

**GUIDE**  
to  
Starting a Small Business  
in  
**Virginia**

Virginia Small Business Development Centers

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## Foreword

First Edition, 2003

This guidebook was developed by the Mason Enterprise Center of the George Mason University in Fairfax, Virginia as part of the Multicultural Business Initiative of the Virginia State Small Business Development Centers (VSBDC). This guide is also available in Spanish, Korean, and Vietnamese and can be used as reference tool to accompany our training video also available in four languages and on a DVD format.

This guide will provide both basic and extensive information for entrepreneurs who wish to start a business in Northern Virginia. However, we recommend you contact one of our business centers or any other business resources for the most up-to-date information as some of the rules, regulations, and contact phone numbers in this guide may change from time to time. This guide is prepared in a loose-leaf three ring binder so any updates can be easily inserted.

We hope this guide will be a useful reference tool for you and we welcome any comments, suggestions and updates to this edition.

George Mason University  
Mason Enterprise Center  
Spring 2003

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### Disclaimer

We have compiled the above information from various sources including, local, state, federal institutions and nonprofit organizations. Our team has made every effort to obtain the most current information. However, since such information is subject to change in future, no warranty, express or implied is made regarding the accuracy if the information.

Welcome!

We are pleased you are considering opening a business in Northern Virginia, and we want to assist you in any way we can. Because small businesses play an important part in Virginia's economic vitality and quality of life, we strongly encourage new businesses and the expansion of existing ones. This GUIDE is divided in to three parts for your use and it is one of the many ways by which we hope to assist you in your SUCCESS.

## **How To Use This Guide**

This Guide is intended to assist new and prospective small business owners as well as established businesses, which are expanding or relocating into Virginia. You do not need to read the whole publication. Read only those parts of importance to you and keep the Guide for handy reference. The Guide is divided into three major sections:

### **PART I Steps to Starting Your Business In Virginia**

- STEP 1** Choose Your Legal Structure
- STEP 2** Select A Location
- STEP 3** Obtain A Certificate Of Occupancy
- STEP 4** Apply For Business License
- STEP 5** Register Your Trade Name
- STEP 6** Register with Tax Office and Determine Your Tax Liability
- STEP 7** **Determine if you are required to obtain a Federal Employer Identification Number (EIN)**

### **PART II Points to Consider when Starting a Business**

- A. Your Business Plan**
- B. Financing Sources**
- C. Determining Your Market**
- D. Advertising**
- E. Business Insurance**
- F. Cash and Credit Controls**
- G. Record Keeping**

### **PART III Quick Reference Directory**

## PART I: Steps To Starting Your Business in Virginia

## **STEP 1 Chose Your Legal Structure**

To begin any type of new business you must decide how you want to structure your business. Businesses are divided into one of four basic types:

These are:

1. Sole Proprietorship
2. Partnership
3. Corporation
4. LLC

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 it needs to be. If you feel the need, consult with an attorney, an 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 the easiest one to end. Bookkeeping and tax operation are also the simplest. For income tax reporting purposes, you and your business are considered to be 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 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 individuals want to do business together. Partnerships have the advantage of combining the resources or skills of two or more people into the enterprise. A partner, for example, provides 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 responsibility, 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. 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 sole proprietorship, it cannot be so easily dissolved. Using an attorney to incorporate is not legally mandatory but recommended. The choice of an **S-corporation** deals largely with tax considerations. **S-corporations** pass through profits or losses to the shareholders much like a partnership.

### LIMITED LIABILITY COMPANY (LLC)

The Limited Liability Company (LLC) is rapidly becoming a very popular business form. An LLC combines selected corporate and partnership characteristics while still maintaining status as a legal entity distinct from its owners. As a separate entity, it can acquire assets, incur liabilities and conduct business. As the name implies, however, it provides limited liability for the owners. LLC owners risk only their investment. Personal assets are not at risk.

The following matrix compares the different types of legal structures to facilitate your decision.

**LEGAL STRUCTURE OF A BUSINESS- CHART**

<b>LEGAL STRUCTURE</b>	<b>Sole Proprietorship</b>	<b>Partnership</b>	<b>Regular Corporation</b>	<b>S Corporation</b>	<b>Limited Liability Company</b>
<b>Legal Liability</b>	Unlimited	Unlimited for partners Limited for limited partners	Limited	Limited	Limited
<b>Continuity of Entity</b>	Limited to life of proprietor	Limited unless provided for in partnership agreement	Unlimited	Unlimited	Varies; can affect tax status of the entity
<b>Transfer of Interest</b>	Difficult	Difficult unless provided for in partnership agreement	Readily accomplished through stock transfer	Readily accomplished through stock transfer	Varies; can affect tax status of the entity
<b>Acquisition of Capital</b>	Limited to what proprietor can secure	Easier than sole proprietorship since shared by partners	Acquired by issuing stock or bonds	Acquired by issuing stock	Shared by members
<b>Tax Filing Required</b>	Schedule C with Form 1040	Form 1065; distributes K-1s to partners	Form 1120	Form 1120S; distributes K-1s to shareholders	Depends on classification of LLC
<b>Taxation of Income</b>	Directly to owner	Directly to partners in proportions agreed upon by partners	Taxed once at corporate level again at shareholder level when distributed (usually as individuals)	Taxed directly to shareholders (no double taxation)	Generally taxed as a partnership (though classification may result in corporate taxation)
<b>Administrative and Legal Costs</b>	Lowest	Medium	Highest	Highest	Similar to corporation
<b>Fringe Benefits</b>	Generally not deductible	Generally not deductible for partners	Deductible, but subject to many rules (mainly non discrimination)	Generally not deductible for over 2%shareholders	Depends on tax status

<b>Recommended Pension Plans</b>	IRA (within limits), Keogh, SEP	IRA (within limits), Keogh, SEP	Qualified Plans	Qualified Plans	Depends on tax status
<b>Major Advantage(s)</b>	Independence, flexibility, minimum red tape	Chance of business success enhanced if right combination of partners	Limited Liability	Limited liability without double taxation of regular corporation	Limited liability with partnership tax treatment; fewer ownership restrictions than S corporation
<b>Major Drawback(s)</b>	Unlimited liability- a problem if business has financial difficulties	Unlimited liability; frequent changes in partners can be difficult	Greater cost, government regulations, and red tape; double taxation of income	Not every corporation qualifies for S status; more limits on fringe benefits	Inconsistent state tax treatment

### **Register With The Virginia State Corporation Commission**

To register with the State Corporation Commission and complete a corporate package, you must first choose your legal structure (See STEP 1). Next, refer to the list below to determine if you are required to file with the State Corporation Commission and to identify those forms you must complete. (SCC required forms are available by visiting the Fees & Forms section of the Office of the Clerk of the Commission's website.)

**Sole Proprietorship** -You do not need to file with the State Corporation Commission or with the clerk of the circuit court. However, see the assumed name filing requirements on the next page.

#### **PARTNERSHIP**

**General Partnership** - Effective July 1, 1997, partnership statements are filed with the State Corporation Commission. Complete the Statement of Partnership Authority (Form UPA-93) and file with the Commission. A duly authenticated copy of a Statement that is filed in an office of another state may be filed with the Commission.

**Limited Partnership** - Complete the Certificate of Limited Partnership (Form LPA-73.11) and file with the Partnership State Corporation Commission.

**Foreign Limited Partnership – Complete the Certificate of Limited Partnership** (Form LPA-73.54) and file with the State Corporation Commission.

#### **CORPORATION**

**Stock Corporation** - Complete the articles of Incorporation (Form SC 619) and file with the State Corporation Commission.

**Nonstock Corporation** - Prepare Articles of Incorporation following the Guide (Form SCC 819) and file with the State Corporation Commission.

**Professional Corporation** - Prepare Articles of incorporation following the Guide (Form SCC 544) and file with the State Corporation Commission.

**S Corporation** – To elect to be an S corporation, a corporation must file IRS Form 2553. The election permits the income of the S corporation to be taxed to the shareholders of the corporation rather than to the corporation itself. The original election on Form 2553 (no photocopies) or fax it to the Internal Revenue Service Center offices listed on IRS Form 2553. If the corporation files this election by fax, keep the original Form 2553 with the corporation's permanent records.

#### When To Make the Election

Complete and file Form 2553 (a) at any time before the 16th day of the 3rd month of the tax year, if filed during the tax year the election is to take effect, or (b) at any time during the preceding tax year. An election made no later than 2 months and 15 days after the beginning of a tax year that is less than 2 1/2 months long is treated as timely made for that tax year. An election made after the 15th day of the 3rd month but before the end of the tax year is effective for the next year. For example, if a calendar tax year corporation makes the election in April 2002, it is effective for the corporation's 2003 calendar tax year.

### **LIMITED LIABILITY COMPANY LLC**

**Domestic LLC-** Complete the Articles of Organization (Form LLC-1011) and file with the State Corporation Commission.

**Professional LLC-** Complete the Articles of Organization for a Professional Limited Liability Company (Form LLC-1103) and file with the State Corporation Commission.

## STEP 2 Select A Location

The location of your business can play a decisive role in the success and failure of your business. Your location should be built around your customers, it should be accessible and it should provide a sense of security. Consider these questions when addressing this section of your business plan:

1. What are your location needs?
2. What kind of space will you need?
3. Why is the area desirable? Why is the building desirable?
4. Is it easily accessible? Is public transportation available?
5. Is the street lighting adequate?
6. Are market shifts or demographic shifts occurring?

Area Zoning Offices regulate the location of various kinds of land uses including different types of businesses. A business cannot operate at a certain location without the permission of the local Zoning Office. Home-based businesses are allowed in most jurisdictions; however, you must apply to the Office of Zoning to determine the requirements for your particular county or city.

It is important for you to verify zoning requirements with the Zoning Office before you sign a lease, purchase a property, or make any improvements.

To determine if your business can operate at a certain location and to obtain a Certificate of Occupancy, contact your local Office of Zoning.

Arlington County Zoning Office	703-228-3883
City of Alexandria Code of Enforcement Division,	703-838-4360
City of Falls Church	703-248-5015
Fairfax County Office of Zoning	703-222-8234
Loudoun County Office of Building and Development	703- 777-0260
Prince William County Office of Zoning	703- 792-6980

Fees for Certificates of Occupancy vary by jurisdiction and according to the intended uses and type of structure

## **STEP 3 Obtain a Certificate of Occupancy**

The first and most legal step to starting a business is to obtain a certificate of occupancy (CO). You must show proof that you have applied for a certificate of occupancy 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.

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

Applications for the CO should be filed only when the premises are 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**

Businesses are required to fulfill the recycling and waste management requirements. If you qualify for a Home Occupation Permit, in many jurisdictions you may be exempt from these requirements. For more information call the appropriate office in your area.

### **Home Occupations**

Various jurisdictions permit individuals to operate certain types of businesses within their homes 'with limitations' by issuing a Home Occupation Permit. To obtain a Home Occupation Permit, please call the Zoning office in your area for more information.

Some examples of permitted home occupations include but are not limited to: 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 "typical" imitations that 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
- 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 Zoning Office of your jurisdiction for a complete and accurate listing of all conditions affecting home occupations before you make a decision to proceed with operating a business in your home. It is important for you to verify zoning requirements with the Zoning Office before you sign a lease, purchase a property, or make any improvements.

To determine if your business can operate at a certain location and to obtain a Certificate of Occupancy, contact your local Office of Zoning (See step 2).

## STEP 4 Apply For A Business License

### Local Licensing

The new business must obtain a business license within 75 days from the date the business begins operating. To obtain a business license, an applicant must show evidence that a Certificate of Occupancy or a Home Occupation Permit has been applied for and that the company has been either registered with the State as a corporation or limited liability company, or has registered a trade name, if applicable.

If the business tax license 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. New businesses estimate their gross receipts for the current year and the tax will be adjusted at a later date to reflect actual gross receipts. Rates vary depending on the type of business.

Typically businesses that are taxed on gross receipts and whose license basis does not exceed \$10,000 do not owe a tax. They still must file, however, to obtain a license. Business licenses must be renewed and taxes must be paid each year. Certain small businesses are eligible to pay the tax on a semi-annual installment basis. For more information contact the appropriate office in your area.

To file a registration for business license, contact the appropriate office in your city or county:

Arlington County Commission of Revenue	703-228-3060
City of Alexandria, Dept. of Finance	703-838-4680
City of Falls Church	703-248-5019
Fairfax County Dept. of Tax Administration	703-222-8234
Loudoun County Commissioner of Revenue	703-777-0260
Prince William County Treasury Management	703-792-6710

Please note that the local business license is in addition to any professional licensing requirements of the State of Virginia. **Contact your local commissioner of the revenue or town administrator to satisfy local license tax requirements**

Regardless of the type of business, one or more local licenses may be needed. You must contact your county or city Commissioner of the Revenue to determine which licenses you will need, within 30 days of starting your business. In addition, you should check with your local zoning or planning department to verify that you can operate your business at your desired site. If your business is operated in a town, contact the town administrator to determine what licenses are required.

## **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 exam. To obtain a license, these requirements must be met. Certain other occupations require state licensing other than for regulating entry.

### **Contact Other State Agencies To Determine Which Licenses Or Permits Apply**

You may need to contact other state agencies or boards. Below is a list of state agencies that administer particular licenses, permits or have other registration various occupations and business activities in Virginia.

**Department of Agriculture and Consumer Services - (804) 786-2372** Licenses anyone involved in the production, marketing or distribution of agricultural or food products. Registers every pesticide manufactured, distributed, sold, offered for sale, used or offered for use in Virginia.

**Alcoholic Beverage Control Board - (804) 367-0649** Licenses business involved in the production, distribution, storage, transportation and/or sale of alcoholic beverages.

**Department of Aviation - (804) 236-3637** Distributes rules and regulations governing the licensing of airmen, aircraft and airports.

**State Board of Bar Examiners - (804) 786-7490** Examines and licenses attorneys-at-law.

**State Certified Seed Board - (703) 231-6000** (Cooperative Extension Service of Virginia Polytechnic Institute and State University of Blacksburg). Certifies agricultural and vegetable seed and potato tubers.

**Department of Conservation and Recreation - (804) 786-1712** Regulates, manages and licenses state parks and outdoor recreational facilities. Issues permits for concessionaires in state parks. Approves and inspects floodwater structures.

**Department of Corrections - (804) 674-3000** Regulates and approves community group homes and other private residential facilities for offenders who are in the state's care.

**Department of Environmental Quality - (804) 762-4570** Issues pollution control permits for any business that emits particles or gases into the air, water discharge, management of solid and hazardous waste materials.

**Department of Education - (804) 225-2020** Accredits, licenses or regulates private schools (elementary, secondary, and nursery schools, trade, technical, business and correspondence schools, and schools for the handicapped).

**Department of Forestry - (804) 977-6555** Licenses and regulates the use of state forests, forest reserves including mineral exploration; develops and administers forest management plans for state owned lands.

**Department of Game and Inland Fisheries - (804) 367-1000** Regulates the taking, possession and sale of wild animals, birds and freshwater fish and endangered species of any form of wildlife. Licenses shooting preserves, fur farming and dealing, hunting dog trails, commercial trout rearing, fishing, seine hauling, breeding and raising game birds and animals, game bird and animal exhibits, and stuffing and mounting of birds and animals. Also titles and registers motorboats, licenses watercraft dealers, regattas and boat races, and drilling and dredging in the Back Bay area.

**Department of General Services - (804) 786-6152**

- **Division of Consolidated Laboratory Services - (804) 786-1155** Inspects, approves and certifies laboratories; approves forms used for blood and breath alcohol tests; licenses persons to administer breath tests and regulates methods and equipment for breath tests.
- **Division of Purchases and Supply - (804) 786-3842** Sets procurement regulations for state agencies, which procure nonprofessional services and issues manuals, forms, and materials for bidders and state agencies.

**Department of Health - (804) 786-3561** Licenses emergency medical agencies, vehicles and attendants, bedding and upholstery service businesses and commercial blood banks; inspects businesses to certify health standards; prescribes standards governing planting, taking and marketing of fish, crustaceans and shellfish; licenses hospitals, nursing homes and related institutions, home health agencies, hotels, summer camps, campgrounds and other lodging facilities, restaurants, milk processors, radiation materials, equipment and construction waterworks serving the public, water supply systems, sewage disposal systems, sewage treatment works, and migrant labor camps; regulates sanitation facilities at public gathering places, septic tanks, construction of private wells, and the production and use of toxic substances.

**Department of Health Professions - (804) 662-9900** Provides investigative inspection and administrative services. The Department of Health Professions promotes policy coordination among twelve health regulatory boards, which regulate audiology and speech pathology, dentistry, funeral directors and embalmers, medicine, nursing, nursing home administrators, optometry, pharmacy, professional counselors, psychology, social work, and veterinary medicine.

**State Council of Higher Education for Virginia - (804) 225-2137** Provides registration services to private higher education institutions, which offer or intend to offer continuing education courses or programs. Approves contracts between private colleges and public colleges or education agencies for the provision of services.

**Department of Historic Resources - (804) 786-3143** Designates historical landmarks, buildings, structures, districts, objects and sites, and issues permits for field investigations, explorations, and recovery operations on state-controlled land or on state archaeological sites.

**Department of Housing and Community Development - (804) 371-7000** Administers uniform building codes and a statewide fire prevention code which are enforced by local government agencies; regulates construction, maintenance, operation and inspection of amusement devices; establishes regulations for local licensing of plumbers, electricians and building-related mechanical workers; regulates construction standards for industrialized building units and manufactured homes; prescribes minimum regulations for equipment and

appliances for storage, handling, transportation and utilization of liquefied petroleum gas; accepts applications for designation and operation of Enterprise Zones; administers bond programs for housing development; and coordinates housing programs.

**Department of Information Technology - (804) 371-5000** Approves data processing and telecommunications procurement for state agencies. Contracts for procurement of telecommunications services.

**Department of Labor and Industry - (804) 371-2327** Administers and enforces compliance programs: Occupational Safety and Health Compliance (in all public and private sector commercial and industrial establishments including construction, logging, demolition, and excavation sites), Boiler and Pressure Vessel Safety (administers inspection and certification), and labor and Employment law (maintains child labor programs, and enforces the Commonwealth's right to work law, the employees' right to receive pay that is due, minimum wage, and appropriate day of rest). Additionally, Virginia Occupational Safety and Health (VOSH) issues permits for lead and asbestos abatement projects and administers the laws affecting emission of these pollutants. DOLI helps employers develop their workforce through the administration of the Apprenticeship Program. Additionally, DOLI provides on-site Safety and Health Consultation and administers Voluntary Protection Programs, which enable Virginia companies with exemplary safety and health programs to be recognized for their efforts and to be exempted from generally scheduled inspections.

**Marine Resources Commission - (757) 247-2200** Licenses the taking of various fish, shellfish and organisms below the fall line on tidal waters; licenses the exportation of oysters, purchasers of shellfish and the conversion of oysters shells to lime; assigns and leases oyster and clam planting grounds; designates certain public grounds closed and open areas; fixes and alters open seasons; restricts methods of taking; fixes minimum size and maximum size and maximum quantity of catch; makes other regulations for the conservation and promotion of the seafood industry; inspects records and vessels; prescribes guidelines for the use of wetlands; issues general permits for the use of state-owned underwater beds; and establishes bulkhead and private pier lines on or over waters under state jurisdiction.

**Department of Mental Health, Mental Retardation and Substance Abuse Services - (804) 786-3921** Licensed facilities and providers of service to persons with mental illness, persons addicted to drugs or alcohol, and persons with mental retardation.

**Milk Commission - (804) 786-2013** Supervises, regulates and controls the production, transportation, processing, storage, distribution and sale of milk; licenses and audits distributors of milk; established prices paid to producers and prohibits sales of fluid milk products at less than cost; allocates marketing areas; establishes accounting system for distributors.

**Department of Mines, Minerals, and Energy - (804) 692-3200** Administers and enforces the Federal Surface Mining Control and Reclamation Act. Licenses and regulates coal surface mining and exploration and surface mining of minerals other than coal. Licenses the operation of commercial mines and certain coal mining occupations. With respect to oil and gas, registers drillers, owners and operators; licenses drilling and approves location of wells, mining operations in the vicinity of wells and various other operations, material and devices. Administers statutes governing the development of geothermal resources.

**Department of Motor Vehicles - (804) 367-0538** Licenses motor vehicle manufacturers, factory branches, distributors, dealers, renters, and lessors who dispose (at retail) of motor vehicles, and licenses salesmen; approves new or different franchise or sales agreements;

makes regulations to prevent unfair trade practices and protect interests of retail buyers; registers dealers in salvage vehicles or parts, rebuild, salvage pools and demolishers; collects taxes on the sale, use and rental of motor vehicles and mobile homes; and issues overload permits to trucks.

**Potomac River Fisheries Commission - (804) 224-7148.** Licenses and regulates the taking of seafood from the Potomac River; and licenses boats, vessels and equipment used to take seafood from the Potomac River.

**Department of Professional and Occupational Regulation - (804) 367-8500.** Regulates practice of the following professions: Accounting, Architecture, Professional engineering, land surveying, Landscape architecture, Auctioneers, barbers, contracting, Cosmetology, Geology, hearing aid specialists, Interior Designers, Opticians, professional soil scientists, branch pilots, real estate sales and appraisers, water and wastewater works operators. It also licenses polygraph examiners, asbestos and lead abatement occupations, tradesmen, and waste management facility operators.

**Virginia Racing Commission - (804) 371-7363** Licenses racetrack owners and operators and issues permits for employment opportunities in connection with pari-mutuel (wagering) horse racing, including racetracks and satellite wagering facilities; horse owners, trainers, jockeys, grooms, race officials, stewards, track management and administrative employees, concessionaires and employees, etc.

**Department of Social Services - (804) 692-1787** Licenses and regulates fourteen types of public and private facilities offering day and residential out-of-home care to children or adults. Included are child and adult day care centers, licensed and voluntarily registered family day homes, private child placing and adoption agencies, children's residential facilities, and adult care residences offering residential or assisted living levels of care. The department also provides for interdepartmental coordination among four state agencies that regulate specialized children's residential care services and facilities.

**Department of Transportation - (804) 786-2801** Regulates the use of state highways; issues permits for use of highways and adjacent areas; licenses outdoor advertising, the use of highways by public utilities, and the construction, maintenance and operation of toll bridges and toll roads; constructs, maintains and/or operates bridges, tunnels, ferries, rest areas, weigh stations, and commuter parking lots.

**Department of Treasury - (804) 225-2142** Regulates the disposition of abandoned property held by financial institutions, public utilities, life insurance companies and all other business and non-profit entities; requires the delivery of abandoned property held by all such entities; and hears, determines and pays claims from abandoned property in the Department's custody. The Department also prescribes terms and conditions under which financial institutions may serve as depositories for public funds.

**Department for the Visually Handicapped - (804) 371-3140** Licenses and supervises the operation by the blind of vending facilities; and licenses the use of stamps or labels identifying articles made by the blind.

**Virginia Workers' Compensation Commission (Formerly Industrial Commission of Virginia) - (804) 367-8600** Collects the taxes imposed to finance the Workers' Compensation Act from insurers and self-insured employers; adjudicates claims by workers

and their dependents for death and disability awards arising from occupational diseases or injury.

## **STEP 5 Register Your Trade Name**

### **Assumed or Fictitious Business Name**

If business is conducted in Virginia under a name other than the legal business name, an assumed or fictitious name certificate must be filed in the office of the Clerk of the Circuit Court in each county or city where business is to be conducted. In addition, if the entity is a limited partnership, a limited liability Company or a Corporation, It must obtain a copy of each fictitious name certificate, attested by the Clerk of the Circuit Court where the original was filed, and file it with the Clerk of the State Corporation Commission.

### **Address**

The address and telephone number for the Clerk's Office of the State Corporation Commission are listed below. These should be used if there are questions about registering a corporation, partnership, or limited liability company and to obtain forms the State Corporation Commission.

State Corporation Commission  
Tyler Building, First Floor  
1300 East Main Street  
Richmond, VA 23219  
Telephone (804) 371-9733  
[www.state.va.us.scc\division\clk\index.htm](http://www.state.va.us.scc/division\clk\index.htm)

Mailing Address:  
Post Office Box 1197  
Richmond, VA 23218-1197

### **Register with the Clerk of the Circuit Court in your city or county**

All businesses in Northern Virginia that use trade names and all general partnerships must register with the Clerk of the Circuit Court in their city or county. A sole proprietor who does not have a trade name is not required to register. For more information call:

Arlington	703-228-7010
City of Alexandria	703-838-4044
City of Falls Church	703-248-5019
Fairfax County	703-246-4100
Loudoun County	703-777-0270
Prince William County	703-792-6045

In addition to registering with the Clerk's Office as a corporation, general partnership, limited partnership or limited liability company, you may need to contact one or more of the divisions of the State Corporation Commission listed below to comply with other laws.

**Bureau of Financial Institutions - (804)-371-9657** For state chartered banks, trust companies, savings and loan associations, industrial loan associations, credit unions, mortgage lenders and brokers, consumer finance companies, financial institution holding companies, money order sellers, nonprofit debt counseling agencies and check cashers.

**Bureau of insurance - (804) 371-9741** For insurance companies and agents; prepaid legal and health service plans, health maintenance organizations, premium finance companies, continuing care providers, home protection companies, automobile clubs, viaticum settlement providers and multiple employer welfare associations.

**Communications - (804) 371-9420** For local exchange telephone companies, Intrastate long distance companies, and private pay phone providers.

**Energy Regulation - (804) 371-9611** For gas and electric companies, electric cooperatives and companies furnishing water or sewerage facilities, heat chilled water and chilled air.

**Public Service Taxation - (804) 371-9679** For the assessment of all property of electric, gas, water and telecommunications companies. License tax on electric, gas and water companies, rolling stock of certified motor vehicle carriers of passengers, and discretionary special regulatory revenue taxes on certain classes of public service companies and on the Virginia Pilots Association.

**Securities and Retail Franchising - (804) 371-9051.** For publicly offered securities, broker-dealers, security salesmen, financial planners and investment advisors, retail franchises and intrastate trademarks and service marks.

**Uniform Commercial Code (Clerk's Office) - (804) 371-9733.** For financing statements, amendments, termination statements, assignments and releases by secured parties under the UCC -secured transactions: for notices of tax liens against corporations and partnerships under the Uniform Federal Tax Lien Registration Act.

## **STEP 6 Register with Tax Office and Determine Your Tax Liability**

A company doing business in Virginia must register with the Virginia Department of Taxation for all taxes, which may apply to the operation of the business. In addition it is also required to determine its tax liabilities or responsibilities based on the type of business it chooses to operate.

### **Registration Requirements For The Virginia Department Of Taxation**

REGISTRATION FORM - To register with the Virginia Department of Taxation, complete a Combined Registration Application Form (Form R-1). This form can be obtained toll free from: 1-888-268-2829 or 804-367-8037 and is used to register for the taxes listed below.

### **Determine If You Will Be Liable For Virginia Taxes**

**Corporation Income Tax (804) 367-8037** Corporations conducting business in Virginia or receiving income from Virginia sources must file a corporation income tax return. The following exceptions apply:

1. Public service corporations (other than railroads)
2. Insurance companies
3. Corporations not conducted for profit, which are exempt from federal taxes.

Small business corporations (S corporations) are not liable as corporations under Subchapter S of the Internal Revenue Code; however, the business is required to file a return of income even though there is no tax liability.

**Employer Income Tax Withholding (804) 367-8037** If wages are paid to one or more employee(s), the employer is required to withhold state income tax from those wages and remit the tax to the Department of Taxation.

**Retail Sales Tax (804) 367-8037.** Retail sales are defined as sales to any person for any purpose other than for resale. If retail sales of tangible personal property are made in Virginia during the regular course of business, sales tax must be collected on the gross receipts and sent to the Department of Taxation. The tax must be collected from customers by separately showing the amount of tax and adding it to the price.

**Use Tax/Consumer Use Tax (804) 367-8037.** The use tax applies to tangible personal property used, consumed or stored in Virginia, but purchased outside the state that would have been subject to sales tax if purchased in this state. The use tax also applies to purchases, leases or rentals made in Virginia if the sales tax was not paid at the time of purchase, lease or rental.

**Litter Tax (804) 367-8037** Manufacturers, wholesalers, distributors or retailers of any of the following products must pay litter tax.

1. Food for human or pet consumption
2. Groceries
3. Cigarettes and tobacco products
4. Soft drinks and carbonated waters
5. Beer and other malt beverages
6. Wine
7. Newspapers and magazines
8. Paper products and household paper
9. Glass containers
10. Metal containers
11. Plastic or fiber Containers made of synthetic material
12. Cleaning agents and toiletries
13. Non-drug drugstore sundry products
14. Distilled spirits
15. Motor vehicle parts

**Tire Tax (804) 367-8037** The tax is levied for each new tire sold at retail in Virginia. The tax may be passed on to the retail customer if separately stated.

In addition to the taxes listed above, you may be liable for any of the miscellaneous taxes listed below.

Aircraft Sales and Use Tax	Peanut Excise Tax
Bank Franchise Tax	Public Facilities Tax
Cigarette Tax	Sheep Assessment
Corn Tax	Soft Drink Excise Tax
Cotton Tax	Soybean Tax
Egg Excise Tax	Small Grains Assessment
Forest Products Tax	Vending Machine Sales Tax
Motor Fuel and Special Fuel Tax	Watercraft Sales and Use Tax

To register for any of the miscellaneous taxes, you must contact the Department of Taxation. Forms and additional information may be obtained at the department's main office. Below you will find a complete list of the Department of Taxation addresses.

If you have a computer and have access to the World Wide Web, you can obtain most Virginia tax forms by connecting to [www.state.va.us/tax/tax.html](http://www.state.va.us/tax/tax.html) . **This web page is only available in English.**

**Offices of the Department of Taxation**

**Mailing Address:** Virginia Department of Taxation  
Office of Customer Service  
P.O. Box 1115  
Richmond, Virginia 23218-1115

**Street Address:** Virginia Department of Taxation  
2220 West Broad Street  
Richmond, Virginia 23218-1317

**Forms Request Unit:** Virginia Department of Taxation  
Forms Request Unit  
P.O. Box 1317  
Richmond, Virginia 23218-1317  
Toll free: 1-888-268-2829 or  
[www.state.va.us/tax](http://www.state.va.us/tax)

**District Office:** Fairfax District Office  
11166 Main Street, Suite 300  
Fairfax, VA 22030-5017  
(703) 359-6715

### **Determine If You Will Be Liable For Virginia Unemployment Tax**

Your business is subject to Virginia unemployment tax if at least one of the following conditions is met:

1. Your business has at least one employee (ten for agricultural businesses) for some portion of any day, in each of 20 different weeks in a calendar year;
2. Your business has \$1,500 in total gross quarterly payroll (\$20,000 agricultural business or \$1,000 for domestic labor) in any calendar quarter;
3. Your business has acquired a business subject to the tax;
4. Your business is subject to federal unemployment tax;
5. Your business is a governmental operation or political subdivision; or your business is a nonprofit organization and has four or more employees for some portion of a day during any 20 different weeks in a calendar year in Virginia.

### **Registration Requirements For The Virginia Employment Commission**

If your business is subject to Virginia unemployment tax based on the above criteria, complete the Virginia Employment Commission Report to Determine Liability for State Unemployment Tax (Form VEC-FC-27).

The Virginia Employment Commission's main office telephone number and addresses are listed below. These should be used if there are questions about registering and to submit forms to the Employment Commission.

<b>Mailing Address:</b>	<b>Street Address:</b>
Virginia Employment Commission P.O. Box 1358 703 Richmond, Virginia 23218-1358	Virginia Employment Commission East Main Street Richmond, Virginia 23219

Questions may be directed to the Employer Accounts Supervisor at (804) 786-7159, or fax to (804) 786- 5890. Once your employer account number has been assigned, the VEC will send you a packet of information that includes a copy of the Employer Handbook. This handbook

will explain in detail the kinds of reports, notices, and requests for information or other communications you will receive from the agency.

## **Step 7 Determine If You Are Required To Obtain A Federal Employer Identification Number (EIN)**

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; however, the State of Virginia strongly encourages all business entities to acquire and use a federal EIN. You are required by law to obtain a federal EIN if you meet one or more of the following conditions:

1. You are a sole proprietor with at least one employee or a Keogh Plan.
2. Your business is a partnership.
3. Your business is a corporation.
4. You are a new owner of an existing business, which is required to use a federal EIN. (The federal EIN of a former owner cannot be used.)
5. You are a sole proprietor who enters into a partnership or corporation. The partnership or corporation must obtain its own federal EIN.
6. Certain nonprofit organizations (churches, clubs, etc.), estates, and trusts are required to obtain a federal EIN. Contact the Internal Revenue Service to determine if you are required to obtain a federal EIN.

To apply for your federal EIN file Form SS-4, which you can obtain from an IRS or Social Security office or download from [www.state.va.us/scc](http://www.state.va.us/scc) . To obtain federal tax forms, call 1-800-829-3676.

## PART II: Points To Consider When Statring A Business

## Preparing For The Risks

### Overview

Owning and operating your own business is inherently risky. It is well known that there are no guarantees for success. Based upon statistics, which measure success and failure rates, the chances of a new business surviving for five years are low. However, you can improve your chance of success.

Business owners point to many different reasons why businesses fail (as distinguished from those that are sold, merged or liquidated for positive reasons). According to the U.S. Small Business Administration, the leading cause of business failure is poor management of the business itself. The chief reasons for failure fall into several categories as follows:

- 1. Inexperience in business.** The owner may have strong knowledge of the product; yet not know how to run a business.
- 2. Inadequate capital.** The owner underestimates the expenses needed to start a business and reach profitability; and fails to have enough funds to overcome delays, mistakes, low sales, and other unforeseeable but inevitable problems.
- 3. Failure to maintain records and controls.** The owner may destroy an otherwise good business by not keeping track of expenses, inventory, cash receipts, accounts receivable, and taxes, and thus either fail to act or act on misguided information.
- 4. Ignorance of the market and competition.** The owner, otherwise skilled in small business, may not know his or her product, misunderstand the competition, and fail to know who and where the customer is and how to reach that customer.
- 5. Restricted cash flow.** The owner may not adequately monitor the business's cash flow. The business may expand too fast, loans may come due at the wrong time, or payables and receivables can get out of hand. In this situation, the flow of cash through a business becomes restricted or dries up and an apparently healthy firm can fail.

These are some of the key pitfalls. There are other causes that are often identified-incompetent-employees, a bad economy, changes in fashion, poor location – but these are all related to the above key issues.

Many problems are brought on or made worse by poor preparation and can be avoided or lessened by better planning. Thorough planning might lead you to change the basic idea for your business, to delay your start for a while, to seek additional resources, or to drop the whole idea. The topics on the following pages are offered as part of this Guide to help you plan your business and achieve your goal:

- A. Your Business Plan
- B. Financing Sources
- C. Determining Your Market
- D. Advertising
- E. Business Insurance
- F. Cash and Credit Controls

## G. Record Keeping

**One note of caution:** It is important to understand that neither this Guide nor the free advisory services of any public agency or non-profit organization can adequately substitute for the services of professionals in the business community – attorneys, bankers, real estate brokers, accountants, business counselors, marketing consultants, insurance brokers, and others. We encourage you to use these professionals. They are able to work with you over the long run and can become familiar with you and your business. They can help you to objectively assess your unique personal goals and your financial and legal situation. Building strong relationships with these professionals and other business people will help you establish your business's credibility in the business world.

## **A. Your Business Plan**

The key to success for any potential business is the owner's ability to plan for growth and profits. For the owner, a business plan provides a pathway toward success and a tool for measuring the company's progress. A well-written plan can communicate vital information to investors, sales personnel, suppliers and others about your firm's operations. Lenders will usually need to see a business plan as a part of a loan application. A lender will look at the plan to understand the purpose and details of your business, how you propose to achieve your goals, your present situation. The business plan helps show the reader your knowledge and skills in your business.

Your business plan can also be an informal document for internal use, which is continually revised as you progress. It has been said that the process of planning is more important than the plan itself. Preparing your business plan will stimulate your thinking, help you organize your thoughts, and identify areas that need more work.

The following outline includes most, if not all, of a business plan's components. Not all of the items necessarily apply to each business. To get started, try writing one or two sentences after each item. Then gradually elaborate on them, getting advice and help where you need it.

### **I. Overview**

- Business Description
- Name and history
- Location and facility description
- Product
- Market and competition
- Management expertise
- Business goals

### **II. Market Analysis**

- Description of total market
- Industry trends
- Target market
- Competition

### **III. Products or Services**

- Description of product line
- Proprietary position: patents, copyrights, and legal and technical considerations
- Comparison of competitor's products

### **IV. Manufacturing Process (if applicable)**

- Materials
- Sources of supply
- Sales Terms
- Production methods

### **V. Marketing Strategy**

- Overall strategy

- Pricing policy
- Method of selling, distributing, and servicing products

#### **VI. Management Plan**

- Form of business organization
- Board of directors composition
- Officers: organization chart and responsibilities
- Resumes of key personnel
- Staffing plan & number of employees
- Facilities plan & planned capital improvements
- Operating plan & schedule of work for the next one to two years

#### **VII. Financial Data**

- Financial statements (prior three years to present)
- Financial projections (for at least two years, preferably longer, depending on nature of the business and when you expect to reach breakeven)
- Explanation of projections
- Key business ratios
- If your business plan will be used to support a loan request, add a cover letter or executive summary to include:
  - Dollar amount requested
  - Terms and timing desired
  - Summary of financial need and use of funds
  - Summary of effect on key ratios and comparison to industry averages

## B. Financing Sources

Having enough capital to start your business and to keep it operating is one of the most important factors in its success. Once established, a business can expect to finance its operations and growth from the income it generates. However, a new business must obtain start-up capital from external sources.

Start-up capital may be in the form of debt (loans to you from others) or equity (money invested in the business by you or others in the hope of profit). Often a combination of the two is involved. The following is a list of financing sources most commonly available to small businesses. Brevity requires some generalizations in these descriptions.

### Equity Financing

Equity financing is the amount of capital that owners invest in the business. It usually is money obtained from yourself or other investors (partners and shareholders, for example) who may expect to participate in decisions on setting up and running the business. There are no fixed repayments as there are with debt financing. If the business fails, the investor generally shares in the losses along with the owner. There are several ways to obtain equity.

- **Personal Funds** – the owner’s money that he or she obtains from savings or family. The more of your personal funds you can put into the business at the start, the stronger and more credit-worthy the business will be. Be careful about borrowing money (for example, mortgaging your house) to “create” equity. If your business fails, you would still have a personal debt to pay off.
- **Partners and Shareholders** – are one or more persons who put their own funds into the business along with yours and thus share in the ownership of the business. Frequently there is a written agreement that describes each participant’s rights, obligations and liabilities. Participants may play an active role in business operations. Businesses form corporations to allow many shareholders to own a part of the business and thereby raise equity capital.
- **Venture Capitalists** - specialize in making high-risk investments in new or early stage businesses, which they hope will become highly profitable over the long term. Typically these are “high tech” or innovative businesses, although traditional businesses can attract this money. Venture capitalists take an ownership (equity) position with the firm, secured through common or preferred stock or convertible debt, and may often be involved in managing the firm. They are investing for long-term capital growth, are highly selective, and will make investments, as a rule, no smaller than \$250,000. Each venture capital firm is unique and tends to specialize in certain types of companies. Therefore, it will pay to talk to several firms.
- **Small Business Investment Companies (SBICs)** – are privately owned and operated companies, licensed and regulated by the SBA, which invest in small businesses.

## Debt Financing

Debt financing is money lent to you, usually for a specific purpose, which must be paid back with interest within a specific time. The terms of the loan are agreed to ahead of time and are secured by a “Note” which defines the terms of the loan and the collateral. Loans can be obtained from a variety of sources.

- **Loans from Friends and Relatives.** This is a common method of obtaining money. Be sure that the loan is made in a “business-like” way with all terms spelled out, preferably in writing.
- **Trade Credit.** When your business obtains inventory by paying a certain amount down with the balance due in 30 days, for example, the supplier is in effect lending you money to run your business. This is a very common form of financing. New business owners generally have to “prove” themselves in order to establish this kind of credit with suppliers. Obtaining merchandise “on consignment” is a variation of this method.
- **Equipment Purchases.** Purchasing equipment and machinery from a seller who will accept payment over time is another way of borrowing money, similar to trade credit. The equipment is the collateral for the loan.
- **Factoring.** Sometimes called receivables financing, a business obtains money by selling its invoices to a factoring company. This process allows a business to speed up its cash flow. Invoices must be from reliable (credit-worthy) companies or organization, however, and the invoices must be true and payable in full. The factor charges a fee for its service and takes responsibility for collecting the receivable.
- **Mortgages.** If real estate is owned or being purchased by the business owner, a loan (mortgage) can be obtained from a lender or the seller based on the value of the property and the borrower’s ability to repay.
- **Commercial Loans.** A direct loan from a bank to purchase inventory, equipment, refinance other debts, or to improve cash flow may be obtainable. It is a short-term loan, usually not longer than three years, and may have a fixed or floating interest rate. It is only possible to obtain if the borrower has established strong credit, has collateral, or has a guarantor for the loan. Since banks, like other lenders, rely heavily on the historical trends of a business to guide their decision to lend, start-up businesses usually find it extremely difficult to borrow from a bank. Exceptions to this may occur if the new business has strong growth potential and the borrower has an experienced business background, has solid legal and accounting support, has adequate personal assets or investor participation, and has a well-prepared business plan. A personal guarantee by the owner is usually required. Franchised businesses may qualify due to the strength of the parent company.

One type of commercial loans are secured loans; these include loans with a government guarantee or loans secured by real estate, accounts receivable, tangible property (inventory, equipment) or marketable securities. Unsecured loans are available to the lender’s most credit-worthy customers. Other common loan types include the loan of credit (for short-term borrowing, generally for a year or less), term loans (amortized over a period of one to seven years) and letters of credit. Note that

not all banks offer all types of loans. Therefore, it may be useful to discuss your needs with several banks.

- **Government Lending and Guarantee Programs.** The federal government has programs to assist small business owners to obtain capital, which they could not otherwise find from banks and other private lenders. The programs do not generally provide direct loans but instead guarantee (against default) loans made by banks or local development companies. The guarantee protects the lender, not the borrower. Therefore, to access these programs, you need to go through a bank. As with private lenders, good credit and a stable business are essential criteria. Some government lending programs require that an economic benefit to the community, such as increased jobs or job preservation, must occur as a result of the loan.
- **Micro-Loan Programs.** Two micro-loan programs are available for businesses operating in Northern Virginia. Micro-loans are typically for \$35,000 or less and have the additional requirement that the loan proceeds must benefit low-to-moderate income individuals. The condition can be met in several ways: the business owner must qualify as low-to-moderate income, the business must agree to hire low-to-moderate income individuals or the business must be providing goods or services to low-to-moderate income individuals. The two programs available in Northern Virginia are through the Community Business Partnership (703) 768-1440 and the Ethiopian Community Development Council (ECDC) 703-685-0510 .

## C. Determining Your Market

New business owners usually have questions similar to these:

- Where do I locate my business?
- What do I sell?
- How should I price my services or products?
- Who are my customers?
- Where are they located?
- How do I reach them?

By getting answers to these questions, you are, in effect, determining your market. Some businesses, particularly large ones, may choose to undertake a formal "market study" before opening a facility or launching a new product or service. Other businesses take a more informal approach by gathering whatever information they can and moving ahead, perhaps on a trial-and-error basis. Even after your business is established you will need to reexamine the above questions from time to time. Updating your business plan will help accomplish this.

Local government offices will be pleased to help you obtain information that may answer these questions. Each county or city's Planning Division and Economic Development Division can provide you with census and economic data, describe plans for specific neighborhoods and discuss economic and development trends as they see them.

They are prepared with information about trends in property values, rent levels, and the general availability of land and vacant commercial space. They can also explain development and subdivision controls that might influence your decisions

Other excellent sources of marketing information and business trends are Chambers of Commerce, the Greater Washington Board of Trade, the Washington/Baltimore Regional Association, and business libraries at the area's colleges and universities as well as County Libraries.

You can also do your own informal research. Familiarize yourself with the community where your business will be located; talk to community leaders and business owners; observe your competition; look at the methods and styles of successful related businesses in the area; talk to suppliers and to members of trade associations and business organizations.

Formal marketing studies are sometimes needed. In this case, there are many professional marketing consultants in the metropolitan area that can undertake such a study specifically tailored to your particular needs.

## **D. Advertising**

How you choose to advertise your business depends on the nature of your service or product, who you want to reach, where those people are located, what you want to say, and how much you can afford to spend. It is the rare business that does not have the continuing need to promote itself.

To organize an advertising plan for your business, look at how other businesses like yours advertise. Contact your trade association for ideas. Consider joint advertising either with similar businesses (florists and auto dealers sometimes do this), or with other businesses in your neighborhood. Ask yourself: what is it about my business that makes it different from all the rest? Is it location, my expertise, hours of operation, speed of service, prices, a fresh idea or better quality? Form an advertising plan beginning with these ideas.

In doing your business plan, allocate an expense for advertising and stay with it. It may be tempting to eliminate the expense when cash becomes scarce, but it's usually not a good idea. Northern Virginia is one of the largest metropolitan market areas in the United States. To promote your business you have access to an enormous variety of advertising media and methods.

At the very least, you want people to know you exist. Advertising does not have to be fancy to be good. For example, a radio commercial that covers many square miles may be a waste of money if all your potential customers live within a few blocks. However, a new product or one-of-a-kind service may require community-wide advertising. A repetitive small ad in the local newspaper can often be better than one large expensive ad.

Professional expertise is available from media representatives, media consultants, and graphics designers. They can give you ideas, determine costs and produce a final product if you want.

## E. Business Insurance

The subject of business insurance is important; without it your entire business can be lost literally overnight. It is also a complex issue: you need to consider various types of protection, competing insurance companies, varying costs and benefits, and to weigh these considerations against potential risks, your needs and, most important, what you can afford.

Certain minimal insurance is essential when considering the possibility of your business being suddenly harmed by a fire or liability suit. Yet having too much insurance can waste scarce budget resources.

If you are operating a business from your home, make sure your existing insurance coverage will protect your business and that your coverage won't be invalidated.

Some form of insurance is required by law. Examples are worker's compensation and vehicle insurance. Most other forms of insurance are optional. Some of these are described here.

**Liability Insurance** protects your business from suits for negligence (e.g., injury on your premises or resulting from your product) and can pay for the costs of defending against the suit as well as the possible damages. Don't assume that forming a corporation will provide you adequate liability protection.

**Casualty Insurance** comes in different forms: fire, theft, robbery, storm, wind and flood damage. The insurance can cover inventory, contents, equipment and the structure itself if you own it. Insurance on plate glass may be useful.

**Business Interruption Insurance** protects against loss of income while the business is temporarily closed due to fire, power loss, and other causes. It can also provide extra expense insurance while your business is getting reestablished.

**Life and Disability Insurance** insures an owner or a partner against death or long-term disability. It may help the business survive if a key person is suddenly absent. Insurance proceeds can enable the remaining partner to buy the deceased partner's share of the business.

**Group Health Plans** are an important fringe benefit in attracting employees and creating a stable work force. Group insurance is generally more affordable than individual insurance, but may still be costly. The federal government may possibly legislate significant changes in the way health insurance is paid for and administered. Therefore, consult with an insurance professional on the best approach.

## F. Accounting and Record Keeping

From your business's outset, it is vitally important that you set up and regularly maintain records of your business. You need these records, not only to keep track of how your business is doing, but also to comply with tax regulations, show proof of tax deductions and show values in case of insurance loss. Poor record keeping (i.e., poor management) is a major cause of failure of small business according to the U.S. Small Business Administration.

Good records are necessary to prove the worth of your business, particularly if you want to borrow from a bank, take in a new partner or investor, or sell your business at full value.

Simple accounting and record keeping systems are available in office supply stores. You may elect to maintain records yourself, hire a bookkeeper or a family member, or use an accounting firm. If you want to do it yourself, there are schools, colleges, and various other organizations in the area that frequently offer instruction.

Each business has its own particular record keeping needs. Most keep track of the following data:

- Income or sales by source
- Operating expenses by categories
- Merchandise purchased for resale
- Cost of goods sold
- Money you put into or withdraw from the business
- Earnings and withholdings for employees
- Tax payments
- Loan payments
- Assets purchased, sold or transferred
- Profit and loss

If your business does not involve merchandise or employees, then record keeping will be even simpler.

Accounting systems come in several basic types: manual, one-write, and computerized. Manual bookkeeping systems are sold in office supply stores or by accounting services. The more expensive ones are, as a rule, more flexible, better-organized and easier to use. One-write systems provide carbonized copies of checks, receipts, or invoices. These are very useful for businesses, which write a lot of checks (large payroll) or manage a lot of accounts (doctors). Bookkeeping can be computerized either by using your own personal computer or through an accounting service. For many start-up businesses, however, using a computer is not necessary and it may make the process needlessly complex or expensive.

Whichever system you use, plan to schedule a certain amount of time each day or week to maintaining your records.

## **G. Cash and Credit Controls**

Money, whether in the form of cash or credit, constitutes the life blood of any business. How you handle it day to day is important. When starting a new business, set up clear cash and credit procedures to avoid problems with customers and employees and to allow you to monitor and protect your cash flow.

Cash oriented businesses, such as carry-outs, barber shops, bars and groceries, may find that it is easy to lose track of income, petty cash expenses, and inventory. Employee theft can easily occur. The technology of modern cash registers can help reduce error, speed transactions and simplify bookkeeping. Daily bookkeeping and regular bank deposits will help reduce errors as will careful employee training and supervision. Your accountant or business counselor can help you set up these procedures.

Credit cards can help you to regulate transactions, reduce cash-in-hand needs, and offer credit to your customers with little risk. Banks treat major credit card sales receipts like cash. The task of collecting overdue bills is thus transferred from you to the credit card company. Offering credit card service will enable some customers to make purchases they might not otherwise make and can stimulate sales. Debit cards are in increasing use. A debit card allows the merchant to receive direct payment from a customer's bank.

Not all businesses can or want to use credit cards however. Some don't have a need and others wish to avoid the added expense and paperwork. Discuss the pros and cons with your bank.

Personal checks from customers can be a problem unless you set strict approval procedures. If you do decide to accept personal checks, make sure the approval procedures are on signs clearly visible to customers. It is better to set strict procedures and loosen them for familiar faces, than to do the opposite. The use of check guarantee services (which are a form of insurance) is becoming more widespread. These are listed in the phone book.

Businesses selling merchandise or services "on account" (appliances, home furnishings, home improvement contractors, and dentists, for example) may want to consider using a simple credit application. This is a good way to reduce collection problems later. State laws regulate how credit can be offered and how bad debts can be collected. Your attorney can advise you as well as your trade or professional association.

When you sell "on account" you are creating accounts receivable; that is, money owed to you. It is vitally important that you monitor your accounts receivable with regard to aging and size of account balances. Excessive accounts receivable can create an unexpected cash flow problem and very quickly cripple your business.

## PART III: Quick Reference Directory

Department	Alexandria	Arlington	Fairfax County	Loudoun	Prince William	City of Falls Church
Emergency - Fire & Police	911	911	911	911	911	703-241-5050
TTY	911	703-228-4610	911	911	703-792-6810	
General Information	703-838-4800	703-228-3000	703-324-3185	703-777-0212	703-792-6295	703-248-5003
TTY	703-838-5056	703-228-4611	703-324-2935	-	703-792-6295	
<b>Getting Started</b>						
Certificate of Occupancy	703-838-4360	703-228-3883	703-222-1082	702-777-0220	703-792-6830	703-248-5080
Child Care Licensing	703-838-0700	703-228-1684	703-324-8100	703-777-0620	703-792-6830	703-248-5005
Inspection Services	703-838-4360	703-228-3800	703-222-0455	703-777-0220	703-792-6930	703-248-5087
Recycling (Solid Waste)	703-751-5872	703-228-6570	703-324-5230	703-777-0187	703-792-4670	703-248-5176
Trade Name & Partnership	703-838-4044	703-228-7010	703-246-4100	703-777-0270	703-792-6710	703-248-5019
Zoning	703-838-4360	703-228-3883	703-222-1082	703-777-0220	703-792-6830	703-248-5015
<b>Services</b>						
Environmental Health (Food Inspection)	703-838-4855	703-228-7400	703-246-2444	703-777-0234	703-792-7320	703-248-5070
Fire Marshall	703-838-4360	703-228-4644	703-246-4849	703-777-0333	703-792-6800	703-228-4644
Police - Non-Emergency	703-838-4444	703-558-2222	703-691-2131	703-777-1021	703-792-6500	703-241-5052
Refuse Collection	703-751-5130	703-228-6570	703-802-3322	703-777-0234	703-792-4670	703-248-5081
Snow & Ice Removal	703-751-5130	703-228-6485	703-383-8368	703-771-5552	703-792-6820	703-248-5081
Street Lights	703-838-4721	703-228-3576	703-324-5800	703-771-5552	703-792-6825	703-248-5080
Water/Sewer Problems	703-838-4488	703-228-6485	703-324-5015	703-771-1095	703-335-7900	703-248-5080 & 703-248-5044
<b>Taxes</b>						
Business License Tax	703-838-4680	703-228-3060	703-222-8234	703-777-0260	703-792-6710	703-248-5019
Business Tangible Tax	703-838-4680	703-228-3050	703-222-8234	703-777-0260	703-792-6710	703 248-5019
IRS	800-829-1040	800-829-1040	800-829-1040	800-829-1040	800-829-1040	800-829-1040
Meals Tax	703-838-47570	703-228-7180	703-222-8234	703-777-0260	-	-
Personal & Vehicle Property Tax	703-838-4560	703-228-3135	703-228-3135	703-222-8234	703-792-6710	703-248-5065
Real Estate Assessments	703-838-4646	703-228-3920	703-228-3920	703-222-8234	703-792-6780	703-248-5022
Real Estate Tax Payments	703-838-4777	703-228-3090	703-228-3090	703-222-8235	703-792-6710	703-248-5022
State Income Tax	703-838-4570	703-228-3055	703-228-3055	703-222-8236	703-792-6711	703-248-5018
Virginia Department of Taxation	703-838-4570	703-228-4017	703-228-4017	703-222-8237	703-792-6712	703-248-5065

Department	Alexandria	Arlington	Fairfax County	Loudoun	Prince William	City of Falls Church
<b>Business Assistance</b>						
Adult Education		703-228-7200	703-227-2377	703-771-6400		
Bar Association		703-228-3390		703-777-0230		
Business Library		703-228-5990	703-246-2123	703-777-0368		
Purchasing Office		703-228-3410	703-324-2437	703-777-0403		703-248-5007
Consumer Affairs		703-228-3260	703-385-3185			800-552-9963
Economic Development		703-228-0808	703-790-0600	703-777-0426		703-538-7079
Vendors & Peddlars Office		703-228-4252		703-777-0629		
Natl. Association of Women Business Owners	410-876-0502	410-876-0502	410-876-0502	410-876-0502	410-876-0502	410-876-0502
Small Business Development Center		703-993-8128	703-277-7700 & 704-768-1440	703-778-1292		
Dept. of Professional & Occupational Regulations	804-876-0502	804-876-0502	804-876-0502	804-876-0502	804-876-0502	804-876-0502
Planning Division		703-228-3525		703-777-0246		
Alcoholic Beverage Commission	703-518-8090	703-518-8090	703-518-8090	703-518-8090		
Chamber of Commerce		703-525-2400	703-749-0400	703-777-2176		703-532-1050
Building Permits	703-838-4360	703-228-3800	703-228-0801	703-777-0220	703-792-6930	703-248-5087
Dumpster Permits		703-228-3576	703-222-0801	703-777-0220	703-792-6930	703-248-5087
Electrical	703-838-4360	703-228-3800	703-324-1555	703-777-0220	703-792-6930	703-248-5080
Food Carts		703-228-4644	703-246-2444	703-777-0234	703-792-7320	
Food Establishments		703-228-7400	703-246-2444	703-777-0234	703-792-7320	
Massage Therapy		703-228-1790	703-324-5943	703-777-0260	703-792-7320	
Mechanical Inspection Services	703-838-4360	703-228-3800	703-222-0455	703-777-0220	703-792-6294	
Signs	703-838-4320	703-228-3883	703-324-3100	703-771-5552	703-792-6666	703-248-5015
Website	<a href="http://www.ci.alexandria.va.us">www.ci.alexandria.va.us</a>	<a href="http://www.Smartplace.org">www.Smartplace.org</a>	<a href="http://www.co.fairfax.va.us">www.co.fairfax.va.us</a>	<a href="http://www.loudoun.gov">www.loudoun.gov</a>	<a href="http://www.co.price-william.va.us">www.co.price-william.va.us</a>	<a href="http://www.ci.falls-church.va.us">www.ci.falls-church.va.us</a>
<b>Helpful Websites</b>						
Virginia State Corporation Commission	<a href="http://www.state.va.us/scc/">www.state.va.us/scc/</a>					
SBA ( Small Business Administration)	<a href="http://www.sba.gov">www.sba.gov</a>					
DBA (Department of Business Assistance)	<a href="http://www.dba.state.va.us">www.dba.state.va.us</a>					
BDAG (Business Development Assistance Group)	<a href="http://www.bdag.org">www.bdag.org</a>					
Community Business Partnership	<a href="http://www.cbponline.org">www.cbponline.org</a>					
Arlington SBDC	<a href="http://www.arlingtonsbdc.org">www.arlingtonsbdc.org</a>					

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Associate Director  
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Fairfax, Virginia