

FAQ-22

What Papers Does the Federal Government Require a New Small Business to File?

Prepared by: Cole Ehmke, Assessment Specialist, and Alan Miller, Farm Business Management Specialist, Purdue Department of Agricultural Economics

Reviewed by: Jon Neufelder and Maria Marshall

Starting a small business requires filing information with the federal government (apart from any state or local filings). Some forms must be filed by all businesses. Other recording and reporting requirements are based on the nature and amount of business activity. The business owner must determine whether his or her business meets the filing requirements. This FAQ provides a brief synopsis of the types of filings that may be required and points readers to additional resources that will help them determine what their business must file.

Establishing the Business Identity

An Employer Identification Number (EIN), also known as federal taxpayer identification number, is a nine-digit number used to identify business entities. All corporations, limited liability companies (LLCs), partnerships, and sole proprietors who will hire employees need to apply for an EIN. Estates and non-grantor trusts are also separate taxpaying entities and should apply for an EIN. To apply, submit form SS-4, which is available free at <www.irs.gov>, apply online, or call 800-829-4933. Making SS-4 applications by phone or online is easier and faster than by mail.

Income Tax Payment

Businesses must file income tax forms with the Internal Revenue Service whether they make a profit or not. The particular forms required and the amounts paid will vary according to the legal organization of the business. The IRS publishes many bulletins of use to taxpayers. The quickest and easiest way to obtain these is by visiting the IRS Web site at <www.irs.gov/>. The IRS also provides toll free technical tax assistance by phone: 800-829-4933 for business tax questions or 1-800-829-1040 for individual tax questions.

Getting Started as an Employer

As a business grows, the business owner may need to hire employees. There are a number of forms that must be filed and required records that must be kept.

1. Prepare to meet federal employment tax requirements by reading IRS Publication 15, the Employer's Tax Guide, <www.irs.gov/publications/p15/index.html>.
2. Have your employees complete the following withholding certificates: Form W-4, Employee's Withholding (used to determine the correct amount of federal income tax to withhold from each employee's paycheck). Furnish a Form W-2 (shows wages paid and taxes withheld for the year) to employees at the end of each year. Report the information on employee's W-2 to the Social Security Administration (SSA).

3. Complete a U.S. Citizenship and Immigration Services Employment Eligibility Verification Form I-9 for every employee, citizen and non-citizen alike. Form I-9 verifies the employment eligibility and identity of every employee. This form does not have to be submitted to the federal government, but it must be kept on file at the business. (Business owners must maintain I-9 records in their own files for three years after the date of hire or one year after the date the employee's employment is terminated, whichever is later.) For questions, contact the U.S. Citizenship and Immigration Services, at uscis.gov or 800-375-5283.

Business owners are responsible for withholding or paying certain federal taxes from employees' pay checks and depositing this money with the appropriate agency. Employment taxes include:

- Federal income tax withholding (for the Internal Revenue Service),
- Social Security and Medicare taxes (for the Social Security Administration), and
- Federal unemployment taxes (FUTA) (for the Internal Revenue Service).

Business owners who are responsible for collecting any of these taxes are also responsible for making timely deposits. Deposits are made using a Federal Tax Deposit (FTD) coupon book (new employers will receive a coupon book from the IRS five to six weeks after they receive an EIN). Deposits can be made at most commercial banks.

Business owners may need to file other forms and take actions apart from the ones described above. These will vary depending on the activities performed in the business. Some businesses will be exempt. It is up to the business owners to discover what rules will apply in their situation.

Licenses for Regulated Businesses

Business owners may need a federal license or permit if their business/product is regulated by a federal agency. Such businesses may be involved with:

- Public transportation and trucking (the Motor Carrier Safety Administration) ,
- Investment advice (the Securities and Exchange Commission),
- Preparation of meat products (US Department of Agriculture) or production of drugs (Food and Drug Administration), or
- Tobacco products, alcohol and firearms (the Bureau of Alcohol, Tobacco and Firearms in the U.S. Treasury Department).

Contact information for the federal government is available at the end of this publication.

Environmental Regulations

Some businesses may be subject to environmental regulations at the federal level that are overseen by the Environmental Protection Agency (EPA). For example, if a business owner buys a piece of contaminated industrial property that needs cleaning up, or if he or she needs a license to dispose of toxic byproducts from a manufacturing process. For more information, go to the EPA's Small Business Gateway at www.epa.gov/smallbusiness.

Safety and Health Requirements

Business owners need to comply with federal standards to create a safe and healthful work environment for employees and those who perform work on their land or premises. Some of the laws in this area are administered by the Occupational Safety & Health Administration (OSHA). Business owners can familiarize themselves with the requirements at www.osha.gov or call 800-321-OSHA (6742). Other laws relate to particular industries. For instance, in agriculture the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) and the Migrant and Seasonal Worker Protection Act (MSPA) apply.

Securities Registration

Depending on how people are allowed to invest in a company, there may be registration requirements with the Securities and Exchange Commission (SEC). If a business is organized as a corporation, a limited liability company, or a limited partnership, and it will be sharing ownership with people who will not be actively working in the business, then it may need to comply with federal (and state) securities laws. Often, small corporations may qualify for an exemption. For example, SEC rules don't require a corporation to register a "private offering," which is a non-advertised sale of stock to either:

- A limited number of people or
- Those who, because of their net worth or income earning capacity, can reasonably be expected to take care of themselves in the investment process.

For more information about securities registration requirements and federal exemptions, visit the SEC's Web site and read their small business Q & A at www.sec.gov/info/smallbus/qasbsec.htm, or call 800-732-0330.

Resources for Federal Filing Requirements

Resources	Sources
Business.gov. Information on federal laws and regulations. The Web site also offers general information on starting, growing, and ending a business.	www.business.gov
Federal Information Center. For general information regarding the federal government or contact information for any federal agency.	1-800-688-9889
<i>Licensing, Regulatory and Tax Requirements for Indiana Businesses: A Checklist for New Businesses (EC-733).</i> Purdue Extension.	www.ces.purdue.edu/extmedia/EC/EC-733.pdf
<i>Environmental Laws and Regulations: Indiana Agricultural Handbook</i> , Indiana Farm Bureau. A resource summarizing rules and regulations applying to farmers (both state and federal), such as fence law, plugging wells and outdoor burning.	Available at Purdue Extension offices or by subscription from the Indiana Farm Bureau (\$150; annual updates are \$50)
<i>Indiana Agricultural and Horticultural Employer Checklist.</i> Mid American Ag and Hort Services, Inc. A checklist for employers covering state and federal laws and regulations associated with each step of the employment process.	www.midamservices.org (click on "Quick Ref" and "Checklists")

Date Prepared: July 2005