

The

STRATiCOM

Guide to Starting a Small Business in Minnesota

STRATiCOM's Checklist for Starting a Small Business in Minnesota¹

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- VII. If you have employees have them fill out Form I-9 and Form W-4

GUIDE TO STARTING A SMALL BUSINESS IN MINNESOTA

I. Register Your Company's Name

A. Conduct a Name Search

It is very easy to find out if a company is already using the name you have selected for your business. The Minnesota Secretary of State's office has an online search tool where you to enter the name you choose and it immediately returns a list of existing companies that either have the same or similar names.

This tool may be accessed at www.sos.state.mn.us, and choosing "Business Center" from the menu. Once there, select "Business Searches".

B. Register the Company Name

You may register your company's name in person at the Secretary of State's office, or you may quickly register your company online through the website referenced above.

After choosing "Business Services", select "Starting a Business" and choose the link for the type of business you have chosen for your company.

For in-person filing, visit their Public Counter between the hours of 8:00 a.m. and 4:00 p.m., Monday through Friday (excluding holidays). Located in the Retirement Systems of Minnesota Building, 60 Empire Drive, Suite 100, St Paul, MN 55103.

AT THE END OF THIS GUIDE YOU WILL FIND
THE MINNESOTA SECRETARY OF STATE'S
MINNESTOA CORPORATION ARTICLES OF INCORPORATION

C. Fees

The fees for business registration vary by business type, but most fees are between \$100 and \$200.

II. Business Structures

When beginning a business, you must decide what form of business entity to establish. Your form of business determines which income tax return form you have to file. The most common forms of business are the sole proprietorship, partnership, corporation, and S corporation. A Limited Liability Company (LLC) is a relatively new business structure allowed by state statute. Legal and tax considerations enter into selecting a business structure.

A. Sole Proprietorships

A sole proprietor is someone who owns an unincorporated business by himself or herself. However, if you are the sole member of a domestic limited liability company (LLC), you are not a sole proprietor if you elect to treat the LLC as a corporation.

B. Partnerships

A partnership is the relationship existing between two or more persons who join to carry on a trade or business. Each person contributes money, property, labor, or skill, and expects to share in the profits and losses of the business.

A partnership must file an annual information return to report the income, deductions, gains, losses etc., from its operations, but it does not pay income tax. Instead, it "passes through" any profits or losses to its partners. Each partner includes his or her share of the partnership's income or loss on his or her tax return.

Partners are not employees and should not be issued a Form W-2. The partnership must furnish copies of Schedule K-1 (Form 1065) to the partners by the date Form 1065 is required to be filed, including extensions.

C. Corporations

In forming a corporation, prospective shareholders exchange money, property, or both, for the corporation's capital stock. A corporation generally takes the same deductions as a sole proprietorship to figure its taxable income. A corporation can also take special deductions.

The profit of a corporation is taxed to the corporation when earned, and then is taxed to the shareholders when distributed as dividends. However, shareholders cannot deduct any loss of the corporation.

D. S Corporations

An eligible domestic corporation can avoid double taxation (once to the shareholders and again to the corporation) by electing to be treated as an S corporation. Generally, an S corporation is exempt from federal income tax other than tax on certain capital gains and passive income. On their tax returns, the S corporation's shareholders include their share of the corporation's separately stated items of income, deduction, loss, and credit, and their share of nonseparately stated income or loss.

E. Limited Liability Company (LLC)

A Limited Liability Company (LLC) is a relatively new business structure allowed by state statute.

LLCs are popular because, similar to a corporation, owners have limited personal liability for the debts and actions of the LLC. Other features of LLCs are more like a partnership, providing management flexibility and the benefit of pass-through taxation.

Owners of an LLC are called members. Since most states do not restrict ownership, members may include individuals, corporations, other LLCs and foreign entities. There is no maximum number of members. Most states also permit "single member" LLCs, those having only one owner.

A few types of businesses generally cannot be LLCs, such as banks and insurance companies. Check your state's requirements and the federal tax regulations for further information. There are special rules for foreign LLCs.

GUIDE TO STARTING A SMALL BUSINESS IN MINNESOTA**III. Employer ID Numbers (EINs)**

An Employer Identification Number (EIN) is also known as a Federal Tax Identification Number, and is used to identify a business entity. Generally, businesses need an EIN. You may apply for an EIN in various ways, and now you may apply online. This is a free service offered by the Internal Revenue Service. You must check with your state to make sure you need a state number or charter.

How to Apply for an EIN**A. APPLY ONLINE**

The Internet EIN application is the preferred method for customers to apply for and obtain an EIN. Once the application is completed, the information is validated during the online session, and an EIN is issued immediately. The online application process is available for all entities whose principal business, office or agency, or legal residence (in the case of an individual), is located in the United States or U.S. Territories. The principal officer, general partner, grantor, owner, trustor etc. must have a valid Taxpayer Identification Number (Social Security Number, Employer Identification Number, or Individual Taxpayer Identification Number) in order to use the online application.

B. APPLY BY EIN Toll-Free Telephone Service

Taxpayers can obtain an EIN immediately by calling the Business & Specialty Tax Line at (800) 829-4933. The hours of operation are 7:00 a.m. - 10:00 p.m. local time, Monday through Friday. An assistor takes the information, assigns the EIN, and provides the number to an authorized individual over the telephone.

C. APPLY BY FAX

Taxpayers can FAX the completed Form SS-4 application to their state FAX number (see Where to File - Business Forms and Filing Addresses), after ensuring that the Form SS-4 contains all of the required information. If it is determined that the entity needs a new EIN, one will be assigned using the appropriate procedures for the entity type. If the taxpayer's fax number is provided, a fax will be sent back with the EIN within four (4) business days.

D. APPLY BY MAIL

The processing timeframe for an EIN application received by mail is four weeks. Ensure that the Form SS-4 contains all of the required information. If it is determined that the entity needs a new EIN, one will be assigned using the appropriate procedures for the entity type and mailed to the taxpayer.

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IV. Minnesota Tax ID Number

A. You need a Minnesota tax ID if you:

- Make taxable sales or leases in Minnesota
- Perform taxable services in Minnesota
- Withhold Minnesota income taxes from employees' wages
- Make estimated business tax payments
- File a Minnesota corporation franchise, S corporation or partnership tax return
- File fiduciary income tax returns as an estate, trust or personal representative
- File or pay MinnesotaCare taxes or special taxes, such as alcohol, tobacco or insurance premium taxes
- Are a vendor of goods and services to a state government agency or to a business receiving payments from a state agency
- Have use tax to report (read Sales Tax Fact Sheet 146 and Sales Tax Fact Sheet 156 for details)
- Have solid-waste management (SWM) taxes to report (first, register for sales and use tax online; then, call our office to register for SWM taxes).

B. How to Register

- Federal employer ID number (FEIN), if applicable
- Legal name or sole-proprietor name and business address
- Business name (DBA), if applicable
- NAICS code (North American Industry Classification System). Look up your code on the U.S. Census Bureau's website
- Names and Social Security numbers of the sole-proprietor, officers, partners or representatives
- Email address and name of a contact person.

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V. Tax Years

You must figure your taxable income on the basis of a tax year and file an income tax return. A “tax year” is an annual accounting period for keeping records and reporting income and expenses. An annual accounting period does not include a short tax year. The tax years you can use are:

- A. Calendar year - A calendar tax year is 12 consecutive months beginning January 1 and ending December 31.
- B. Fiscal year - A fiscal tax year is 12 consecutive months ending on the last day of any month except December. A 52-53-week tax year is a fiscal tax year that varies from 52 to 53 weeks but does not have to end on the last day of a month.

VI. Accounting Methods

Each taxpayer must also use a consistent accounting method, which is a set of rules for determining when to report income and expenses. The most commonly used accounting methods are the cash method and an accrual method.

A. Cash Method

Under the cash method, you generally report income in the tax year you receive it and deduct expenses in the tax year you pay them.

B. Accrual Method

Under an accrual method, you generally report income in the tax year you earn it, regardless of when payment is received, and deduct expenses in the tax year you incur them, regardless of when payment is made.

¹ All information in this document is summarized from the Internal Revenue Service website, “Starting a Business” section, <http://www.irs.gov/businesses/small/article/0,,id=99336,00.html>, the website for the Minnesota Secretary of State www.sos.state.mn.us, and the website for the Minnesota Department of Revenue www.taxes.state.mn.us.

This document is intended to serve only as a tool to point you in the right direction. Please refer directly to the appropriate government agencies referenced in this guide to access the latest, and most accurate, information to follow when starting your business.



**MINNESOTA SECRETARY OF STATE
MINNESOTA BUSINESS CORPORATION
ARTICLES OF INCORPORATION**
Minnesota Statutes, Chapter 302A
Filing Fee \$160.00

READ THE INSTRUCTIONS BEFORE COMPLETING THIS FORM.

The undersigned incorporator(s) is an (are) individual(s) 18 years of age or older, and adopts the following articles of incorporation:

Note: A professional corporation governed under Chapter 319B must include an attachment with the following information: (This information is only required if this is a professional corporation.)

1. Statement that the Minnesota firm elects to operate and acknowledges that it is subject to Minnesota Statutes, Chapter 319B.01 to 319B.12.
2. List the professional service the corporation is authorized to provide under Chap. 319B, subd 19.

ARTICLE I – BUSINESS NAME

Name of Corporation: (Required) *(Must include a corporate or professional designation in their name.)*

ARTICLE II – REGISTERED OFFICE AND AGENT

The Registered Office Address of the Corporation is: (Required)

| | | | |
|--|------|-------|-----|
| Street Address <i>(A PO Box by itself is not acceptable)</i> | City | State | Zip |
|--|------|-------|-----|

The Registered Agent at the above address is:

Agent's Name *(A registered agent is not required.)*

ARTICLE III – SHARES

The corporation is authorized to issue a total of _____ shares. (Must authorize at least one share.)

ARTICLE IV - INCORPORATORS

I (We), the undersigned incorporator(s) certify that I am (we are) authorized to sign these articles and that the information in these articles is true and correct. I (We) also understand that if any of this information is intentionally or knowingly misstated that criminal penalties will apply as if I (we) had signed these articles under oath. (Provide the name and address of each incorporator. Each incorporator must sign below. List the incorporators on an additional sheet if you have more than two incorporators.)

| | | | | | |
|----------------------------|-----------------------|-------------|--------------|------------|------------------|
| Incorporator's Name | Street Address | City | State | Zip | Signature |
|----------------------------|-----------------------|-------------|--------------|------------|------------------|

| | | | | | |
|----------------------------|-----------------------|-------------|--------------|------------|------------------|
| Incorporator's Name | Street Address | City | State | Zip | Signature |
|----------------------------|-----------------------|-------------|--------------|------------|------------------|

List a name, daytime phone number, and e-mail address of a person who can be contacted about this form.

| | | |
|--------------|--------------|----------------|
| Contact Name | Phone Number | E-Mail Address |
|--------------|--------------|----------------|

INSTRUCTIONS

PLEASE TYPE OR PRINT LEGIBLY IN BLACK INK.

NOTE: This form is intended merely as a guide in the formation of a Minnesota corporation. It is not intended to cover all situations. If this form does not meet the specific needs and requirements of the corporation, the incorporators should draft their own articles.

ONLY Professional Corporations governed under Chapter 319B must include a statement that the MN firm elects to operate and acknowledges that it is subject to MN Statutes, Chapter 319B.01 to 319B.12, and list the professional service under Minnesota Statutes, Chapter [319B.02, subdivision 19](#), the corporation is authorized to provide.

ARTICLE I – Business Name: (Required) State the exact corporate name. A preliminary name availability search may be done by accessing our Website at www.sos.state.mn.us, under “Business Center”, “Online Services”, “Search”, or by calling our Business Information Line between 9:00am and 4:00pm, Monday through Friday at (651) 296-2803 or toll free at 1-877-551-6SOS (6767).

Corporations MUST choose one of the following words or abbreviation of these words as part of the name of the business: “Incorporated”; “Corporation”; “Limited”; or “Company”. Note: The word “company” cannot be immediately preceded by “and” or “&”.

Professional corporations MUST choose one of the following phrases, words or abbreviations as part of the name of the business: "Professional Corporation"; "Professional Service Corporation"; "Service Corporation"; "Professional Association"; "Chartered"; "Limited"; "P.C."; "P.S.C."; "S.C."; "P.A."; or "Ltd."

ARTICLE II – Registered Office and Agent: (Required) The Registered Office address is required. List the complete street address or rural route and rural route box number for the registered office address. Post office box numbers are NOT acceptable. This MUST be a Minnesota address. If you have a registered agent, list the full name of the agent located at the registered office address.

ARTICLE III – Shares: (Required) Corporations must be authorized to issue at least one share. State the number of shares the corporation will be authorized to issue.

ARTICLE IV – Incorporators: (Required) Only one incorporator is required. If there is more than one incorporator, state the name and complete address for each incorporator. A signature is required for each incorporator. List the incorporators on an additional sheet if there are more than two incorporators.

Filing Fee: \$160.00 Payable to the MN Secretary of State

FILE IN-PERSON OR MAIL TO:

Minnesota Secretary of State - Business Services
Retirement Systems of Minnesota Building
60 Empire Drive, Suite 100
St Paul, MN 55103

(Staffed 8:00 - 4:00, Monday - Friday, excluding holidays)

To obtain a copy of a form you can go to our web site at www.sos.state.mn.us, or contact us between 9:00am to 4:00pm, Monday through Friday at (651) 296-2803 or toll free 1-877-551-6SOS (6767).

All of the information on this form is public. Minnesota law requires certain information to be provided for this type of filing. If that information is not included, your document may be returned unfiled. This document can be made available in alternative formats, such as large print, Braille or audio tape, by calling (651)296-2803/voice. For a TTY/TTD (deaf and hard of hearing) communication, contact the Minnesota Relay Service at 1-800-627-3529 and ask them to place a call to (651)296-2803. The Secretary of State's Office does not discriminate on the basis of race, creed, color, sex, sexual orientation, national origin, age, marital status, disability, religion, reliance on public assistance or political opinions or affiliations in employment or the provision of service.