



Training #1 - Follow the rules

What are the rules and paperwork needed to set up a business in Missouri.

Doing business in the United States is a great way to build your financial future. Doing business in the US also comes with strict rules and regulations, and they may be different from back in your home country. Those rules and regulations are there for a purpose: they ensure that everybody has a fair chance to win in the free market American economy.

Following all rules and regulations, and keeping up with them, is extremely important. The US government, whether local, state or federal, want to make sure that everybody has a fair chance, and they also want to ensure proper taxation.

Because those regulations are complicated and can be baffling (even to native English speakers and people born and raised in the US,) we at REDI are committed to helping you each step of the way. There are no stupid questions: ask us and we will help to the extent that we can, and find a person who knows if we do not. The important thing is to keep up with the rules and the paperwork to ensure the continuing success of your business.

[There is a glossary of terms at the end of this document to help you get familiarized with the most common American business terms as they pertain to business entities and licenses.]

STEPS:

- 1/ Register a Missouri business entity*
- 2/ Choose a business name*
- 3/ Get a Federal Employer Identification Number (EIN)*
- 4/ Get a business license, professional license, or business tax registration*

1/ First step: register a Missouri business entity

a. Define your business identity

There are different types of business entities in the US. Each business entity requires a different type of registration from the state of Missouri and has different structures and obligations. Choose carefully. REDI is here to guide you but you are the ultimate decision-maker.

What is a business entity? It is a business structure and legal entity: it determines how the business will be organized and run, and what its legal and tax-related obligations will be. Business entities are generally divided into four categories:

- i. "Sole proprietorship"
- ii. "Partnership"
- iii. "Corporation"
- iv. "Limited Liability Company" (LLC)

- i. **Sole proprietorship** means that you are the only owner of your business. It is the easiest and least expensive way to open a business. You pay taxes on your business together with your personal taxes, and you are also responsible for all financial debts for your business. There is no filing with the state of Missouri, meaning you do not have to register with the state.
- ii. **Partnership** means the business is owned and run by more than one person, known as "partners." All partners share the profits and losses of the business, and are responsible for all debts. There is no filing with the state of Missouri, meaning you do not have to register with the state.
- iii. **Corporation** means the business is separate from its owners, who are called stockholders or shareholders. The corporation advantage is that if it is sued, the owners are not responsible, the corporation entity is. On the other hand, having a corporation is a lot of administrative work, because you have obligations such as having a board of directors, annual meetings, you have to document those meetings in writing (everything that was said, called minutes), and more.
- iv. **Limited Liability Company (LLC)** means the business is separate from its owners, just like in a corporation, but in an LLC the owners are called members. The LLC advantage is also like a corporation, in that if it is sued, the owners are not responsible, the LLC entity is. The difference with a corporation is that the obligations are not as heavy with an LLC: there is no annual meetings, and filing the taxes is easier.

Remember that these steps are complicated and can be confusing when you start on your business journey. REDI and the Global Entrepreneurs program staff are here to help you.

- b. File with the State of Missouri if you are choosing to create a corporation or an LLC.

You can do this online: <https://www.sos.mo.gov/business/corporations/startbusiness>

2/ Second step: choose a business name

Once you have decided which type of business you will open, choose its name. And of course, here too there are several options, and different things you will need to do according to which option you choose. Again, don't hesitate to ask questions, we are here for you.

- a. If you will open a Sole Proprietorship or Partnership and you will be using a name other than your own name for it, you need to register what is called a **Fictitious Name**. It is sometimes also called a DBA (see glossary.)
- b. If you open a corporation or LLC, the name you choose for it must be followed by: "corporation," "incorporated," "limited partnership," "Corp," "Inc.," or "LP" for LLCs, "limited liability company," LLC, LLP, etc. The name of the corporation or LLC will be registered at the same time you register the business.
- c. Both types of name registrations are done with the Secretary of State: <https://www.sos.mo.gov/business/corporations/startbusiness>

3/ Third step: get a Federal Employer Identification Number (FEIN or EIN)

You only need an EIN if you open a partnership, corporation or most LLCs. If you open a Sole Proprietorship or a single-member LLC, your social security number (SSN) can be your business' identification number.

However, getting an EIN is often recommended, even if you open a sole proprietor or a single-member LLC. This is because of identity theft protection: without an EIN, you will have to give out your SSN in many instances. For example, you most likely will be required to give your customers a 1099 form for tax purposes and that form will have your SSN on it; some vendors may require an EIN in order to purchase products or services from you; the application for a business license requires an EIN in many cases, etc.

Filing for a FEIN is done through the US Internal Revenue Service, also known as the IRS, the same US government office where you file your personal federal taxes. It takes minutes and it is free: <https://www.irs.gov/businesses/small-businesses-self-employed/apply-for-an-employer-identification-number-ein-online>

4/ Fourth step: get a business license, professional license, or business tax registration

This is where it gets complicated again. Take a moment to read through these rules, and ask us all the questions you need.

- a. Determine if you need a license from the city you operate in (Columbia, Ashland, Rocheport, Centralia, etc.): licenses are only required for certain industries and businesses in Missouri. There may also be zoning rules you need to follow depending on the type of business you're creating. Check with the City of Columbia (or your city if different)'s Business Licensing Office: <https://www.como.gov/finance/business-licenses/>

- b. Determine if you need a professional license: <https://pr.mo.gov/licensee-search-division.asp>
- c. Determine if you need to register for a Business Tax: businesses selling taxable products and services, franchises, or businesses with employees must submit the Business Tax Registration with the Missouri Department of Revenue (the state of Missouri's taxation office). You can find out here: <https://dor.mo.gov/taxation/business/registration/requirements.html>

Please remember that completing these steps does not mean you are done with the paperwork: running a business means keeping up with paperwork and regulations on an ongoing basis, or you could lose all you have worked so hard to build. This is why we at REDI are committed to helping you each step of the long way of managing your business. Your success is our success.

Glossary of business terms:

Fictitious name: your business name, if it is different from your name; it can also be referred to as DBA, or Doing Business As)

FEIN or EIN: Federal Employer Identification Number, or a 9-digit number that is the identification for your business, just like your passport number is the identification for your person. The FEIN is unique to you and your business.

Filing: registration with a government entity, such as the state of Missouri (through the Secretary of State); filing usually has a cost attached to it, called a filing fee.

License: a permission to operate a business given by the competent authorities (city, state)

Minutes: written report of all that is said during a meeting such as annual corporation meeting, so as to document the proceedings.

First in a series of REDI Global Entrepreneurs training modules:

- **Follow the Rules (Business licenses and permits)**
- **Show Me the Money (Financial literacy)**
- **What's the Plan? (Basics of a business plan)**