



Starting a Business In Pennsylvania

CHECKLIST FOR BUSINESS START-UP

The following checklist outlines many of the steps necessary to begin your business. The list is intended to help you determine where you are right now, and what assistance and information will be required to proceed from your present position to opening day. Place a check next to those activities you have already completed or do not apply to your type of business. For those activities you have yet to accomplish, attempt to identify the source of the assistance as you read through this guide. Below you will find suggested resources and at the end of the list you will find commonly used information sources.

• General Start-Up Activities

- Determine the business you want to start and assess:
 - a. Your qualifications for that business
 - b. The feasibility of making that business profitable
- Conduct research on your industry, target market and competition
- Select a location and analyze it for traffic, parking, customer and delivery access.
- Develop a list of all equipment and purchases required to start your business. Identify the costs of each.
- Develop a list of all potential monthly expenses.
- Determine potential sources of financing for your type of business.
- Establish a bank account for your business.
- Research potential suppliers and investigate credit terms with each.
- Secure insurance for your business.
- Develop descriptions of all jobs within your firm and determine the person responsible for each. Identify future educational needs.
- Investigate all start-up procedures specific to your industry.
- Write a business plan that includes your management, marketing, production and financial strategies.
- Secure financing if needed.

_____ Establish record-keeping procedures for financial management, marketing, personnel, maintenance, etc.

• ***Regulations and Requirements***

Listed below are suggestions for basic information sources. If you have a question about state regulations that is not answered below, call the Small Business Resource Center, 800-280-3801. The Center's staff attempts to keep state services user-friendly for Pennsylvania entrepreneurs.

_____ Determine the best type of business structure for your venture. Your choices are: sole proprietorship, partnership or corporation.

() If your business will be a sole proprietorship and you will be using an assumed name, call the Pennsylvania Department of State, Corporation Bureau, 570-787-1057 for application and name availability information.

() If your business will be a partnership, draw up your partnership agreement. If the partnership will be using an assumed name, register the fictitious name with the Pennsylvania Department of State as outlined above.

() If your business will be a corporation, file Articles of Incorporation. Contact the Pennsylvania Department of State as outlined above.

_____ If you will employ one or more people, obtain federal, state and local forms.

() Federal Income Tax and Social Security Tax withholdings, contact the Internal Revenue Service, 800-TAX-1040 for information; 800-TAX-FORM to order forms of publications.

() Workers' Compensation, contact a private insurance carrier, insure with the State Workmen's Insurance Fund (SWIF), 570-963-4635 or participate in group self-insurance fund approved by the Pennsylvania Department of Labor and Industry, 570-783-4476.

() Unemployment Compensation forms may be obtained by calling 800-362-2050 Request PA-100 Combined Registration Forms and Instructions.

_____ Obtain a Federal Employer Identification Number (EIN) from the Internal Revenue Service. For information on the EIN, or to request an EIN application form SS-4, contact the Internal Revenue Service at 800-TAX-1040 for information; 800-TAX-FROM for the EIN form.

Find out if your business is required to collect sales tax. Refer to the blue pages in your telephone directory (under State Government) for the nearest Pennsylvania Department of Revenue District Office in your area. If sales tax is applicable, request the PA-100 Combined Registration Forms and Instructions.

Contact the Pennsylvania Department of Labor and Industry to make sure your building has an occupancy permit and that it complies with the Fire and Panic Regulations and Universal Accessibility Standards. To verify an occupancy permit, call the File Research Section of Labor and Industry, 717-783-8521. For compliance questions, call the Buildings Section of Labor and Industry at 717-787-3806 and speak with a plan examiner. For buildings located within the city limits of Philadelphia, Pittsburgh and Scranton, call the appropriate city code enforcement office.

If your business will be serving food or beverages, contact your local health department or the Pennsylvania Department of Agriculture regarding registration or licensing procedures. Refer to the section on How to Determine License and Permit Requirements.

Check with the local municipality (city, borough or township) concerning zoning requirements and any required local licenses and permits.

Check with federal, state and local government (city, borough, township or school district) agencies concerning their tax laws and business requirements.

• **Potential Resources**

In addition to resources listed in the publication, the following information can be helpful:

- Telephone directories
- Directories of trade associations
- Trade association research offices
- Trade shows and trade show directories
- Trade and industrial publications and data bases
- State, national and international directories of manufacturers
- Chambers of Commerce (see you telephone directory)
- Local economic and industrial development agencies (see you telephone directory)
- Census data (state and local libraries)
- Annual Reports
- Industry Buyers Guides
- Labor Market Information (Pennsylvania Department of Labor and Industry)

THE STATE LIBRARY OF PENNSYLVANIA IN HARRISBURG IS AN EXCELLENT SOURCE OF BUSINESS BOOKS, DIRECTORIES AND INDUSTRY INFORMATION.

HOW TO ASSESS YOURSELF AND YOUR BUSINESS IDEA

Four basic factors influence successful business start-up: a qualified entrepreneur, a profitable business idea, a thorough business plan, and adequate capital. The latter two factors plan and capital, are subjects of the next two sections of this guide. Before you proceed to them, you should assess both your own entrepreneurial skills and the viability of your business concept. If it's not feasible (profitable) for you and your business concept to succeed, you won't need to spend time writing a business plan and seeking out financing.

• *Is Entrepreneurism the Right Choice for You?*

Your previous work experience may not have fully prepared you for business ownership. Therefore, before you can begin your entrepreneurial education, you will need to identify the characteristics of successful entrepreneurs and compare them to your own strengths and weaknesses. Many studies have been conducted and even more articles written on "the right stuff" for being an entrepreneur. A summary of the primary characteristics of successful business owners follows. Rate yourself with a plus (+) for those traits you already possess, or minus (-) for those that could benefit from improvement.

- _____ Problem-solving: can explore innovative ways to respond to opportunities.
- _____ Goal-oriented: can envision a desired outcome, as well as plan and implement the activities required achieving it.
- _____ Self-confidence: believes in own ideas and abilities, and conveys that belief to others.
- _____ Risk-taking: can abandon status quo, explore options and pursue opportunities.
- _____ Decision-making: ability to make prudent choices even in a stressful environment.
- _____ Persistence: can tenaciously pursue goals regardless of the energy and commitment required.
- _____ Communication: can speak, listen and write effectively.
- _____ Interpersonal relationships: can understand the wants and needs of others, as well as inspire them.
- _____ Leadership: can direct others effectively and empower their performance.

If you gave yourself a minus in any of the traits on the checklist, it does not mean you should give up your entrepreneurial venture and seek a job in someone else's business. By making a conscious effort, you can strengthen weak entrepreneurial characteristics. Begin improvement by reading business magazines and books, enrolling in educational programs, and seeking out a mentor who exhibits the traits you need most. If you have some other idea about how to strengthen a weak characteristic, that's good. You possess another characteristic of successful entrepreneurs - you're creative!

• *Is your Business the Right Choice for Your Customers?*

Once you've decided that it's feasible for you to be an entrepreneur, begin assessing whether your business concept is feasible. Many entrepreneurs plunge into a business without thoroughly evaluating the profitability of their product or service. After expending vast amounts of time and money, they discovered their business idea was flawed. Failure rates for early stage businesses often exceed 50%, so take the time to test the validity of your concept against the following characteristics of a feasible business:

_____ The product or service satisfies the needs of the prospective customer, not simply the desire of the business owner.

_____ The product or service has an identifiable advantage over competitive sources. The advantage is of significant relevance to the customer.

_____ The quality of the product can be maintained to a level that encourages customers to make repeat purchases.

_____ There are a sufficient number of customers in the market to support an additional competitor.

_____ The product or service is compatible with existing beliefs, attitudes and buying habits of prospective customers.

_____ The benefits of the product or service are within an affordable range for the intended customers.

_____ Cost-efficient methods of targeted communication exist between the seller and the potential buyers.

_____ Projected sales potential, based on the number of customers and their average expenditure for the product, is sufficient to generate a profit after all expenses are paid.

_____ Sufficient sales can be generated during peak months to support the business expenses for the entire year.

How to Write a Business Plan

Like all entrepreneurs, you will need to do a great deal of research before opening your business. Writing a business plan, a document that clearly describes your vision of all the details of business operation, is recommended. The plan allows you to apply your research to your decision-making. Although a business plan is time consuming, it is important to business success. Completing the plan forces you to examine all decisions of management, marketing, personnel and finance in an objective and organized way. Another important benefit of the planning process is that you will project the amount of financing needed for start-up and the early stages of your business. The plan will, therefore, become a useful tool in securing capital before startup. Then the plan becomes your owner's manual guiding your daily operation and activities.

Among other things, the business plan describes the products and services you will sell, the customers to whom you will sell them, the production, management and marketing activities needed to produce your offerings, and the projected profit or loss that will result from your efforts. A complete outline of the content of the plan is supplied below. When you adequately cover all the outline elements, your business plan will provide answers to these questions:

- **Who are you?** A personal resume outlining the education and experience that will allow you to start and manage your business successfully.
- **What are you going to do?** A description of your business concept, that products and services you will be providing, the market, which you will serve, where you will be located, how much money you will invest and how much additional money you will need (if any).
- **Where are you going?** The short and long term goals you have set for your business.
- **How are you going to get there?** The strategies that will allow you to meet your financial responsibilities, compete with others in the marketplace, learn new management skills, communicate with your customers, etc.

Business planning is an ongoing activity. Existing businesses, as well as start-up firms, benefit from writing and updating their goals, plans and activities. Although plans differ in some content elements depending on whether the firm is a retail, manufacturing, distribution or service enterprise, the following outline should provide a solid framework for preparing your business plan:

The Business Plan

- **Title Page**
 - a. **Business name, address, phone**
 - b. **Name of owner (s)**
- **Table of Contents**
- **Mission Statement**
 - a. **Description of company purpose**
 - b. **Identification of those served**
- **Executive Summary**
 - a. **Brief description of the company history**
 - b. **Purpose of the plan**
 - c. **Goals of the business**
 - d. **Description of the products and services**
 - e. **Customers**
 - f. **Management team experience**
 - g. **Amount required from lender***
 - h. **Other sources of funds/collateral***
 - i. **Method of repayment***
- **Industry Status**
 - a. **National/Regional economic outlook**
 - b. **Industry outlook**
 - c. **Projected opportunities**
 - d. **Regulatory environment**
 - e. **Technological influences**
- **Target Market/Customer Base**
 - a. **Characteristics of the target market:**
 - Demographic profile (age, income, sex, education)
 - Business customer (industry, size, purchase)
 - Geographic parameters
 - b. **Size of the market/expected market share**
 - c. **Market segmentation**
 - d. **Customer buying habits (seasonally, quantity, average expenditure)**
- **Marketing Plan**
 - a. **Sales goals**
 - b. **Description of all products and services**
 - c. **Direct and indirect competition**
 - d. **Pricing objectives / methods**
 - Wholesale and retail
 - Discounts and special allowances
 - Seasonally in pricing
 - Credit terms
 - e. **Location**
 - Where products/services will be sold
 - Analysis of advantages/disadvantages
 - Plant/store atmosphere
 - Transportation

- f. Promotion Activities
 - Advertising
 - Public relations
 - Publicity
 - Trade or business shows
- g. Packaging
- h. Customer service policies
- i. Sales training, management and methods
- j. Growth strategies
- Productions and Operations Plan
 - a. Facility
 - Lease or purchase
 - Size and floor plan
 - Zoning, local regulations, taxes
 - Renovation/expansion plans
 - b. Equipment
 - Machines/tools owned/needed
 - Lease or purchase
 - Maintenance procedures and costs
 - Vehicles
 - c. Production process and costs
 - d. Suppliers / credit terms
 - e. Scheduling for completion of research and development
- Insurance
 - a. Product liability
 - b. Personal/business liability
 - c. Business interruption
 - d. Vehicle
 - e. Disability
 - f. Workers' compensation
 - g. Unemployment
 - h. Fire
 - i. Theft
- Management and Human Resources Plan
 - a. Key managers
 - Responsibilities
 - Training
 - Reporting procedures
 - b. Personnel
 - Number of full and part-time employees
 - Special skills/education required/continuing education
 - Job descriptions and evaluation methods
 - Benefits
 - Wages, commissions, bonus plans
 - Use of subcontracted personnel
 - Policies
 - c. Organizational chart
 - d. Lists of stockholders and board members
 - e. Amount of authorized stock and issued stock

How to Finance Your Business

A leading cause of small business failure is inadequate start-up capital. Before you begin your new venture, you must realistically project not only your start-up cost for such things as equipment, renovations, and promotion, but also your cash flow requirements for the early stages of operation. It often takes time to build sales levels, yet rent, utilities and other costs are immediate. During the time bills are arriving faster than the customers, cash reserves help the business survive. Funding needed for start-up and operation of a business is available in two forms: (1) debt capital, borrowed funds, and (2) equity capital, funds generated through the sale of stock, or by the investment of the owner.

The terms on repayment of debt capital vary and are negotiated between lender and borrower. Raising capital through the sale of stock is complex and highly regulated; you should seek legal advice. More than half of all businesses are started with capital invested by the owner or the owner's family. Should you decide that your own resources are insufficient, the traditional sources of financing are banks, local, state and federal agencies, and venture capital firms.

In many cases the most fundamental document you will need for a loan application is a business plan, because it shows the lender your ability to research and envision the establishment and operation of the firm. In the previous section of this guide, the business plan outline contains several items marked with an asterisk (*). These items are particular additions for a business plan being used with a loan application. In addition to the plan, lenders consider several factors in evaluating a business loan:

- **Management Experience:** your background compared to the skills required for your chosen business.
- **Repayment Ability:** your realistic projection of business income allows you to maintain loan payments.
- **Collateral:** your pledge of assets toward business stability and loan repayment.
- **Credit:** your historic and current record of repayment of obligations.

Obtaining a loan requires preparation and credit worthiness, but a bit of sales ability can help. You will be competing with many other business owners, and knowing what the lender needs when requesting a loan is just as important as knowing what a customer needs when selling your product. Many lenders want assurance that:

- You have something at risk in starting and operating this business. (Don't ask them to go out on a limb to back you if you aren't out on the limb yourself. You must have resources committed to your own venture to secure the support of others.)
- Your proposal is a sound one based on the 5 C's of credit: capacity, capital, collateral, character, condition (industry).

REFER TO THE SECTION ON PENNSYLVANIA RESOURCES FOR SOURCES OF FINANCING.

- f. Professional assistance (attorney, accountant, banker, insurance, etc.)
- Financial Plan
 - a. Start-up costs
 - b. Sources and uses of funds*
 - c. Balance sheets (opening day and projected three years)
 - d. Projected cash flow (monthly first year, quarterly year two and three)
 - e. Profit and loss forecast or statement (annual for three years)
 - g. Break-even analysis
 - h. Existing business: historical statements for three years*
 - l. Personal financial statement of owner(s)*
 - j. Assumptions used in preparation of financial projections
- Attached Exhibits
 - a. Managers' resumes
 - b. Advertisements, news articles and other promotional documents
 - c. Contracts, leases, and filing documents (fictitious name, EIN, Articles of Incorporation)
 - d. Letters of support
 - e. Pictures of the product or service
 - f. Marketing research
 - g. Patents, trademarks, copyrights, license agreements
 - h. Income tax returns (three years)*

(*) Items marked with an asterisk are added to business plan being used to secure financing.

FOR ASSISTANCE IN DEVELOPING YOUR BUSINESS PLAN CONTACT THE SMALL BUSINESS DEVELOPMENT CENTERS OR SCORE CHAPTERS IN YOUR AREA. REFER TO THE SECTION ON PENNSYLVANIA RESOURCES FOR LISTINGS.

Worksheet: Start-up Costs

Start-up costs are those expenses that you will incur before your business opens. They vary according to the type of business, but this worksheet will help you begin the process of assessing your financial needs so that your venture is not undercapitalized at the outset.

Deposit, office or building lease (Facility/location expense)	\$ _____
Decorating/remodeling/build-out (Changes in facility required for business operation)	\$ _____
Furniture/fixtures	\$ _____
Equipment (Production, office machines, security, etc.)	\$ _____
Installation (Fixtures, equipment)	\$ _____
Utilities (Installation and deposits)	\$ _____
Initial inventory (Stock, supplies for manufacturing)	\$ _____
Office Supplies	\$ _____
Advertising and promotion (Business cards, stationery, brochures, grand opening)	\$ _____
Signs (Vehicle, interior and exterior for facility)	\$ _____
Licenses, permits and fees	\$ _____
Legal/professional services	\$ _____
Working Capital (Cash reserve for early months of business before sales Are sufficient to pay bills)	\$ _____
Total Start-Up Costs	\$ _____

Worksheet: Monthly Expenses

Some of your start-up expenses will also become ongoing monthly costs once your firm is in operation. It is necessary to estimate all of your monthly costs so that you are realistic about the income your firm will need. This worksheet includes some basic considerations. Completing it will help you and your accountant develop cash flow projections. In the column adjacent to the monthly expenses, make notes of those that increase or decrease in particular month.

	Monthly Expense	Possible Variations
Rent	\$ _____	_____
Equipment Lease	\$ _____	_____
Maintenance and Repairs	\$ _____	_____
Advertising	\$ _____	_____
Office Supplies	\$ _____	_____
Delivery	\$ _____	_____
Postage	\$ _____	_____
Vehicle Expenses	\$ _____	_____
Legal/Professional Fees	\$ _____	_____
Insurance (s)	\$ _____	_____
Telephone	\$ _____	_____
Other Utilities	\$ _____	_____
Travel	\$ _____	_____
Dues/Membership	\$ _____	_____
Materials	\$ _____	_____
Payroll	\$ _____	_____
Payroll Taxes	\$ _____	_____
Total Monthly Expenses	\$ _____	

Glossary of Financial Terms

Accounts Payable:	money your firm owes to other organizations.
Accounts Receivable:	money other organizations owe to your firm.
Accrual basis:	financial record-keeping system in which income is recorded when it is earned and expenses recorded when incurred.
Amortization:	reduction of debt through installment payments.
Assets:	cash, property and other resources owned by your firm.
Balance Sheet:	a financial document summarizing your firm's assets, liabilities and net worth as of a given point in time.
Break-even point:	the point at which the amount of your sales income covers your costs.
Business Plan:	a document that describes all management, marketing, financial and operation activities for your business, often a document required to secure financing.
Cash flow statement:	a financial tool that describes moneys coming into and going out of your business.
Collateral:	assets pledged toward repayment of a debt.
Current Assets:	cash, inventory, accounts receivable and other assets that will be used in the operation of the business within one year.
Current liabilities:	debts, which your business will pay within one year.
Depreciation	the reduction in value of an asset as the result of use.
Equity financing:	money contributed to the firm by the owner (s) and investors.
Fixed costs:	expenses that don't change regardless of production increase or decrease (rent, insurance, interest on loans, etc.)
Gross profit:	the result of subtracting the cost of goods sold from sales.

Guarantor:	the person who makes a commitment to repay a loan if another defaults.
Income statement:	financial statement showing your firm's profit or loss within a specified period of time.
Liabilities:	amounts owed to others.
Line of credit:	a lender agrees to allow a borrower to draw a pre-specified amount from an account on an as-needed basis.
Net profit:	the result obtained when expenses are subtracted from revenues.
Operating ratios:	expenses expressed as a percent of sales.
Owner's draw:	the amount of money taken from the business by the owner.
Profit and loss statement:	a statement of the results of business operation for a specified period; the bottom line shows the net profit or loss of your firm.
Principal:	the amount owed on a loan (not including interest).
Pro forma:	a financial planning statement that projects future performance.
Receivables:	money owed to your firm by its customers.
Return on investment:	profit generated from investing money in a firm.
Variable costs:	costs that change as production output changes (raw materials, production labor, storage and shipping, etc).
Working capital:	money available to a firm for daily operations.

How to Form Your Legal Business Structure

Once you decide to establish a business, your first consideration will be the type of business organization to use. Legal and tax considerations will help to determine your final choice, as well as personal needs and the needs of the particular business. There are three principal kinds of business structures: the sole proprietorship, the partnership, and the corporation.

There are advantages and disadvantages to each of the legal forms of business you may choose. As an entrepreneur you must examine all of the characteristics and consult a knowledgeable legal professional when considering the formation of your business.

- Sole Proprietorship

Most small businesses operate as sole proprietorships. This is the simplest form of organization and allows the single owner to have sole control and responsibility. Some advantages of the sole proprietorship are less paperwork, a minimum of legal restrictions, owner retention of all the profits, and ease in discontinuing the business. Disadvantages include unlimited personal liability for all debts and liabilities of the business, limited ability to raise capital, and termination of the business upon the owner's death.

You should note that a small business owner might very well select the sole proprietorship to begin. Later, if the owner succeeds and feels the need, he or she may decide to form a partnership or corporation.

- General Partnership

A partnership is similar to a sole proprietorship except that two or more people are involved. Advantages are that it is easy to establish, can draw upon financial and managerial strength of all the partners, and the profits are not directly taxed. Some disadvantages are unlimited personal liability for the firm's debts and liabilities, termination of the business with the death of a partner, and the fact that any one of the partners can commit the firm to obligations.

The partnership is formed by an agreement entered into by each partner. This agreement may be informal, but is advisable to have a written agreement drawn up between all parties. While no filing is required to form a general partnership, it may be required to file a fictitious name registration. Refer to the section in this guide on How to Register Your Business Name.

- **Limited Partnership**

A limited partnership is a partnership formed by two or more persons having one or more general partners and one or more limited partners. The limited partners have limited exposure to liability and are not involved in the day to day operations of the limited partnership. A Pennsylvania limited partnership is formed by filing a Certificate of Limited Partnership on form DSCB: 15-8511 accompanied by a docketing statement in duplicate form DSCB: 15-134A with the Corporation Bureau, Department of State.

- **Limited Liability Company**

The limited liability Company (LLC) is a hybrid between a partnership and a corporation, providing the liability protection of a corporation, with the advantage of being treated as a partnership. This allows you the flexibility of a partnership with the liability protection of a corporation. A Certificate of Organization is required to be filed with the Corporation Bureau, Department of State, on form DSCB: 15-8913, accompanied by a docketing statement in duplicate, form DSCB: 15-134A.

- **Limited Liability Partnership**

A limited liability partnership (LLP) is an existing partnership that files an election with the Corporation Bureau, Department of State, claiming LLP status, on form DSCB: 15-8201A, accompanied by a docketing statement in duplicate, form DSCB: 15-134A. The effect of becoming a LLP is to provide general partners with additional protection from liability.

- **Corporation**

A Corporation is the most complex form of business organization. It is costlier and more difficult to create because of the paperwork required. Business activities are restricted to those listed in the corporate charter. However, most corporations list a general-purpose clause.

Advantages of a corporation are the liability is limited to the amount owners have paid into their share of stock, and the corporation's continuity is unaffected by the death or transfer of shares by any of the owners. Some disadvantages are extensive record keeping, close regulation and double taxation (taxes on profits and taxes on dividends paid to owners).

To form a corporation in Pennsylvania you must file Articles of Incorporation (form DSCB: 15-1306) with the Corporation Bureau, Department of State, accompanied by a docketing statement in duplicate, form DSCB: 15-134A. Foreign (out of state) Corporations must submit an application for a Certificate of Authority (form DSCB: 15-4124) to conduct business in Pennsylvania.

Contact: Corporation Bureau
Pennsylvania Department of State
308 North Office Building
Harrisburg, Pa 17120
(570) 787-1057

▪ S Corporation

Closely held corporations may elect to be taxed as federal or state S corporations (IRC 1361-1379), which permit shareholders to pay taxes on corporate net income personally, as if it were a partnership. S Corporation status is limited to corporations that have a certain limited number of shareholders. The percentage of income the corporation can derive from passive investments is also restricted. A Pennsylvania corporation cannot elect to be an S corporation unless it has also applied for federal S status.

To apply for Pennsylvania S status, file form REV-1640 with the Pennsylvania Department of Revenue within 75 days of the beginning of your fiscal year. When you receive a copy of your federal notification of approval from the IRS, you must furnish a copy to the Pennsylvania Department of Revenue. S corporations are responsible for filing and paying the Capital Stock Tax.

Contact: Bureau of Corporation Taxes
Pennsylvania Department of Revenue
Specialty Taxes Division
Attn: "S" Corporation
Department 280704
Harrisburg, Pa 17128-0704
570-783-6035

How to Register Your Business Name

Fictitious Name

Generally, any sole proprietorship, partnership, corporation, or other form of association that conducts a business identified by a fictitious business name must register this name with the Pennsylvania Department of State. A fictitious name is any assumed name, style or designation other than the proper name of the entity using such name. These types of entities include any association, general partnership, syndicate, joint venture or similar combination of groups of persons. Certain entities need not make a fictitious name filing, contact the Corporation Bureau for details.

The surname of a person, standing alone or coupled with words that describe the business, is not a fictitious business name and need not be registered. For example, "Jones Radio Repair" would not be a fictitious name because it includes the last name of the owner. However, "Bill's Radio Repair" is considered to be a fictitious business name because the owner's last name is not listed.

The inclusion of words that suggest additional owners, such as Company, & Company, & Sons, & Associates, makes the name an assumed or fictitious name. For partnerships, the last name of all partners must be listed or the fictitious name rule applies. For example, if "Moore, Johnson, & Smith" includes all three partners' names, it is not considered to be a fictitious business name. If all the partners' names are not included, then the name must be registered with the Pennsylvania Department of State.

To register an assumed or fictitious business name, you must file form DSCB: 54-311 with the Corporation Bureau in the Pennsylvania Department of State. After registering a fictitious name, you will be required to place an advertisement in a newspaper of general circulation in the county in which your business will be located and one in a legal publication of newspaper in that same county. You can identify the legal publication by contacting the county courthouse or county bar association in the county where the principal office is located. The Pennsylvania Department of State's Corporation Bureau can also assist you.

The penalty for failing to file a fictitious name registration is that the unregistered entity may not use the courts of Pennsylvania to enforce a contract entered into using the fictitious name. The failure to register the fictitious name does not void the contract, but merely prevents such enforcement until registration. The court has the option of imposing a \$300 penalty in these instances where the entity seeks to enforce the contract and subsequently registers the fictitious name in an untimely manner.

Contact: Corporation Bureau
Department of State
308 North Office Building
Harrisburg, Pa 17120
570-787-1057

How to Apply for Employer Identification Number (EIN)

Every employer subject to employment taxes is required to have an Employer Identification Number (EIN) to identify his or her business with the Internal Revenue Service and the Social Security Administration. Some businesses are required to have an identification number for use on tax returns, statements, and other documents even though they do not have any employees.

An authorized individual of a company can obtain an EIN by calling the Tele-TIN Unit, 215-516-6999. It is mandatory to fill out the form SS-4 (EIN application) prior to making the telephone call to assure information is accurate. The operator will ask for the pertinent information and will assign a number to the authorized individual. The operator will instruct you to mail or fax the SS-4 form to the Tele-Tin Unit at the service center address.

To apply for an EIN, you must obtain form SS-4 from the Internal Revenue Service by writing the:

Internal Revenue Service,
Philadelphia, Pa 19255

Or calling: 800-TAX-FORM

When you file this form, you will automatically receive all other federal tax forms and instructions required for a new business. Your federal EIN will also be used as your Pennsylvania Employer Identification Number.