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BUSINESS START-UP CHECKLIST

- Create a business plan
- Select a name and legal structure (Corporation, LLC, Sole Proprietorship, etc.)
- Retain the services of an attorney and accountant if needed
- Obtain a Federal Employer Identification Number (FEIN) at www.irs.gov
- Select a financial institution and open a bank account
- Pursue financing if needed
- Obtain a business license (City and County if applicable) - See attached
- Register for sales tax and franchise and excise tax if applicable
- Obtain business insurance
- Select a bookkeeping system (Manual checkbook, Excel, QuickBooks, etc.)
- Hire and pay employees. Select a method of generating payroll checks (Internally prepared versus outsourced payroll)
- Consider website and social media

Tennessee Smart Start Small Business Guide

http://www.tn.gov/ecd/bero/pdf/SGB_smart_guide2011.pdf

Your Business License

Tennessee law requires businesses to have a business license issued by local government, except:

- professions that pay the Professional Privilege Tax: accountant, security agent/broker/dealer/investment advisor, attorney, audiologist, chiropractor, dentist, engineer, landscape architect, lobbyist, optometrist, pharmacist, physician, psychologist, real estate broker, speech pathologist, and veterinarian.
- Manufacturers: The ruling is complex, but if a manufacturer sells at retail, a business license is required.
- Services performed by religious, charitable, educational, and non-profit organizations are exempt. Receipts from sales of food, beverages or other tangible personal property sold by non-profits are subject to business tax.
- Soft drink bottlers, gas, electric and water companies, movie theaters and vending machine operators.
- Operators of camps and trailer parks where only real property is rented.
- Certain businesses owned by the disabled: some blind persons and disabled veterans.
- Other: Newspaper route carriers, farmers selling directly, and businesses with annual sales under \$3,000.

When Do I Need a Business License?

The application states: "This application along with proper remittance must be received within 20 days of commencement of business." But does "commencement of business" mean the date of your first sale? The date you first advertise? Though the law states that you are not required to obtain a business license until your business first **earns** \$3,000 in a year, you may want to get one sooner because:

- Banks usually require you to have a business license before opening a business account.
- The County Clerk's Business Tax Office is notified whenever a business collects sales taxes.
- Most trade shows require you to have a business license in order to participate. If you do anything that prompts Dun & Bradstreet to check your credit, they will contact your local Business Tax Office to see if you have a license.
- The license is relatively inexpensive (about \$20, depending on the county), and the penalties for *not* having it are considerable. If you have been in business and collected over \$3,000 before getting your license for the first time, you may have to pay interest and penalties.

If you go out of business, you must close out your business license within 15 days, or penalties will be applied. Contact your business license office to determine exactly when and what you need to do to close out your business license.

Where Do I Apply for a Business License?

Click Here to see our separate handout for business license offices in your county.

How Do I Apply for a Business License?

Obtain and complete an application form; it provides the information necessary to create a record of your business, classify the business, and issue a license. The Tax Office charges for the initial, minimal business license, and classifies your business into one of the following categories:

CLASS 1--Fiscal year: January 1-December 31. Delinquency starts March 1.

Gasoline service stations, grocery stores, food wholesalers, hardware stores, building materials, feed stores, food brokers, beer package stores, beer wholesalers, wholesale gasoline and diesel fuel

CLASS 2--Fiscal year: April 1-March 31. Delinquency starts June 1.

Advertising specialties, automobile, motorcycle dealers, boat and camper dealers, department stores, florists and plant stores, home furnishings, appliances and electronic retailers, restaurants, liquor stores, liquor wholesalers, all businesses not listed elsewhere

CLASS 3--Fiscal year: July 1-June 30. Delinquency starts September 1.

Antique dealers, delicatessens, jewelry stores, card shops and book stores, pawn shops, beauty, barber shops and schools, architectural and artists supply sales, hearing aids, razors, luggage, optical and ophthalmological supplies, typewriters, sporting goods, sales of services or engaging in the business of furnishing or rendering services.

CLASS 4--Fiscal year: October 1-September 30. Delinquency starts December 1.

General contractors, subcontractors, produce dealers

Once you have obtained a business license, you'll automatically receive a renewal form at the end of the fiscal year. Since business taxes are assessed against gross receipts, you will also receive a Gross Receipts Reporting Form. You must file gross receipts amounts, take certain deductions allowed, and calculate the tax owed. If you don't have any gross receipts, the charge to renew your license is about \$20.

When Would I Need Multiple Business Licenses?

You may need to obtain multiple business licenses; for example, businesses operating in the City of Knoxville need a business license from both Knox County and the City. Contractors who work in multiple counties need a business license from each county. Knox County contractors can work in the City of Knoxville by paying a small fee to the City.

Once you have obtained a business license from one county, you can do up to \$50,000 in annual sales in any other county without obtaining a business license for that county. If you exceed \$50,000 in annual sales in any other county, you have to have to obtain a business license for that county.

What is the Tangible Personal Property Tax, and How Does It Affect My Business?

Tennessee law requires all businesses, including manufacturing (except those assessable by the State Public Service Commission), to complete a Tangible Personal Property Report annually. All personal property used in your business, such as furniture, fixtures, machinery, equipment, raw materials and supplies, have to be reported. Inventories of finished goods held for sale are excluded. Personal property tax will be due all entities that have issued your business a license.

Once you obtain a business license, you will automatically receive the schedule you need to calculate your Tangible Personal Property Tax. Failure to submit this schedule will result in a forced assessment, and you will be subject to a penalty. When paying your business license tax, you will receive a credit for the amount of Tangible Personal Property Tax paid.

For example, the Tangible Personal Property Tax rate in 2001 for Knox County businesses is \$2.77 per \$100 of personal property (the tax rate varies by city/county). Personal property value is calculated by depreciating the original cost according to the year of purchase, then applying a 30% reduction.