

RL Ring & Associates, Ltd.  
New Business  
Tax and Filing Guide



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## **STEP 1 – File with the Ohio Secretary of State**

### **All Businesses Must Register With the Secretary Of State**

The name of your business will be secured when you file these specific forms. You register by filing forms specific to the legal structure of your business.

### **Businesses From Outside Of Ohio**

If you are a business from outside Ohio, referred to as a "Foreign Entity," you will also need to register your business with the Secretary of State's office if you are transacting business in Ohio.

### **Name Availability**

The Secretary of State's office is the filing agency for business name and legal structure. It does not determine whether the use of a name is legal. If a name is registered as a trade name, the Secretary of State's office will tell you that you cannot use it unless you have the permission of the business that has registered the name.

A person can file for a Name Reservation. A name is reserved for 180 days from the date of filing and can be renewed prior to expiration. This cannot be used to conduct business in Ohio, but ensures that the name will be available at the time you are prepared to file your business entity. There is a \$50 filing fee. (Name Reservation Form 534B)

A trade name cannot be used by any other business. Filing prevents any other business from registering the same name with the Secretary of State. There is a \$50 filing fee (Name Registration Form 534A).

A fictitious name is not as protected as a trade name. A fictitious name is registered with the Secretary of State, but anyone can use it. There is a \$50 filing fee (Name Registration Form 534A).

Before you register, you can search for the name of your business at the Secretary of State's office online database <http://www.sos.state.oh.us/SOS/Businesses.aspx> or call the Business Services Division (877) 767-3453.

### **Business Legal Structure**

In Ohio, there are six main legal structures for businesses:

- sole proprietorship
- general partnership
- limited partnership
- limited liability partnership
- limited liability company (for profit and nonprofit)
- corporation (for profit, non-profit, and professional)

**SOLE PROPRIETOR** – Single owner and controller

{Name Registration (Trade or Fictitious) DBA}

**Liability** – Owner is responsible for own actions and employees

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

**Advantage** – No partnership agreement

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

FORM# 534A COST \$50

(In State or foreign State of Ohio registrant)

**PARTNERSHIPS** – Owned and controlled by two or more

(While not required in order to conduct business in the State of Ohio, Statement of Partnership Authority "Statements" will be given significant weight in a court of law.)

**Liability** – Partners are responsible for own actions and actions of employees

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

**Advantage** – Taxed only once

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

FORM # 535 COST \$125

(In State or foreign State of Ohio registrant)

**LIMITED PARTNERSHIP** – Owned and controlled by at least one general partner and at least one limited partner

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

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

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

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

FORM# 531A COST \$125

(Foreign State of Ohio registrant file FORM 531B)

**LIMITED LIABILITY PARTNERSHIP** – Owned and controlled by an association of two or more persons to carry on as co-owners of a business for-profit

**Liability** – Each partner has managerial control and the ability to bind the partnership as an agent, similar to that of a general partnership

**Tax Responsibility** – All partners in a limited liability partnership have their individual liabilities for partnership debts capped at the amount of their investment

FORM# 536      COST \$125

(Foreign State of Ohio registrant file FORM 537)

**LIMITED LIABILITY COMPANY** – Owners of an LLC are called members and may include individuals, corporations, other LLCs and foreign entities

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

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

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

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

FORM# 533A      COST \$125

(Foreign State of Ohio registrant file FORM 533B)

**C-CORPORATION** – Owners may be one or more individuals, corporations, other LLCs/foreign entities

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

**Taxed Twice** – Shareholders pay taxes on their earnings. Corporation also pays its own taxes

**Advantage** – Easy to transfer shares

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

FORM# 532      COST \$125

(Foreign State of Ohio registrant file FORM 530A)

### **S-CORPORATION**

In Ohio, business must be registered as a C-corporation before applying for S-corporation status from the Internal Revenue Service (IRS).

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

IRS FORM# 2553      COST FREE





## **STEP 2 – Determine if your company will have employees**

**No** – Register with the following:

- Internal Revenue Service (IRS) – Form SS-4 [Application for Employer/Federal Identification Number – (EIN or FEIN)] [www.irs.gov](http://www.irs.gov) or (800) 829-4933
- Ohio Bureau of Workers' Compensation – Form U-3 [Application for Ohio Workers' Compensation Coverage] [www.bwc.ohio.gov](http://www.bwc.ohio.gov) or (800) 644-6292

**Please Note** – Sole Proprietors and Partnerships, and Individual Corporations who wish to have workers' compensation coverage for their proprietors, partners, or officers must complete Form U-3.

**Yes** – Register with the following:

- Internal Revenue Service (IRS) – Form SS-4 [Application for Employer/Federal Identification Number – (EIN or FEIN)] [www.irs.gov](http://www.irs.gov) or (800) 829-4933
- Department of Homeland Security, U.S. Citizenship and Immigration Services Form I-9 [Employment Eligibility Verification] [www.uscis.gov/i-9](http://www.uscis.gov/i-9) or (800) 357-2099 or (800) 278-5732 for the hearing impaired
- Ohio State Department of Taxation – Form IT-1 [Tax Withholding & School District Withholding Agent] [www.tax.ohio.gov](http://www.tax.ohio.gov) or (888) 405-4039
- Ohio Department of Job & Family Services – Form JFS 20100 [Report to Determine Liability] [jfs.ohio.gov](http://jfs.ohio.gov) or (877) 644-6562
- Ohio New Hire Reporting Center – Form JFS 07048 [Ohio New Hire Reporting] [oh-newhire.com](http://oh-newhire.com) or (888) 872-1490
- Ohio Bureau of Workers Compensation – Form U-3 [Application for Ohio Workers' Compensation Coverage] [www.bwc.ohio.gov](http://www.bwc.ohio.gov) or (800) 644-6292

**Please Note** – In Ohio, all employers with one or more employees must have workers' compensation coverage.

### **Employer Identification Number**

The following types of businesses are required to file for an EIN:

- Any business with employees
- Any corporation, partnership, or limited liability company, even if it has no employees
- Sole proprietors who pay wages, or are required to file excise tax returns

An EIN is not only required when filing income and excise tax returns, it is also required to register, file, and pay all withholding taxes that must be paid to the IRS and Ohio Department of Taxation.

After you submit Form SS-4, if you don't plan to pay taxes electronically, call 1-800-829-4933 to request a Federal Tax Deposit Coupon book (Form 8109). These coupons are used when the business makes deposits of deducted employee personal income tax payments, joint employee-employer social security tax and Medicare payments, and employer payments for Federal Unemployment Tax.

Every employee must have a Summary of the Total Dollars Withheld for the prior year on a Form W-2 by January 31. The employer must submit Form W-2 for each employee and Form W-3 for all employees to the Social Security Administration by February 28.

### **Immigration Law**

US immigration law requires employers to verify that their employees are allowed to work in the United States. Form I-9 must be completed for every employee hired.

### **Ohio Income Tax Withholding**

All employers either who have an office in Ohio or who are doing business in Ohio must withhold Ohio income taxes from their employees' wages each pay period. This applies only to wages paid for work performed in Ohio.

Employers can complete Form IT-1 electronically through the Ohio Business Gateway, by telephone 1-888-405-4089, or by paper.

### **Unemployment**

Employers other than agricultural and domestic employers with one or more employees must pay a state payroll tax on wages. This tax, commonly referred to as contributions, is designed to support the state of Ohio's unemployment compensation benefit system that provides for unemployed workers actively searching for work.

If you fit into any of the following categories, you must make unemployment contributions:

- Employ at least one worker in 20 different weeks during this year or last year
- Pay \$1,500 or more in wages during any quarter of this year or last year
- Are subject to the federal unemployment law this year or last year
- Acquire a business from an employer who was subject to the Ohio law
- Elect to cover employees voluntarily

To register with Ohio Department of Job and Family Services (ODJFS), complete Form JFS 20100.

### **New Hire Reporting**

Federal and state laws require all employers to report all employees who live or work in Ohio. Employers must report the employee's name, address, Social Security number, date of birth, date of hire, and the state in which the employee works. This information must be received no later than 20 days from the date of hire.

To register with the Ohio New Hire Reporting Center, complete Form JFS 7048.

### **Workers' Compensation**

Ohio's Workers' Compensation Insurance Fund is a no-fault program designed to protect employees and employers when a work-related injury, occupational disease, or death occurs. In Ohio, all employers with one or more employees must have workers' compensation coverage. Coverage for Ohio employers and their employees becomes effective when BWC receives a completed application and the \$10 minimum deposit.

Independent contractors and subcontractors also must obtain coverage for their employees. For the purposes of workers' compensation coverage, BWC considers officers of a corporation to be employees except for an individual who is incorporated as a corporation (to qualify, there must be a single/sole owner AND no employees). However, if you are self-employed, a partner in a business, or an officer of a family farm corporation, you are not automatically covered. You may elect coverage for yourself by selecting yes in the elective coverage section.

If you do not have an existing policy with BWC and are a new employer starting a business, or if you have acquired an existing business that does not have a policy, you must register by filing Form U-3.



## **STEP 3 – Additional taxes and business filing info**

### **Tax Requirements**

#### **Federal Taxes**

To help businesses identify and comply with federal income tax rules, the Internal Revenue Service (IRS) has several toll-free taxpayer assistance telephone lines.

#### **Ohio Income Taxes**

Sole proprietors must pay Ohio income tax on their Ohio net earnings (income minus expenses).

Partners must pay Ohio income tax on their share of the partnership's net earnings.

Corporations must pay Ohio income tax on their net earnings. Shareholders must pay Ohio income tax on their dividends.

S-Corporations do not pay Ohio income tax, but their shareholders must pay Ohio income tax on their share of the corporation's net earnings.

#### **Ohio's Commercial Activity Tax (CAT)**

The commercial activity tax (CAT) is an annual tax imposed on anyone doing business in Ohio, and applies to all business types and all entity types. Businesses with Ohio taxable gross receipts of \$150,000 or more per calendar year must register, file, and pay for the CAT.

Register for the CAT online at the [Ohio Business Gateway](#), by downloading form CAT 1 [Commercial Activity Tax Registration Form] from [www.tax.ohio.gov](http://www.tax.ohio.gov), or by calling 1-800-282-1782.

**Please Note** – As of January 1, 2014, the Ohio Department of Taxation requires annual CAT taxpayers to file and pay for returns electronically.

#### **Vendor's License**

The Vendor's License is the mechanism that allows a business to collect sales and use tax from its customers and to remit sales and use tax to the Ohio Department of Taxation (ODT). To purchase a vendor's license, download the proper form at the ODT's website: [www.tax.ohio.gov](http://www.tax.ohio.gov).

### **Employer Requirements**

#### **Wage and Hour**

Businesses that gross more than \$500,000 annually should contact the U.S. Department of Labor for information about the Fair Labor Standards Act. In addition, the federal government publishes the pamphlet "Handy Reference Guide to Fair Labor Standards Act." You can request a copy from any local Federal Wage and Hour Office or download it [here](#).

#### **Ohio Civil Rights Commission**

The state of Ohio's anti-discrimination laws are enforced by the Ohio Civil Rights Commission (OCRC). These laws apply to employers with four or more employees in Ohio. Among the various

requirements, employers must post the "Fair Employment Practices" poster in a highly visible area in each workplace. The OCRC has several publications available at no cost at [crc.ohio.gov](http://crc.ohio.gov).

### **Business Specific Licensing and Registration Requirements**

Free business specific checklists are available at [business.ohio.gov](http://business.ohio.gov) under Step 3.

### **Employee Personnel Files**

As you begin to hire employees, be aware of the many requirements and regulations that apply not only to taxes, but also to the protection of personal information and to the presentation of standard business processes, procedures, and policies. *Personnel files should be kept in a locked cabinet with limited access.*

Below is a list of items that should be considered necessary for an individual employee's personnel files.

- Resume and/or application form
- Interview Notes
- Background Check documentation
- Offer Letter with pay details
- I-9 Employee Eligibility Verification
- Copy of Driver's License and additional identification
- W-4 Employee Withholding Request (IRS)
- IT-4 Employee Withholding Exemption Certificate (Employee and School District)
- Form 7048 New Hire Reporting
- Health Insurance acceptance or waiver of coverage
- Delivery receipt for Employee Manual
- Training Record
- Attendance Record
- Quarterly Payroll Reports
- Family and Medical Leave Policy
- Disability Policy

### **Employer Required Federal Posters**

In addition to the above items, there are certain posters that are required by the US Department of Labor. Visit [www.dol.gov](http://www.dol.gov) to determine what posters you are required to have displayed for employees.