and responsible for investing the assets until they are turned over to the beneficiary.

Fiscal Year any 12-month period used by a company or government as an accounting period.

Fixed Cost a production cost which does not vary significantly with the volume of output. An example would be administrative costs. (Also see Variable Cost).

Franchise a franchise is a form of licensing. The franchiser provides his services through a series of franchises. Before investing in any franchise, check with the International Franchise Association at (800) 543-1038 to see if the franchise is a member in good standing.

Free On Board (FOB) commercial term in which the seller's obligations are fulfilled when the goods reach a point specified in the contract.

Grace Period time allowed a debtor in which legal action will not be undertaken by the creditor when payment is late.

Guarantee pledge by a third party to repay a loan in the event that the borrower cannot. A special case is a personal guarantee in which you personally guarantee an obligation.

Guaranteed/Insured Loans programs in which the federal government makes an arrangement to indemnify a lender against part or all of any defaults by those responsible for repayment of loans. An example is a small business loan guaranteed by the SBA.

Indemnity obligation of one party to reimburse another party for losses which have occurred or which may occur.

Job Sharing arrangements in which the responsibilities and hours of one job position are carried out by two people.

Lien legal right to hold property of another party or to have it sold or applied in payment of a claim.

Liquidation sale of the assets of a business to pay off debts.

Marginal Cost additional cost associated with producing one more unit of output.

Minority Business the Small Business Administration (SBA) defines minorities as those who are socially and economically disadvantaged. The U.S. Code of Federal Regulations (CFR) contains the specific requirements.

MLM (Multi Level Marketing) MLM plans, are a way of selling goods or services through distributors. These plans promise that if you sign up as a distributor, you will receive commissions — for both your sales of the plan's goods or services and those of other people you recruit to join the distributors. Be careful of plans that offer to pay commissions for recruiting new distributors. This is called pyramiding and is illegal in most states.

OSDBU (Office of Small and Disadvantaged Business Utilization) these offices offer small business information on procurement opportunities, guidance on procurement procedures, and identification of both prime and subcontracting opportunities with the United States Government.

Overhead business expenses not directly related to a particular good or service produced. An example would be utilities.

PASS (Procurement Automated Source System) managed by the Small Business Administration (SBA). Registering with this central referral system of small businesses interested in selling to the government can bring you business with almost no effort. Registration is free. Call (800) 231-7277.

Power of Attorney an agreement authorizing someone (generally an attorney) to act as your agent. This agreement may be general (complete authority) or special (limited authority).

Preferred Lenders banks which have a special written agreement with the SBA which allows them to make a guaranteed SBA loan without prior SBA approval.

Profit & Loss (P & L) Statement a listing of income, expenses, and the resulting net profit or loss. This is also called an income statement.

Prompt Payment Act a federal law that requires federal agencies to pay interest to companies on bills not paid within 30 days of invoice or completion of work.

SBC (Small Business Centers) these 12 GSA centers located throughout the United States can help you tap the multi-billion-dollar GSA "market" for goods and services.

SBDC (Small Business Development Center) organizations located throughout the United States and are administered by the SBA. They provide management assistance to entrepreneurs and new business owners.

SBIC (Small Business Investment Corporation) SBICs are licensed by the SBA as federally funded private venture capital firms. Money is available to small businesses under a variety of agreements.

SCORE (Service Corps of Retired Executives) a volunteer management assistance program of the SBA. SCORE volunteers provide one-on-one counseling and workshops and seminars for small businesses. There are hundreds of SCORE offices throughout the United States.

SIC (Standard Industrial Classification Code) a four-digit number assigned to identify a business based on the type of business or trade involved. The first two digits correspond to major groups such as construction and manufacturing, while the last two digits correspond to subgroups such as constructing homes versus constructing highways. A business can determine its SIC number by looking it up in a directory published by the Department of Commerce, or by checking in the SIC book in the reference section of a local library. SBA size standards are based on SIC codes.

Simple Interest interest paid only on the principal of a loan.

Small Business according to the U.S. Small Business Administration, the most common size standards by industry are as follows: 500 employees for most manufacturing and mining industries; 100 employees for all wholesale trade industries; \$6 million for most retail and service industries; \$28.5 million for most general & heavy construction industries; \$12 million for all special trade contractors; and \$0.75 million for most agricultural industries. Arlington defines a small business as a company with fewer than 20 employees.

Sole Proprietorship the simplest (and most popular) form of business organization. The individual is personally liable for all debts of the business to the full extent of his or her property. On the other hand, the owner has complete control of the business.

Surety Bonds bonds which provide reimbursement to an individual, company or the government if a firm fails to complete a contract. SBA guarantees surety bonds in a program much like SBA's guaranteed loan program.

Sweat Equity a common form of investment. This refers to the investment in time owners make, with no salary, to a new business.

Tax Number a number assigned to a business that enables the business to buy wholesale without paying sales tax on goods and products. Contact your local courthouse for additional information.

Variable Cost any costs which change significantly with the level of output. The obvious example is cost of materials.

Venture Capital money used to support new or unusual undertakings; equity, risk or speculative investment capital. This funding is provided to new or existing firms, which exhibit potential for above-average growth.

