

# SCORE'S 22 FREQUENTLY ASKED QUESTIONS FOR STARTING A BUSINESS IN MAINE

(Updated January 31, 2022)

**Note:** After SCORE® clients in Maine have come up with a business idea, and done a preliminary feasibility study, these are their most common startup questions:

## 1. WHAT LEGAL FORM OF BUSINESS SHOULD I CHOOSE?

There are four primary legal forms of business from which to choose from: sole proprietorship, partnership, Limited Liability Company, and incorporation (both C-corp. and Subchapter S).

A sole proprietorship is owned by an individual (or a married couple) and it may have one or more employees. Operating a sole proprietorship means that the owner is personally responsible for all liabilities of the business. Also, the owner is taxed on a personal level for all profits generated by the business.

A partnership occurs when two or more people agree to share ownership of a business. This form of business allows the partners to share complimentary skills and resources. The owners share and pay personal taxes on the profits of the business. Additionally, each partner is individually responsible for the liabilities of the business.

Another option is to form a Limited Liability Company (LLC). This legal form, which became effective in Maine on January 1, 1996, is a combination of the corporate form (providing limited liability) and the partnership form (allowing you to be taxed as in a partnership). Like a corporation, the owners of an LLC are not personally liable for business debts. Like a sole proprietorship or partnership, an LLC has operating flexibility and is a pass-through entity for tax purposes, meaning the LLC's profits are passed through and taxable to the owners of the LLC.

The corporate entity is created when your business registers with the Secretary of State's Bureau of Corporations. This enables the owners to take advantage of the limited liability aspect of the corporate ownership and to raise equity by selling shares of the company. For-profit entities have the option to choose either a C-corporation or Subchapter S-corporation status. If you become a C-corporation, the corporate profits are taxed, and then the owners will be taxed on their share of the profits and compensation (i.e. dividends and wages) received from the corporation. A Subchapter S-corporation does not pay a corporate tax. Instead the profits are distributed to the owners and are paid at the individual tax rate.

You can find more information about which business entity works best for you at <https://portlandme.score.org/blog/business-structure-which-works-best-you>, and <https://extension.umaine.edu/publications/3009e/>, and <https://www.score.org/blog/sole-proprietor-vs-single-member-llc>. If you have any questions regarding these forms of business entities, please seek advice from a SCORE Mentor and an attorney and tax accountant.

## **2. HOW DO I CHOOSE A BUSINESS NAME THAT'S LEGALLY O.K. TO USE?**

Your business name is simply that – the name of your business. A name will generally be available for use as a business name so long as it is not identical to a previously registered business in your state only. The State of Maine asks that you make a good faith effort to establish that the name is unique in Maine.

If you incorporate, become a limited partnership or limited liability company, the names of these business entities would be registered with the Bureau of Corporations at the office of Secretary of State. To determine whether a name you're considering is in use by another corporation, or is protected by a trademark or service mark, you should contact the Bureau of Corporations at 207-624-7736 or do an online search at the Maine State database of registered corporate entities at <https://icrs.informe.org/nei-sos-icrs/ICRS?MainPage=x>. Here, you are asked to insert the key word from the name to be searched, for example "Acme", or "Smith and Sons", etc. You may ignore the "charter number" and click on "Click Here to Search". This will bring up a list of all registrations in the Secretary of State's office for companies which use any part of the key word or words in the name you search; on the right-hand side you may click on "information summary" and the basic information about that company will appear.

Sole proprietorship names are not tracked by any one central agency. However you can employ the following tactics to safeguard against using another business' name. Search all phone books in the U.S. at <https://www.whitepages.com>, and check for the name in the Maine Business and Professional Directory at <https://usa.businessdirectory.cc/maine/.k>

For more information on choosing a business name, go to:

<https://portlandme.score.org/resource/naming-your-business>, and

<https://portlandme.score.org/blog/how-name-your-business-12-business-naming-tips>, and

<https://portlandme.score.org/blog/business-naming-your-business-get-it-right-first-time-and-save-your-business-big-bucks>.

## **3. SHOULD MY WEBSITE AND SOCIAL MEDIA SITES USE THE SAME NAME AS MY BUSINESS?**

Yes. Since you're competing with millions of other businesses, your business's domain name—the web address/URL that people use to find your website—should be decided at the same time you're naming your business. Preferably, the web address should match your business name, as should your social media site addresses. You can search for an available domain name at <https://www.godaddy.com/?checkAvail=1>. For more information, go to: <https://portlandme.score.org/resource/how-choose-domain-name-drives-traffic>, and <https://portlandme.score.org/resource/3-ways-use-domain-name-business-today>, and <https://portlandme.score.org/resource/15-ways-you-may-be-missing-opportunities-build-your-brand>

#### **4. HOW DO I REGISTER AND TRADEMARK MY SMALL BUSINESS IN MAINE?**

If you are operating your business as a sole proprietor (a business owned and operated by an individual or a married couple), or as a general partnership, you are required by Maine law to file with the municipal clerk where your business is located. State statute also requires that every business enterprise operating under an assumed name must register that name in the city or town in which it is located. This is often called filing a "D/B/A", which stands for "doing business as," and a nominal fee is typically charged. There may also be certain state, city, or town permits or licenses that are required to operate your business (see question #8).

If you organize your business as a sole proprietorship or a general partnership, you do not need to register your business entity with the state of Maine. However, you can legally protect the trade name of your business, and its logo design by filing a trademark or service mark with the Secretary of State's office. Any business, in any form, can do this too to protect their name and logo within the state of Maine. For information about filing for marks in Maine, you may call 207-624-7736 or visit their website at <https://www.maine.gov/sos/cec/corp/trademarks.html>. Be sure to click on Maine Marks Guide, Trade Name Protection, and Rules for Mark Registration before registering.

If you decide to incorporate or become a limited partnership or a limited liability company (LLC), you will need to register that entity with the Bureau of Corporations at the office of the Secretary of State. That office can be reached at 207-624-7736, or you can register online at <https://www.maine.gov/sos/cec/corp/>. Begin by clicking on your choice of business entities on the left hand navigation bar.

#### **5. HOW DO I REGISTER MY SMALL BUSINESS IN MAINE AS AN LLC?**

To register as an LLC, which is a popular business entity choice in Maine, go directly to <https://www.maine.gov/sos/cec/forms/mllic/mllic6.pdf>. Alternatively, you can go to <https://www.maine.gov/sos/cec/corp/>, scroll down the left-hand margin and click on Limited Liability Companies, and from there, scroll down and click on MLLC-6, Certificate of Formation. There is a \$175 initial filing fee. It is necessary to fill out the Certificate of Formation, print it out, and mail it, along with the \$175 filing fee, to the Secretary of State in Augusta. It is important to include the third page on which the applicant shows its email address; the Secretary of State will send an email annually to remind the owner to file its Annual Report, which can be done online, including paying the annual filing fee.

#### **Follow These Steps to Filling out the Maine LLC Certificate of Formation Form:**

##### **Step 1: Name the LLC**

When selecting a name for your LLC, it's important to do a Maine LLC name search before filing to ensure the name you want is available. In Maine, each entity registered with the Secretary of State must have a unique name. See Question 2 for more information.

In addition, the name of the LLC must include one of the following words or abbreviations at the end of the business name: Limited Liability Company, Liability Company, L.L.C., LLC, L.C., or LC

LLC is the most common choice. A comma may be used after the business name and before the designator. “Cowboy Cleaners LLC” and “Cowboy Cleaners, LLC” are both acceptable - the latter being the most common choice.

If there is a name you want to use, but aren't ready to form the LLC, the Application for Reservation of Name (Form MLLC-1) can be filed to hold the name for up to 120 days. The state filing fee for a name reservation is \$20, paid to the Secretary of State.

Once you have found a name that is available, enter that name in the form. You may also want to see if a domain name is also available to have a matching website address by going to <https://www.networksolutions.com/domain-name-registration/index.jsp>.

### **Step 2: Filing Date**

You may list an effective date if you would like the Limited Liability Company's existence to become effective on a date other than the date of filing.

### **Step 3: Designation as a low-profit LLC**

The Secretary of State provides a designation as a low-profit LLC or L3C. The low-profit LLC is a business with a charitable or educational focus but doesn't want or qualify for not-for-profit status. See more information about the Maine L3C Act at <http://www.mainelegislature.org/legis/statutes/31/title31sec1611.html>.

### **Step 4: Professional LLC Designation**

If any of the business activities require a professional license from the state, this box will need to be checked, and the type of professional service entered. Common licenses professionals need in Maine include accountants, attorneys, veterinarians and many more.

If your business does not need professional licensing, leave this box unchecked.

### **Step 5: Registered Agent**

A Maine Registered Agent must be identified before forming the LLC. The state in which your business is registered needs to know that it has a contact person for your business within the state at all times. If you are a Maine-based business and Maine is your permanent residence, you can list yourself as a Noncommercial Registered Agent using your business address; otherwise, you will typically list your attorney or CPA firm as a Commercial Registered Agent after first informing the firm that you intend to do so and obtaining their CRA Public Number.

Just remember, you have to list a physical address (street name and number), not a post office box, to act as a point of contact to receive legal documents, tax notices, summons, subpoenas, etc. on behalf of the LLC during business hours. There is an option for a mailing address in addition to the physical address, should you want mail going to a different address.

Any individual meeting the requirements can be the Registered Agent; however, the agent's name and address become public record, and with that comes a loss of privacy. This is important for some entrepreneurs, especially when doing business from home or still employed, so they name a Commercial Registered Agent to reduce unwanted phone calls and mailings.

### **Step 6: Registered Agent Consent**

Before a Registered Agent can be selected, they have to consent to serve as the Registered Agent. Nothing is required to fill out in this step.

### **Step 7: Other Matters**

If there are other rules and regulations the members want the LLC to be bound by, those can be attached as additional exhibits. Most LLCs skip this section.

### **Step 8: Signature**

Have an individual authorized to sign contracts sign and date the Certificate of Formation. This is typically a member. A member is an owner of the LLC.

### **Step 9: Filer Contact Cover Letter**

The filer contact cover letter (3rd page of the pdf) needs to be filled out and sent along with the Certificate of Formation. Enter:

- Name of the Entity – Make sure to match the name entered on page 1.
- Type of Filing – Enter "Certificate of Formation"
- Special Handling Request and Fee – If you want faster processing, indicate the option by checking the appropriate box.
- Contact Information – This can be any person, member, or non-member, that can answer questions should the Secretary of State need answers during processing.
- Address – This does not have to be any of the addresses listed earlier. This address is where the filing will be returned.

### **Step 10: Make a Duplicate Original of the Certificate of Formation and Cover Letter**

It is recommended that a signed duplicate original and a stamped, self-addressed envelope be included with a request that the Secretary of State return the duplicate, stamped with the filing date of the document. This way you'll have an official copy showing the LLC filing date.

### **Step 11: Pay and Submit**

When the original and duplicate original (with stamped, self-addressed envelope and return request) of the Certificate of Formation and Cover Letter for an LLC are complete, send both to the Secretary of State's Office in Augusta, together with the specified filing fee. Don't forget to make a photocopy for yourself and file.

#### **Submit payment and mail the Certificate of Formation and Cover Letter to:**

Secretary of State  
Division of Corporations, UCC and Commissions  
101 State House Station  
Augusta, ME 04333-0101

If you have questions, contact the Maine Secretary of State by phone at 207-624-7752 or email at [cec.corporations@maine.gov](mailto:cec.corporations@maine.gov).

## Step 12: Maintaining a Maine LLC After Filing a Certificate of Formation

1. Per <https://www.maine.gov/sos/cec/corp/helpful.html>, file an annual LLC report directly with Maine's Secretary of State for \$85 at <https://www.maine.gov/sos/cec/corp/annual.html>.  
**Beware of 3rd-party scam letters, not from the state of Maine, charging \$185 or more for filing annual LLC reports. Do not pay these! Instead, follow the state's guidelines for annual LLC filing at <https://www.maine.gov/sos/cec/corp/helpful.html>.**
2. Update the registered agent in the state (<https://www.maine.gov/sos/cec/forms/mllic-3-ncra.pdf> for noncommercial, and <https://www.maine.gov/sos/cec/forms/mllic3-cra.pdf> for commercial).
3. Report and pay income and self-employment taxes. See Question 15.
4. Register for a sales tax ID (seller's permit). See Question 9.
5. Register for payroll taxes (if the business will have employees). See Question 14.
6. Pay franchise tax (if the business is franchised).
7. Obtain required business licenses and permits and keep them up to date. See Question 8.
8. Keep the business' and its owners' personal finances separate. See Question 18.

See <https://www.maine.gov/sos/cec/corp/llc.html> for more forms for updating a Maine LLC.

## 6. WHEN DO I NEED AN OPERATING AGREEMENT FOR A MAINE LLC and HOW DO I DRAFT ONE?

An Operating Agreement is a contract document which sets up guidelines and rules for the internal operations of an LLC. Maine law requires each LLC to have an Operating Agreement. Once you have finished your Operating Agreement, you do not need to file it with the Maine Secretary of State. Keep it for your records and give copies to the members of your LLC. Following any major company event, such as adding or losing a member, it is a good idea to review and consider updating the Operating Agreement.

An Operating Agreement will never be requested unless the LLC is sued for some reason. If there isn't an Operating Agreement in place, the opposing attorney will challenge the legitimacy of the LLC, thereby threatening the owner's personal protection intended by having created a limited liability company to begin with. So you should complete the Operating Agreement, date and sign it, and put it in a file so it exists - if and when it is ever required.

## 7. HOW DO I DRAFT AN OPERATING AGREEMENT FOR A MAINE LLC?

If there is only one owner, SCORE's Single-Owner Operating Agreement at <https://portlandme.score.org/resource/single-owner-llc-operating-agreement> is an easy template to use for a simple operating agreement. Note that the "Agent for Service of Process" in Section 1.6. under Article I in this agreement is similar to the Registered Agent in the Maine LLC Certificate of Formation in Question 5, Step 5 above. Here, you can be the Agent for Service of

Process if Maine is your permanent residence, just like you can be the Noncommercial Registered Agent, but you must give a physical address here and not a P.O. Box. Also, note the distinction between a member and a manager in SCORE's Single Owner Operating Agreement. A member is an owner of the LLC. A manager is a person chosen by the member or members to manage the LLC. A manager can also be a member.

It is generally possible for a non-attorney to prepare and submit the necessary forms, although you may wish to have an attorney review them. If there is more than one owner, an Operating Agreement is even more critical because it defines important governance aspects, such as the board of directors, liquidation, buying and selling between owners, etc. Most new business owners do not contemplate disagreements or even divorce, but they should have an Operating Agreement that addresses both.

Multi-owners are encouraged to use SCORE'S Multi-Owner Operating Agreement at <https://portlandme.score.org/resource/multi-member-operating-agreement-llc> not as a template, but as a guide to the issues upon which they need to reach agreement. For LLC's with more than one member, you should seek the assistance of an attorney in developing the Operating Agreement. But by using SCORE's guide, making decisions on key issues and writing them down, time spent with an attorney to prepare the real Operating Agreement can be reduced, along with the expense.

BEFORE taking action to establish either a business corporation or a limited liability company, it is strongly recommended the advice and counsel of a tax professional be obtained so that the most advantageous structure is selected. There are some significant differences in how tax authorities treat business corporations and limited liability companies. These differences need to be understood and considered when deciding how to structure a business.

## **8. DO I NEED A MAINE BUSINESS LICENSE?**

Determine whether you need to obtain any state licenses or local permits to operate your business by initially contacting your town office or city hall. The State of Maine does not license all businesses; however, your business may need state and/or local licenses or permits depending on the particular activity in which you are engaged. Business Answers, a program of the Maine Department of Economic and Community Development, has a One-Stop Licensing Center for all the information needed to obtain appropriate licenses for your business. This service can be reached at 1-800-872-3838 or go to their website at [www.maine.gov/businessanswers](http://www.maine.gov/businessanswers).

## **9. DO I NEED A MAINE SALES TAX NUMBER AND HOW DO I GET ONE?**

Before a business starts selling products or providing taxable services, it must first get a Sales Tax Account from Maine Revenue Services. The Sales Tax Account is sometimes referred to as a Sales Tax Number, Retailer's Certificate, Seller's Certificate, or Sales Tax License. To obtain the appropriate forms you may visit the Maine Revenue Services website at <https://www.maine.gov/revenue/> or you can call 207- 624-5644 for the Application for Tax

Registration. After registering for a Sales Tax Account, a Resale Certificate will be automatically issued if the business indicated they anticipate making over \$3,000 annually.

The Retailer's Certificate and Resale Certificate are commonly thought of as the same thing, but they are actually two separate documents. The Retailer's Certificate allows a business to sell and collect sales tax from taxable products and services in the state, while the Resale Certificate allows the retailer to make tax-exempt purchases for products they intend to resell.

If wholesalers and retailers are reselling your product(s) you would not charge sales tax, but would provide them your Sales Tax Number for a Resale Certificate. Additionally, you would not charge sales tax to consumers who purchase your product outside of Maine, although they would be responsible for a use tax.

Keep in mind that after you register, your sales, regardless if sales tax is charged or not, must be reported regularly to the State of Maine's Sales Tax Division.

#### **10. HOW DO I COLLECT MAINE SALES TAX ON INTERNET SALES?**

A retailer which solicits sales through a catalog or internet web site is responsible for collecting sales tax in Maine if the retailer has a significant presence in Maine. Retailers registered in Maine selling goods to Maine residents must collect Maine sales tax since the retailer has a presence in Maine and the sale occurs in Maine. This is true regardless if the sale occurred in the retailer's store, if the goods are ordered over the telephone or if the goods are ordered through the retailer's homepage. If the retailer receives orders through mail-order or the internet from non-residents and the goods are shipped out-of- state, the sale is not taxable in Maine. If the retailer is not required to register in Maine, the sales are not subject to Maine's sales tax but the purchaser is subject to Maine's use tax on such a purchase.

For Maine Sales Tax Forms with instructions go to:

<https://www.maine.gov/revenue/tax-return-forms/sales-use-tax-forms>

#### **11. WHAT ARE SOME OF THE MOST AFFORDABLE WEBSITE PLATFORMS FOR SMALL BUSINESSES?**

Some of the most affordable Website Platforms for small businesses are: Shopify, Wix, Weebly, Squarespace, and GoDaddy. For more sites, with comparisons, go to:

<https://www.websitebuilderexpert.com/website-builders/small-business/>, and

<https://www.websitetooldtester.com/en/blog/best-free-website-builders/>, and

<https://www.websitebuilderexpert.com/website-builders/free/>.

#### **12. WHAT SOCIAL MEDIA CHANNEL IS BEST FOR MY MAINE BUSINESS?**

See the attached comparisons of social media channels for your business, and go to

<https://media.sumo.com/8868c554c6545be96c103e58234c08f538fd85454207d6987e5722e7a9d6db1f> for more detailed social media marketing aimed at artists, but relevant for other small businesses.



# WHAT SOCIAL MEDIA CHANNEL IS BEST FOR MY BUSINESS?

**Know your audience!** The reason that there are so many social media platforms is because they all serve different needs and speak to different groups of people. The key to choosing the best-fit social media channel for your business is to understand the demographics of your key customers so that you can find them where they're already hanging out.



## FACEBOOK - PERSONAL SHARING

**FAMILY & FRIENDS**  
but also brands & celebs

**2.9 BILLION USERS**  
400 new users every minute

**53%** of U.S. residents use Facebook several times a day

**47% MALE** **53% FEMALE**

**TOP BRANDS ON FACEBOOK**  
156 MILLION FOLLOWERS  
**SAMSUNG**  
107 MILLION FOLLOWERS  
**Coca-Cola**

### HOW SMALL BUSINESSES CAN USE IT:

- 1 A place for people to find information about their business (2nd website)
- 2 Build a following by sharing stories & pictures of what they do
- 3 Communication! Ask and answer questions and share news
- 4 Advertise with targeted ads and boosted posts



## YOUTUBE - VIDEO SHARING

**EVERYONE WHO LIKES VIDEO ANYONE WITH A WEB CAM**  
everyone can be famous

**30 MILLION DAILY ACTIVE USERS**

**5 BILLION**  
Videos watched per day

**62% MALE** **38% FEMALE**

**TOP BRAND CHANNEL**  
**LEGO** 5.5 BILLION VIEWS  
**BUT...** the most subscribed channels are homegrown comedians, video gamers, beauty gurus, and musicians

### HOW SMALL BUSINESSES CAN USE IT:

- 1 Share videos of their products or services in action
- 2 Make instructional videos that answer everyday questions
- 3 Create content to share on other social media channels
- 4 Hear what people really think about their brand



## INSTAGRAM - PHOTO SHARING

**THE VISUALLY INCLINED**  
especially brands & celebs

**800 MILLION USERS**  
500 million active daily

**40 BILLION**  
Photos shared to date

**32% MALE** **68% FEMALE**

**59%** of Instagram users are between the ages of **18 and 29**

**83.4 TOP MILLION FOLLOWERS**  
**NATIONAL GEOGRAPHIC**

### HOW SMALL BUSINESSES CAN USE IT:

- 1 Establish a visual identity for their brand
- 2 Showcase products in visually compelling ways with photos & video
- 3 Become an influencer in their field



## TWITTER - MICROBLOGGING

**BIG MOUTHS**  
anyone who thinks they have something to say

**336 MILLION USERS**  
280 CHARACTERS PER TWEET

**500 MILLION**  
Tweets per day

**53% MALE** **47% FEMALE**

**36%** of Americans ages **18 and 29** are Twitter users

**TOP TWITTER BRANDS**  
**CNN** 40.5 MILLION FOLLOWERS  
**42.1 MILLION FOLLOWERS**

### HOW SMALL BUSINESSES CAN USE IT:

- 1 Share exciting news & info likely to be retweeted
- 2 Follow and support other complimentary brands
- 3 Customer service! **85%** of businesses on Twitter consider it a vital channel for customer support.



## PINTEREST - BOOKMARKING

**RETAIL JUNKIES**  
and the brands and trend setters that they shop

**200 MILLION USERS**

**50+ BILLION**  
Pinterest pins

**19% MALE** **81% FEMALE**

**HALF** of Pinterest users have an income of **\$50k per year** or more

**TOP BRAND**  
**L.L.Bean**  
5 MILLION FOLLOWERS

### HOW SMALL BUSINESSES CAN USE IT:

- 1 Post pin-worthy photos and links of their products/services
- 2 Create beautiful inspiration and idea boards to establish their brand as an influencer
- 3 Find resources and inspiration to help achieve their business goals



## LINKEDIN - NETWORKING

**BUSINESS CONNECTIONS**  
and potential employers

**133 MILLION USERS**

**40%** of users use LinkedIn daily.

**57% MALE** **43% FEMALE**

**amazon** TOP BRAND ON LINKEDIN  
**4.8 MILLION FOLLOWERS**

**41%** OF MILLIONAIRES use LinkedIn

### HOW SMALL BUSINESSES CAN USE IT:

- 1 Recruiting and vetting employees or independent contractors
- 2 Researching and approaching B2B sales prospects
- 3 Networking and sharing business resources
- 4 Giving and receiving referrals and recommendations.

### **13. HOW DO I FINANCE THE START-UP OF MY SMALL BUSINESS IN MAINE?**

To determine financing needs, you should first prepare a business plan with a complete set of financial projections including a balance sheet, income statement, and cash flow statement. With a properly completed business plan, you will have identified your funding needs. You'll find a step-by-step business plan template that you can use to lay the groundwork for your new business at <https://bangor.score.org/resource/business-plan-template-startup-business>.

Keep in mind that most small business start-ups are funded through personal resources including savings, equity or loans from family, friends or other investors, home equity loans, cash value of life insurance, or other personal resources. Banks will lend to some business start-ups if they are satisfied with your business plan, your level of equity investment, the collateral you have to pledge to the loan and your credit history and experience. If your request is denied, ask your bank if they would consider the loan with a guarantee from the Small Business Administration (SBA), the Finance Authority of Maine (FAME), or MaineStream Finance. There's a guide that will introduce you to ten types of small business financing, and the questions to ask yourself if you need financing at <https://www.score.org/resource/wheres-money-10-types-small-business-financing-and-how-qualify>.

### **14. WHAT IS A FEDERAL EMPLOYER IDENTIFICATION NUMBER (EIN), HOW DO I OBTAIN ONE, AND HOW IS AN LLC TAXED FOR FEDERAL INCOME TAXES?**

The EIN or Employer Identification Number (also called a Federal Employer Identification Number or FEIN) is a unique 9-digit tax identification number assigned to a business by the Internal Revenue Service (IRS). Similar to a social security number for an individual, the EIN identifies all business entities for tax purposes including sole proprietorships, partnerships, limited liability companies, and corporations. The EIN will be needed to hire employees, open a bank account, register for business licenses and permits, file tax returns, and more.

**Maine employers must obtain a federal Employer Identification Number (EIN) by filing IRS Application Form SS-4**, which can be done online at [www.irs.gov](http://www.irs.gov). Look for "Forms and Pubs", then click on "More". When this page opens click on "Current Forms & Pubs" and when that page opens there is a box for searching. Enter "SS- 4" in the "Find" box, then click on "Find". When a list of documents opens click on "Form SS-4". You might also want to click on the instructions for the form, in which case click on "Inst SS-4". You can apply for the EIN either online as described below, or else print out the form SS-4, fill it out and mail it to the Internal Revenue Services. See the instructions that go with this form for further information.

To apply for the EIN online, simply follow the on-line instructions. This process involves answering a series of questions; when complete the IRS will immediately reply with the EIN for your company. We recommend saving that document to your computer as a "valuable document" and also retaining a printed version. Question 8a on the form will ask if your entity is a limited liability company. If so, answer yes; 8b will ask the number of "members" (i.e. owners) of the limited liability company. Enter number. Question 9a will ask you to identify the kind of entity. If it is a corporation you will check that box; if it is a limited liability company with only one

member, check the box “other” and enter alongside “disregarded entity”. If it is a limited liability company with more than one member click on the box “partnership”. A disregarded entity means the LLC does not have to file an annual income tax return; all of the net income is reported on Schedule C of the owner’s personal Form 1040 income tax return. If there are two or more owners then the LLC will file an annual partnership income tax return, the partners reporting the income on their personal income tax returns in proportion to their partnership interest.

**One of the significant benefits of the Limited Liability Company is the tax flexibility it provides.** When applying for the Employer Identification Number, you may choose how the entity will be taxed for federal income tax purposes. While there are some limitations, an LLC may be classified for federal income tax purposes as a:

- Sole proprietorship
- Partnership
- C-corporation
- S-corporation

While this may sound confusing, this refers to how the LLC is taxed, not the legal structure.

By default, the taxation of an LLC is called pass-through taxation, which means the profits or losses of the LLC flow through to the members.

Single-member LLCs will, by default, be taxed as a sole proprietorship. The members can also elect to change the taxation to a C-corporation or an S-corporation.

Multi-member LLCs will, by default, be taxed as a partnership. The members can also elect to change the taxation to a C-corporation or an S-corporation.

In general, the difference between being taxed as a corporation and being taxed as a sole proprietorship or partnership is that the profits and losses are passed to the member’s federal income tax returns based on their percentage of ownership. As a result, the owner will pay self-employment taxes on all business profits. As an alternative, electing to be taxed as a corporation allows the members to take a reasonable salary and then pay payroll taxes. Any remaining profits are distributed and aren’t subject to payroll taxes, resulting in potential tax savings.

Before electing how your LLC will be taxed, consider talking with an accountant to assess which one will be best for you. Some tax elections, such as the C corporation, may be detrimental for some people due to double taxation.

It’s important for a business with an EIN to keep the business mailing address, location and responsible party up to date. IRS regulations require EIN holders to report changes in the responsible party within 60 days. They do this by completing Form 8822-B, Change of Address or Responsible Party at <https://www.irs.gov/pub/irs-pdf/f8822b.pdf> and mailing it to the address on the form.

Solopreneurs with no employees who operate as sole proprietors or who have formed an LLC for their one-person business do not need an EIN, but obtaining and using one offers some advantages, as explained in this SCORE resource:

<https://portlandme.score.org/blog/5-reasons-solopreneurs-should-consider-getting-ein>

You'll find more information on getting a federal EIN at

<https://www.score.org/resource/federal-employer-identification-number-everything-you-need-know>.

### **15. AS AN EMPLOYER, HOW DO I REGISTER WITH THE STATE OF MAINE?**

Maine employers will need to register for state income tax withholding and for unemployment contributions by filing the Application for Tax Registration at Maine Revenue Services' website via their online registration service at <https://www.maine.gov/revenue/> and clicking on Tax Registration in the green box. For questions about this service call: (207) 624-9784. You can also e-mail [taxpayerassist@maine.gov](mailto:taxpayerassist@maine.gov).

Have new employees complete these forms, and keep them in your files: Employee Withholding Certificate W-4 obtained from the IRS at <https://www.irs.gov/pub/irs-pdf/fw4.pdf>, and Employment Eligibility Verification Form I-9 obtained from the U.S. Citizenship and Immigration Services at <https://www.uscis.gov/sites/default/files/document/forms/i-9-paper-version.pdf>.

Follow Form I-9 instructions at

<https://www.uscis.gov/sites/default/files/document/forms/i-9instr.pdf>.

Obtain Worker's Compensation Insurance from your business insurance carrier. Maine employers are required to report newly hired or rehired employees to the Maine Department of Health & Human Services (DHHS) within 7 days. Contact DHHS Support Enforcement and Recovery at 207-624-4100 for more information. Obtain and post required labor posters. For more information on becoming an employer, hiring employees or to obtain labor posters, contact the Maine Department of Labor at 207-623-7900 or <https://www.maine.gov/labor/>.

### **16. AS AN EMPLOYER, HOW DO I FILE AND PAY FEDERAL AND MAINE STATE PAYROLL TAXES?**

If you have employees, you may want to both hire a payroll service company to cut paychecks, with federal and state taxes deducted, and file your federal and state payroll taxes for you. Gusto, Paychex, Onpay, and Patriot Payroll all have online payroll services for small businesses at reasonable rates. Or, you may want to do this yourself, starting with cutting your own paychecks manually or via an accounting software program like Quickbooks, with appropriate federal and state taxes deducted from Gross Pay. Here's what's involved in doing your own payroll taxes:

For federal tax deduction instructions, go to [www.irs.gov](http://www.irs.gov) and order their Publication 15 (Circular E) Employer's Tax Guide Withholding from Employee's Wages, and their Publication 15-T Federal Income Tax Withholding Method Tables. For state tax deduction instructions, go to [www.maine.gov](http://www.maine.gov) and order their Maine Revenue Services Withholding Tables for Individual Income Tax.

**For filing and paying federal and state payroll taxes, use this checklist:**

A. Monthly by the 15th for the preceding full month for which you're reporting, electronically file Federal Form 941 for Employer's Federal Tax Payment. Go to [www.eftps.gov](http://www.eftps.gov) to open an account and make payments. Call 800-555-3453 with any questions.

B. Quarterly by the 15th for the preceding calendar quarter for which you're reporting, manually file Federal Form 941 for Employer's QUARTERLY Federal Tax Return. Go to [www.irs.gov/Form941](http://www.irs.gov/Form941) for instructions and updates. The form can be filled out online, printed, and then snail mailed.

C. Quarterly by the 15th for the preceding calendar quarter for which you're reporting, electronically file State Form 941-ME for the Maine Revenue Services Income Tax Withholding. Go to [www.maine.gov/revenue/netfile/gateway2.htm](http://www.maine.gov/revenue/netfile/gateway2.htm) for instructions and updates. Call the Maine Revenue Services Withholding Unit at 207-626-8475 (select 1 for touch-tone phones, then Option 4) with any questions.

D. Quarterly by the 15th for the preceding calendar quarter for which you're reporting, electronically file State Form ME UC-1 for the Maine Department of Labor Bureau of Unemployment Compensation Employer's Quarterly Contribution Report. To create an account, go to [www.maine.gov/reemploye](http://www.maine.gov/reemploye), click on "Create ReEmployME Account" and follow the prompts. Have your Federal and State Employer Identification Numbers with you. For help call 207-621-5120 or toll free 844-754-3508. Thereafter, go to [www.maine.gov/reemploye](http://www.maine.gov/reemploye) for quarterly payments.

E. Annually by January 15, manually file Federal Form 940 for Employer's Annual Federal Unemployment (FUTA) Tax Return. Go to [www.irs.gov/Form940](http://www.irs.gov/Form940) for instructions and updates. The form can be filled out online, printed, and then snail mailed.

F. Annually by January 15, manually fill out and file Federal Form W-2 Wage and Tax Statement for each employee. Send Copy A with Federal Form W-3 Transmittal of Wage and Tax Statements to the Social Security Administration. Send Copy 1 to state or city tax department, send Copy B, Copy C, and Copy 2 to employees, and save Copy D for your files. Order original Forms W-2 and W-3 and their instructions a month ahead of time online at [irs.gov/businesses](http://irs.gov/businesses) forms and publications (copies of original W-2 and W-3 Forms are not acceptable).

G. Annually by January 15, electronically file State Form W-3ME Maine Revenue Services Income Tax Withholding. Go to [www.maine.gov/revenue/netfile/gateway2.htm](http://www.maine.gov/revenue/netfile/gateway2.htm) for instructions and updates. Call the Maine Revenue Services Withholding Unit at 207-626-8475 (select 1 for touch-tone phones, then Option 4) with any questions.

As you can see, there's a lot of time involved in doing your own payroll taxes, but it does offer you maximum privacy and data security. You might try it, so if you do use a payroll service company later, you'll be able to better monitor their work. Keep in mind that you are responsible

for any payroll filing errors and penalties, whether you file the taxes yourself or hire someone else.

## **17. IF I AM SELF-EMPLOYED, HOW DO I REPORT MY SELF-EMPLOYMENT TAXES AND INCOME TAXES?**

Self-employed business owners are required to pay self-employment taxes (SE taxes) as well as state and federal income taxes. SE taxes are Social Security and Medicare taxes primarily for individuals who work for themselves. It is similar to the Social Security and Medicare taxes withheld from the pay of most wage earners.

Self-employed individuals are required to pay estimated SE taxes quarterly and file annual state and federal income taxes. You can estimate and report your federal taxes by using the 1040-ES form at [www.irs.gov](http://www.irs.gov), and your state taxes by using the 1040ES-ME form at [www.maine.gov](http://www.maine.gov). You can also derive an estimate of your tax liability from your most recently completed Schedule C (profit and loss statement for a proprietorship) or by completing a monthly profit and loss statement. Be aware that if you don't deposit the appropriate taxes for any individual quarter, or for the year, the IRS can and will impose stringent penalties and interest.

For more information on completing the right self-employment forms or understanding the requirements, go to the IRS Self-Employed Individuals Tax Center at <https://www.irs.gov/businesses/small-businesses-self-employed/self-employed-individuals-tax-center#home>, and seek advice from a CPA or tax accountant.

## **18. WHAT TYPE OF INSURANCE SHOULD I OBTAIN FOR MY SMALL BUSINESS?**

When you start your own business, there are various types of business insurance that should be considered essential and others that, while not essential, may be desirable and add to the security of a business. Most businesses will require some type of **general liability insurance** and many businesses obtain an **umbrella policy** that covers a variety of risks including personal property, liability, fire, theft, and medical payments.

**Even if your business is an LLC, you may still need small business insurance.** In general, forming an LLC protects your personal assets from being attached to the obligations of the business, like your house, but if you don't have general liability insurance and someone slips and falls in your shop or office, the business may be liable for the costs associated with the injuries they sustain. **General liability insurance** provides protection against common customer or client incidents, including bodily injuries, property damage, and advertising injuries. Many small business owners also get **general liability coverage that includes product liability insurance**. This helps protect them from claims of bodily injury or property damage their products cause.

If you have employees, you'll need to obtain **workers compensation insurance**. Workers' compensation insurance provides benefits to your employees if they get injured or sick from their job. In Maine, this coverage is a legal requirement. So, if your employee develops carpal tunnel from years of typing, this coverage can help pay their medical bills. The state of Maine

offers this information about worker's compensation insurance:

[https://www.maine.gov/pfr/insurance/consumer/consumer\\_guides/pdf/workers\\_comp\\_employer\\_guide.pdf](https://www.maine.gov/pfr/insurance/consumer/consumer_guides/pdf/workers_comp_employer_guide.pdf).

Additionally, if your business owns or uses vehicles for business purposes, automobile coverage is necessary. **Commercial auto insurance** helps cover the costs of car accidents you or your employees get into while driving for work. For example, if your employee swerves off the road while driving to work in a company vehicle and hits a mailbox, this coverage can help pay for the damages. Beyond this, what other forms of insurance obtained depends on what risks are incurred in operating your business, and what kind of supplementary coverage you want to employ to provide additional security for your business. The following is a list of certain types of insurance that you may need to consider:

### **Professional Liability Insurance**

Professional liability insurance covers claims related to mistakes in the professional services you provide. This coverage is also known as errors and omissions insurance or professional indemnity insurance. So, if your accounting firm makes a mistake in a client's financial statement, professional liability insurance can help cover your legal costs.

### **Business Income Coverage**

Business income coverage, also known as business interruption insurance, can help you get back lost income if your business has to close because of a covered incident. So, if a fire damages your restaurant and you need to close temporarily, this coverage can help pay your lost income during this period.

### **Commercial Property Insurance**

Commercial property insurance helps cover the costs of damage to your business property, including your furniture, tools and equipment. For instance, if a storm damages your roof, this coverage can help pay for the repairs.

### **Data Breach Insurance**

Data breach insurance can help your small business respond to a breach. This can include the costs of alerting members of the public and restoring your reputation. So, if someone hacks into your business' network and steals your customers' credit card numbers, this coverage can pay the costs of notifying them.

### **Commercial Umbrella Insurance**

Commercial umbrella insurance provides extra coverage if a claim against you is higher than your policy's limits. This type of insurance gives businesses a practical way to extend coverages. For instance, it can help extend your general liability coverage. So, if a customer breaks their leg while shopping in your store, and their medical bills exceed your coverage limits, commercial umbrella insurance can help pay what's left over.

## **Employment Practices Liability Insurance**

Employment practices liability insurance, also known as employers' liability insurance, is a type of coverage that helps protect you from claims of discrimination, wrongful termination and more. So, if an employee files a lawsuit against your business for harassment, this coverage can help pay your legal expenses.

You may also want to look at **Key Person Insurance, Flood Insurance, Fidelity and Surety Bonds, Boiler and Machinery Insurance, Overhead Expense, Disability Insurance, and Life Insurance**. The best course of action is to contact an insurance agent, or several agents, for a consultation regarding the appropriate types of insurance for you and your business.

## **19. WHAT ACCOUNTING SOFTWARE SHOULD I USE FOR MY BUSINESS?**

[QuickBooks](#) is highly recommended due to low cost, simplicity, ease of use and compatibility with most financial institutions, which allows online syncing. SCORE regularly offers low-cost QuickBooks training through our [local workshops](#). To minimize owner work on accounting software, use online bill pay for as many transactions as possible. In QuickBooks, you train your profit and loss statements to recognize your vendors and categorize payments to them. Once you have categorized all your vendors, QuickBooks will generate profit and loss statements at your command for any periods of time. Until your business gets large, you should only need an accountant for taxes and unusual issues that may arise (e.g., depreciation).

## **20. SHOULD I OPEN A SEPARATE BUSINESS CHECKING ACCOUNT?**

Yes. For tax and legal purposes, you must separate business from personal funds and expenses. First and foremost, choose the best financial institution for your needs, which in Maine is often a community bank. It's much easier to work with an institution that has a local branch, and SCORE recommends you select one where you have (or will have) a personal account. If you contemplate needing loans, you might also research a good financial institution for this and set up an account there. We also recommend selecting a financial institution that has online banking and is compatible with QuickBooks.

Visit the financial institution in person to request an account, bringing your legal form of business formation documents and EIN, plus an initial deposit.

Critical features that you will want with your new account are: 1. Electronic link to your personal bank account for transferring funds (back and forth), 2. A credit or debit card in the name of your business, and online bill payment. Online banking, credit/debit cards, etc. are essential tools to bookkeeping for your business with minimal labor.

Once you establish your business account, IT IS VITAL THAT YOU SEGREGATE PERSONAL AND BUSINESS FUNDS AND EXPENSES. If you do not, this may result in a determination that your company is not valid and expose your personal assets to the liabilities of the business, even if you're an LLC.



## **21. WHAT ONLINE SAFETY PRACTICES SHOULD I FOLLOW FOR MY BUSINESS?**

### **Separate Business Computers from Personal Use Computers**

Personal web browsing increases the risk of viruses from unsecured websites. It's a best practice to operate business software and to store business or customer data on systems that only go to approved business required websites.

### **Be Strategic About Software**

- Make sure your software, web browsers, and computer operating system are up to date and set to receive automatic updates.
- Equip your computers with antivirus software and antispymware.
- Get rid of software you don't use.

### **Make a Security Plan and Have It Handy In Case You Need It**

A Written Information Security Plan (WISP) should contain policies that safeguard your computer systems and data. Employees should review policies annually and sign an acknowledgment that they will follow them. The WISP should also contain:

- A list of your computers and your computer technical service vendor
- Internet provider account and support contact information
- Your bank cash management or customer service contacts
- A list of applications including any software you use and support contacts

### **Backup Your Data**

Your data is valuable to cyber fraudsters. Ransomware affects both large and small businesses every day. The easiest way to thwart an attack is to purge computers to remove malware and then restore the lost data from data backups. It's best to encrypt backed up data and store it off your network such as in the cloud.

### **Train Your Employees About Safe Computer Use**

Training should happen on the first day of employment and should cover:

- Safe internet practices
- Safe email practices
- Safe desktop practices

## **22. WHERE CAN I FIND MORE ANSWERS TO MY BUSINESS QUESTIONS?**

From your SCORE Mentor. Simply request one at: <https://www.score.org/find-mentor>.

SCORE Mentor volunteers are real-world professionals, both actively employed as well as retired, with time-tested knowledge and perspective to help you succeed. SCORE is a resource partner of the U.S. Small Business Administration.

From SCORE small business training webinars, workshops, and library of resources at these **SCORE Websites:**

[www.bangor.score.org](http://www.bangor.score.org) (serving Northern Maine, Downeast, and Mid-Maine)

[www.portlandme.score.org](http://www.portlandme.score.org) (serving Southern Maine)

[www.score.org](http://www.score.org) (serving the USA)

An excellent SCORE online resource for starting a business is “**Simple Steps for Starting Your Business**” at:

[https://s3.amazonaws.com/mentoring.redesign/s3fs-public/SCORE-Simple-Steps-Starting-Business-ebook\\_2.pdf](https://s3.amazonaws.com/mentoring.redesign/s3fs-public/SCORE-Simple-Steps-Starting-Business-ebook_2.pdf).

It’s a workbook and a primer, providing information and exercises, that will help you decide how to start the right small business for you. And you don’t have to go it alone because your SCORE Mentor will help you.

Another excellent SCORE online resource for starting a business is: “**The Startup Roadmap: Your Guide to Successfully Starting a Business.**” It’s a step-by-step, how-to guide for starting a business which outlines each step in starting a business with information and resources on the most difficult tasks. It also contains tips for working with your SCORE Mentor on each topic. It can be found at:

<https://bangor.score.org/startup-roadmap>.

And also, from the Maine Small Business Development Centers’ “A Guide to Starting a Business in Maine” at:

<https://www.mainesbdc.org/wp-content/uploads/2017/03/A-Guide-to-Starting-a-Business-in-Maine.pdf>.

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