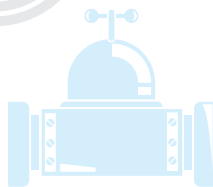
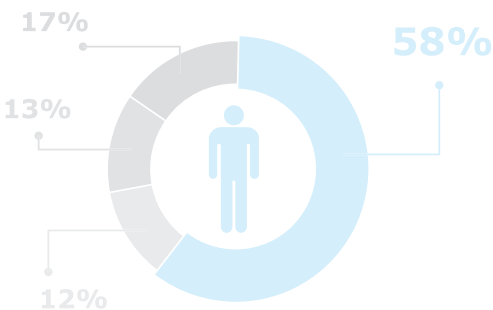
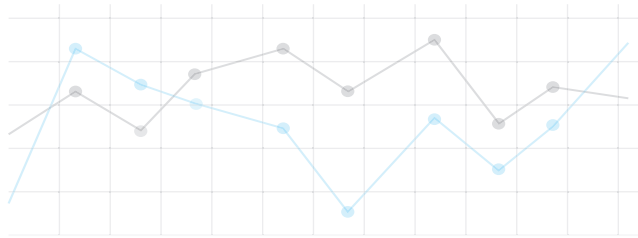


Oklahoma Business Start-up Guide

BUSINESS CUSTOMER SERVICES



OKLAHOMA
DEPARTMENT OF COMMERCE

Oklahoma Business Start-up Guide

The following information describes key, initial steps and decisions regarding starting a small business. Note that two or more of the decisions and actions may occur simultaneously.

Name and Legal Structure

In starting a new business, two of the first decisions are choosing a **business name** and deciding what **legal structure** to operate under.

The **legal structure** of a business can be defined as the structure which officially determines how taxes will be filed and reported, plus how lawsuits may be incurred. When a business starts and is owned and operated by a single person without any other formalities, its legal structure is a **sole proprietorship**. If a business starts and is jointly owned and operated by two or more persons without any other formalities, its legal structure is a **general partnership**.

Sole proprietorships and general partnerships are the most common types of legal structures used by small business owners. Under these two structures, the business owners are more vulnerable to personal liability from lawsuits and higher taxes due to the inability to take advantage of certain favorable situations.

In an attempt to reduce the potential for personal liability and higher taxes, the business owner(s) may decide to create and operate under one of the **formal types of legal structures**. The formal structures are more complex and require more detailed filing actions. An owner may decide to file and use a formal structure for the business before starting, or the owner(s) may operate as a sole proprietor or a general partnership, while in the process of changing to one of the formal structures. Decisions of the two latter types to change, usually, occur after more advice and needed information have been obtained, which may include conferring with other owners and specific business professionals (such as a tax attorney, certified public accountant or other consultants). This subject is discussed later in this document.

Registering a Business Name

In Oklahoma, once the name of a business has been decided, the owner(s) can seek to **register** it for exclusive use in the state. To do this, the person(s) involved should contact the office of **Oklahoma's Secretary of State (SOS)** www.sos.ok.gov and complete a **Trade Name Report**. If the proposed business or trade name is available, it can be registered by paying the current \$25 fee to cover the cost of the report.

New or aspiring owners are encouraged to register their business name. As an alternative to registering the company name, the proposed name can simply be held for a 60 day period by paying a \$10 fee, while other plans for the business are being completed, including creating and filing one of the formal legal structures. Also, the same core name that was registered as a sole proprietorship or general partnership can be used, if the owner changes the legal structure of the business to one of the formal types at a later date.

In addition, before allowing banking transactions and establishing a bank account, many bankers will require sole proprietors to also obtain a **Certificate of Fictitious Name** which identifies the person who is the sole owner of the business. This certificate is obtained, for a small fee, from the county clerk's office in the county of residence for the business.

Similarly, to identify the names and addresses of all of the partners involved, a partnership may be required to obtain a **Partnership Fictitious Name certificate**. This certificate is obtained from the SOS for a minimal fee.

Registering or Filing a Formal Legal Structure

As indicated, in an attempt to reduce the vulnerability of personal liability from lawsuits or higher taxes, a business owner may decide to operate under one of the following **formal legal structures**: a **common corporation (also termed a C-corp)**, a **Sub-Chapter S Corporation (or S-corp)**, a **Limited Liability Company (LLC)**, a **Limited Partnership** or other types ([click for legal structure descriptions](#)).

These formal structures have to be filed with the SOS, as outlined under the agency's specific procedures and forms. After submission of the necessary documents and payment of the related fees, the SOS will issue a certificate (or acknowledgement) that the filing for the particular structure has been accepted. However, in starting or changing to one of the formal legal structures, the owner may need to seek the assistance and advice of specific professionals, such as attorneys or CPAs that work with small businesses in this area. For example, if an LLC is not organized or operated properly, the owner could face the possibility of the business being taxed like a regular C-corporation.

Registering Separate Trade Names

Sometimes, the owner of a new or existing business (whether sole proprietorship, corporation, or LLC), may have certain products or services which they want to emphasize and promote. In order to do so, the owner may file or apply for authorization to use a business name, other than the initial or official one on file. In this instance, the new name is referred to as "**Doing Business As**" or **d/b/a**. If available, a business can have an unlimited number of d/b/a names. To file for any d/b/a name(s), the process starts with completing a Trade Name Report form.

Employer's Tax ID Numbers

For a business operating as a sole proprietorship with no employees, the owner can choose to use his or her Social Security number as the identification number for its tax filings and financial accounting.

However, partnerships and all businesses organized under one of the formal legal structures are required to obtain and use a **Federal Employer's Identification Number (also called either a FEIN or EIN)**. This number is issued by the **Internal Revenue Service (IRS)** of the U.S. Treasury Department.

In addition, all businesses with employees, including sole proprietorships, are required to obtain and use a FEIN. The number can easily be obtained from the IRS, as described in the contact information at the end of this document.

Professional and Occupational Licenses or Permits

In Oklahoma, there are state laws that require various types of businesses, or their owner(s), to obtain professional or occupational licenses or **permits**. However, obtaining operational licenses or permits are different from the initial steps and requirements involved with registering a business name, filing a formal legal structure, or obtaining a federal employer's ID number.

Traditionally, obtaining an operating **license** requires the owner or certain employees pass a qualifying examination. On the other hand, obtaining a **permit**, usually, only requires submitting specific information pertaining to the business. However, certain agencies call the authorizing document they issue a license, even though the application does not require an exam, but instead mirrors the process required for a permit.

While several types of businesses in Oklahoma are required to have a state license or permit to operate, many others are not. For instance, a state license is required to operate a plumbing service, an insurance agency, or a hair salon; while one is not required to operate a travel agency, a janitorial cleaning service, or a general construction company. A license or permit is needed to operate a trucking company, a public accounting service, or a day care center; while they are not required to operate an auto repair service, a photography studio, or a carpet cleaning service.

Retail businesses sell tangible items to the general public for final use (i.e. groceries, clothing, appliance and hardware stores). Retail business owners in Oklahoma are not required to obtain a traditional license. However, they are required to obtain **sales tax permits** for their locations from the **Oklahoma Tax Commission (OTC)** www.tax.ok.gov and to collect and remit sales tax revenue. Additional special permits may also be required for selling specific items such as beer, cigarettes, and motor fuels, which are sold in large volumes at convenience stores. Wholesalers and manufacturers are required to get exemption permits regarding state sales taxes from OTC.

Employee Income Tax and Other Payroll Benefit Withholdings

New businesses in Oklahoma, with employees, must set up an account with the OTC for withholding and remitting state income taxes from the wages and salaries paid to their employees. Such businesses must also set up an account and withhold and remit state unemployment taxes from the earnings of the employees to the **Oklahoma Employment Security Commission**. In addition, employers are required to cover their employees in Oklahoma with **Workman's Compensation Insurance**, either through a general insurance agent or through **CompSource Oklahoma**, a state nonprofit insurance corporation.

Likewise, business owners with employees are required to obtain the necessary form and set up accounts with **IRS** to withhold and pay federal income and Social Security taxes from the wages and salaries of their employees.

Simultaneous Actions for Initial Decisions

As indicated, several of the initial decisions and steps, above, may be ongoing simultaneously, while at other times, one action may need to be completed prior to that of another. For example, action to register the name of a business can only be taken after the name has been decided. However, actions to create and formally file a corporation or LLC as the legal structure could still be in process, while the business has already started doing transactions as a sole proprietorship or general partnership. An owner may also get the details, but not apply for or obtain a license or permit until the business actually starts its operations.

A Written Business Plan

In completing the initial steps and decisions described above, a new business owner is also encouraged to develop a **written business plan**. The applicable, initial steps, described above, will be included, but a written plan can be a helpful guide in covering the other areas pertaining to operating a business. If pursuing and obtaining a loan or other financing to start the business is needed, a written plan will likely or almost certainly be required. Besides the initial decisions and steps described previously, a key section of a written business plan will include a description of the market(s) and customers (detailed by specific segments). Another section will include projected or pro-forma financial statements, particularly regarding the income or revenue from sales, the operating expenses to be incurred and the net income (or profit) expected to result. Another important item is an itemization (with notes) of the total loan amount or outside financing needed.

Services may be sought from referral organizations and resources that provide direct, personal assistance in developing a business plan. Likewise, different parts of a business plan may be ongoing, simultaneously, or completed in succession even before formal actions are taken to create and register a corporation or LLC or to obtain a license or permit.

Contact Information for Agencies Cited In This Document

Oklahoma Department of Commerce

The Oklahoma Department of Commerce assists in providing information, answering questions and referring aspiring or existing small business owners to the relevant state agencies and other business resources. Website:

OKcommerce.gov; Telephone: 405-815-6552 or 800-879-6552; Office location: 900 North Stiles Avenue, Oklahoma City, OK 73104.

Secretary of State

The Secretary of State's office handles numerous types of filings related to business ownership. Included, particularly, are the filings pertaining to initial start-up actions such as registering or reserving a proposed business name, creating and registering one of the formal legal structures for a business to operate under, plus other filing actions, such as registering an out of state company wanting to operate in Oklahoma.

General Contact: Website: www.sos.ok.gov; Telephone: 405-521-3912 (Business Filing Department receptionist), 405-522-2520 (filing examiners); Office location: State Capitol Building, Room 101, 2300 North Lincoln Blvd., Oklahoma City, OK 73105.

Oklahoma Tax Commission

The Oklahoma Tax Commission (OTC) regulates a number of items pertaining to business ownership. On its website's homepage, at the main menu on the far left, click on the block at the top for Forms and Publications. Then under Forms, click on "Business Tax Forms". Note that relevant items and information are organized under various, lettered packets. The first packet, Packet A, contains the "Oklahoma Business Registration Packet", which covers a number of business tax requirements and permits. Included in the packet are instructions and application information regarding employer/employee payroll tax withholding and payments requirements; obtaining one or more sales tax permits (which is required of all retail type businesses), decals for vending machine owners, plus many other needed items. For questions or assistance to complete the packets to obtain necessary items, the business owner should contact the OTC at the telephone numbers below. Also, the OTC conducts a number of New Business Start-up Workshops across the state, each month, which can assist new business owners regarding its requirements. For a schedule of the workshops, from the homepage of the website, in the shorter menu (to the immediate right of the main menu) called "Quick Clicks", click on the related bullet, 4th from the bottom.

General Contact: Website: www.tax.ok.gov; Telephone: 405-521-3160, 405-521-3279 or 800-522-8165 (Tax Payer Assistance Staff); Office location: Conners Office Building, 2501 North Lincoln Blvd., Oklahoma City, OK 73105.

Oklahoma Employment Security Commission

A business with employees in Oklahoma is required to set up an account with the Oklahoma Employment Security Commission (OESC) to withhold and submit unemployment taxes. **General Contact:** Website: www.oesc.state.ok.us; Telephone: 405-557-7100 (Main number), 405-557-7121 (Unemployment Insurance Division); Office location: Will Rogers Memorial Office Building, 2401 North Lincoln Blvd., Oklahoma City, OK 73105.

CompSource Oklahoma

CompSource Oklahoma (CSO) is a non-profit insurance company created by the State of Oklahoma. Businesses in Oklahoma are also required to purchase and cover their employees with workers' compensation insurance. This insurance may be purchased by the business owner(s) from a regular insurance agent or it can be purchased from CSO. **General Contact:** Website: www.compsourceok.com; Telephone 405-232-7663 or 800-347-3863; Office location: 1901 North Walnut Avenue, Oklahoma City, OK 73105.

Internal Revenue Service of the U.S. Department of Treasury

For any business in Oklahoma that has employees or operates under one of the formal legal structures, the owner(s) will need to contact the Internal Revenue Service (IRS) and obtain a Federal Employers Identification Number (FEIN). The IRS should also be contacted for the forms and procedures to withhold and remit federal taxes required regarding both employers and employees. **General Contact:** Website: www.irs.gov; Telephone 800-829-4933