



Resources for

# Starting a Business in Texas

Rev. 1 • October 2015

## Overview:

- ⇒ Plan and research.
- ⇒ Choose your business structure.
- ⇒ Know your tax liabilities.
- ⇒ Check for license and permit requirements.
- ⇒ Familiarize yourself with current employment and business laws.
- ⇒ Do you need workers compensation insurance?

This document provides fundamental information for persons who have decided to establish a new business in our region (within the state of Texas). Included are hyperlinked online resources for most of the agencies a new entrepreneur will likely interface with before, and during, business operation.

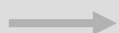
As with any new venture it is critical to employ the services of professionals who can guide you in starting and managing your business, and assist with the various financial, legal and tax issues (see *Hire Professionals* below).

The information in this document is gathered from state government and business-planning resources, and is current as of the revision date above. We hope you find the contents helpful as both an online and printable reference.

## 1. PLANNING AND RESEARCH

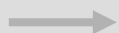
You've made the decision to enter the world of business ownership. Don't overlook these important first steps.

### Write a Business Plan



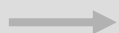
The business plan is a formal statement of business goals and how you plan to achieve those goals. It includes a description of your products and services, as well as projected revenues for a certain time period (often 3-5 years initially). A business plan is an important outline to have when presenting your ideas to potential investors.

### Research the Market



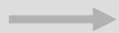
Do you have a product or service that will sell in your area? Is the local market already saturated with a like product or service? Is it a niche market? Who is your intended customer? Who are your competitors? Can the local economy support such a business? Have you explored the demographics of the area where you intend to set up your business?

### Explore Financing



Research and list all business costs beforehand. You'll need capital to start your venture. Determine your current financial situation, how much you'll need for startup and operating costs and how you'll obtain it. If you intend to acquire investors, you'll need a good business plan and sales pitch.

### Hire Professionals



Attorneys experienced with the legalities of new businesses can help you get started, particularly with choosing a business structure (see page 2), leases, and contracts. An accountant can also help determine the best form of ownership and provide expertise with financial management and tax planning, and any changes in tax law.

## 2. DECIDE ON A BUSINESS STRUCTURE

Understand the pros and cons of the business structure you select, and the tax and legal implications of each. If you're a solo entrepreneur starting out with a small business, the sole proprietorship will be your likely choice.

<b>Sole Proprietorship</b>	→	Simplest structure of all business forms; has single owner; easy to set up; nominal cost; owner is personally responsible for all business debts; no legal distinction between personal and business debts; can operate under owner's name or fictitious name (must be filed with County Clerk); simple taxation (need only pay unemployment tax on employees, not the owner).
<b>General Partnership</b>	→	Relatively easy to establish; Involves two or more partners or businesses; partners are jointly and personally liable for any business debts or other liabilities; requires separate income tax return; can operate under assumed name filed with the County Clerk; partnerships can be risky due to personal or business conflicts.
<b>Limited Partnership</b>	→	Formed by two or more individuals or entities having two or more general partners and one or more limited partners; general partners share debts and assets equally, limited partners have limited debt obligations. Must be registered with the Secretary of State.
<b>Registered Limited Liability Partnership</b>	→	General partnership that has been registered with the Secretary of State; partner is not individually liable, under some circumstances, for debts and obligations arising from errors, omissions, negligence, incompetence or malfeasance committed by others in the partnership.
<b>Corporation</b>	→	Created when two or more individuals, partnerships, or other entities join to form a separate entity to operate a business in the state; has a legal identity separate from the owners; can be formed as Subchapter C or S*; offers protection to the owners' personal assets from debts and liabilities related to the operation of the corporation; taxation varies depending on the type of corporation formed; must be registered with the Secretary of State.
<b>Limited Liability Company</b>	→	Unincorporated entity which shares some of the aspects of Subchapter S* corporations and limited partnerships, but with greater flexibility than more traditional business entities; provides owners with limited liability and pass-through tax advantages minus the restrictions imposed on Subchapter S Corporations and limited partnerships; must be registered with the Secretary of State.

\* For an explanation of Subchapter C and S filings, visit [irs.gov](https://www.irs.gov) and search for "C corporations" or "S corporations".

### Choosing a business name

When considering a business name, it is critical to thoroughly research the name to ensure there are no conflicts with an existing business who may have the same, or a similar, name as yours. It is advisable to have at least three names on hand in case your primary choice is unavailable. You can conduct a name search through the secretary of state website ([sos.state.tx.us](https://sos.state.tx.us) - there may be a fee). You should also check with the U.S. Patent and Trademark website ([uspto.gov](https://www.uspto.gov)) for trademarked names. Locally, check the telephone directory for similar business names, and consider performing an Internet search for names as well. Once your business name is chosen, and a business structure has been agreed on, the name will need to be registered with the county clerk's office and/or the Secretary of State.

### 3. TAX RESPONSIBILITIES

You new business must comply with assorted tax requirements.

<b>Federal Tax</b> (also federal employment tax)	<b>See:</b> <ul style="list-style-type: none"><li>Internal Revenue Service (IRS). <a href="https://www.irs.gov">irs.gov</a> (Search for “starting a business” to see available resources).</li></ul>
<b>State Tax</b> (also state and local employment tax)	<b>See:</b> <ul style="list-style-type: none"><li>Texas Comptroller of Public Accounts. <a href="https://www.comptroller.texas.gov">comptroller.texas.gov</a></li><li>For employment tax information: Texas Workforce Commission. <a href="https://www.twc.state.tx.us">twc.state.tx.us</a></li></ul>
<b>Local Tax</b>	Taxes on the property where your business is established and used to produce income is handled by the Central Appraisal District (CAD). Contact your local CAD office for information

### 4. LICENSES AND PERMITS

Make sure your new business meets any requirements for permits and licenses in your area.

<b>Local</b>	<ul style="list-style-type: none"><li>Contact both city and county offices in your area.</li></ul>
<b>State</b>	<b>See:</b> <ul style="list-style-type: none"><li>Texas Department of Licensing and Regulation. <a href="https://www.tdlr.texas.gov">tdlr.texas.gov</a></li></ul>

### 5. BUSINESS EMPLOYER REQUIREMENTS

It's a good idea to be familiar with laws regarding labor, safety and reporting related to the employment of personnel.

<b>Examples:</b> The Americans With Disabilities Act, Equal Opportunity Employment, Workers' Compensation, minimum wage and overtime laws, and New Hire Reporting among others.	<b>See:</b> <ul style="list-style-type: none"><li>Texas Wide Open for Business. <a href="https://www.texaswideopenforbusiness.com">texaswideopenforbusiness.com</a></li><li>Texas Workforce Commission. <a href="https://www.twc.state.tx.us">twc.state.tx.us</a></li></ul>
--	---

### 6. WORKERS' COMPENSATION

Private employers may want to consider workers' compensation insurance coverage.	<b>See:</b> <ul style="list-style-type: none"><li>Texas Department of Insurance. <a href="https://www.tdi.texas.gov">tdi.texas.gov</a></li></ul>
--	--

#### A word on business bank accounts

You'll want to open a bank account for your new business to keep your personal and business banking separate. Doing so allows for cleaner, easier and more professional bookkeeping, streamlines tax payments, and is a tremendous asset should you ever face an audit. If your business is incorporated, the IRS absolutely requires a separate account.

## OTHER RESOURCES

### U.S. Small Business Administration

[sba.gov](http://sba.gov)

#### Offers a large repository of information for businesses:

- Assistance for veterans starting a business.
- *Small Business Development Centers.*  
Your local college may offer a Small Business Development Center that will assist you with planning and starting a small business.
- Information on grants and loans.
- *Women's Business Centers.*  
Designed to assist women in starting and growing small businesses. Currently, there are five centers located within Texas.
- Assistance for minority-owned businesses through the SBA's 8(a) *Business Development program.*

## ONLINE RESOURCES REFERENCED IN THIS DOCUMENT

- |   |  |
|---|--|
| 1. Internal Revenue Service                     | • <a href="http://irs.gov">irs.gov</a>   |
| 2. Texas Comptroller of Public Accounts         | • <a href="http://cpa.state.tx.us/taxinfo/sales/new_business.html">cpa.state.tx.us/taxinfo/sales/new_business.html</a> |
| 3. Texas Department of Insurance                | • <a href="http://tdi.texas.gov">tdi.texas.gov</a>   |
| 4. Texas Department of Licensing and Regulation | • <a href="http://tdlr.texas.gov">tdlr.texas.gov</a>   |
| 5. Texas Secretary of State                     | • <a href="http://sos.state.tx.us">sos.state.tx.us</a>   |
| 6. Texas Wide Open for Business                 | • <a href="http://texaswideopenforbusiness.com">texaswideopenforbusiness.com</a>                                       |
| 7. Texas Workforce Commission                   | • <a href="http://twc.state.tx.us">twc.state.tx.us</a>   |
| 8. U.S. Patent and Trademark Office             | • <a href="http://uspto.gov">uspto.gov</a>   |
| 9. U.S. Small Business Administration           | • <a href="http://sba.gov">sba.gov</a>   |

*The Liberty-Dayton Area Chamber of Commerce offers this document as a helpful resource for persons looking to start a business in our region (within the state of Texas). Please use the information provided as a general outline and always check with the proper agencies (such as those listed above) for the most current laws and regulations in your municipality and the state of Texas. In addition, as noted on page 1, seek the counsel of professionals such as attorneys and accountants before and after your business is operational.*

### The Liberty-Dayton Area Chamber of Commerce

1801 Trinity Street (Liberty) • 936.336.5736 • [chamber@imsday.com](mailto:chamber@imsday.com)



Visit us on the web:

[www.libertydaytonchamber.com](http://www.libertydaytonchamber.com)