



JNM SOLUTIONS · CLIENT RESOURCE GUIDE · 2026 EDITION

# Your Complete Business Setup Playbook

A universal framework for launching, structuring, and growing your business — with clear guidance on how every step varies across all 50 states.

Works in All 50 States

Formation to Follow-Through

LLC · Corp · Sole Prop

Hiring · Funding · Scaling

11 Chapters · 50-State Reference · Interactive Checklist

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## Universal Framework

# The 50-State Business Formation Framework

The rules change by state — the process doesn't. This framework gives you a universal step-by-step path that works anywhere in the country, with state-specific details built in at every stage.

### WHY A UNIVERSAL FRAMEWORK?

Every state has its own Secretary of State, filing fees, annual report deadlines, and licensing requirements. But the fundamental sequence of forming and running a business is consistent across all 50 states. Master the sequence — then customize the details for your state. JNM Solutions helps you do both.

## The 7-Phase Universal Process

**1**

### Choose Your State of Operation

Determine where you will primarily conduct business. Most businesses should form in their home state — not Delaware or Wyoming — unless there's a specific strategic reason. Forming out-of-state creates two filings and double the ongoing fees.

*Varies by state: filing costs, tax environment, privacy rules*

**2**

### Select and Verify Your Business Name

Search your state's Secretary of State name database to confirm availability. Reserve the name if your state allows it. Check federal and state trademark databases and secure your domain name simultaneously.

*State name database search is free in all 50 states*

3

**Select Your Business Structure**

LLC, S-Corp, C-Corp, or Sole Proprietorship — each has distinct tax and liability implications. This decision shapes everything that follows. Most small businesses start as an LLC; S-Corp election can be layered on later for tax efficiency.

*Structure choice affects state taxes in every state*

4

**File Formation Documents with the State**

Submit your Articles of Organization (LLC) or Articles of Incorporation (Corp) to your state's Secretary of State. Pay the filing fee. Processing time ranges from same-day (expedited) to 4–6 weeks depending on the state.

*Fees range from \$40 (Kentucky) to \$500 (Massachusetts)*

5

**Obtain Federal and State Tax IDs**

Apply for your EIN from the IRS — free and instant online at [irs.gov](https://irs.gov). Then register for state tax accounts: sales tax permit, state income tax withholding, and unemployment insurance if you'll have employees.

*Required in all 50 states; state portals vary*

6

**Obtain Licenses and Permits**

Stack your licenses from federal to state to local. Use the SBA's Business License & Permit tool as a starting point, then verify with your state's official licensing portal. Local city/county permits are often overlooked and actively enforced.

*Most variable step — differs by state, city, and industry*

7

**Open Business Accounts and Begin Operations**

Open a business checking account, set up bookkeeping software, create your Operating Agreement or Bylaws, and establish your financial systems before accepting your first payment. Clean starts prevent costly untangling later.

*Universal — same core process in every state*

## All 50 States — Quick Reference

Filing fees, income tax rates, annual report requirements, and key notes for every state. Florida is highlighted. Requirements change — always verify with your state's official Secretary of State website before filing.

| State              | Filing Fee | Income Tax | Annual Report       | Key Notes                                                        |
|--------------------|------------|------------|---------------------|------------------------------------------------------------------|
| Alabama (AL)       | \$200      | 5%         | Annual, \$10        | Annual report due April 15. No publication requirement.          |
| Alaska (AK)        | \$250      | 0%         | Biennial, \$100     | No personal state income tax. Biennial report every 2 years.     |
| Arizona (AZ)       | \$50       | 2.5%       | None                | Publication requirement for LLCs in some counties.               |
| Arkansas (AR)      | \$45       | 4.4%       | Annual, \$150       | Annual franchise tax report due May 1.                           |
| California (CA)    | \$70       | 13.3%      | Biennial + \$800/yr | \$800 minimum annual franchise tax regardless of revenue.        |
| Colorado (CO)      | \$50       | 4.4%       | Annual, \$10        | Periodic report due annually. Business-friendly state.           |
| Connecticut (CT)   | \$120      | 6.99%      | Annual, \$80        | Annual report due March 31 for LLCs.                             |
| Delaware (DE)      | \$90       | 6.6%       | Annual, \$300       | Preferred by investors. Strong legal precedent for corporations. |
| Florida (FL)       | \$125      | 0%         | Annual, \$138.75    | No personal income tax. Annual report due May 1.                 |
| Georgia (GA)       | \$100      | 5.49%      | Annual, \$50        | Annual registration due April 1. Growing business hub.           |
| Hawaii (HI)        | \$50       | 11%        | Annual, \$15        | High income tax rate. Report due by end of anniversary quarter.  |
| Idaho (ID)         | \$100      | 5.8%       | Annual, \$0         | No annual report fee. Due end of anniversary month.              |
| Illinois (IL)      | \$150      | 4.95%      | Annual, \$75        | Annual report due before 1st day of anniversary month.           |
| Indiana (IN)       | \$95       | 3.15%      | Biennial, \$31      | Biennial report. Low flat income tax rate.                       |
| Iowa (IA)          | \$50       | 6%         | Biennial, \$30      | Biennial report filed every other year.                          |
| Kansas (KS)        | \$160      | 5.7%       | Annual, \$55        | Due 15th day of 4th month after tax year end.                    |
| Kentucky (KY)      | \$40       | 4.5%       | Annual, \$15        | One of the lowest LLC filing fees in the country.                |
| Louisiana (LA)     | \$100      | 4.25%      | Annual, \$35        | Annual report due on anniversary date of formation.              |
| Maine (ME)         | \$175      | 7.15%      | Annual, \$85        | Operating agreement legally required. Annual report June 1.      |
| Maryland (MD)      | \$100      | 5.75%      | Annual, \$300       | Personal property return due April 15.                           |
| Massachusetts (MA) | \$500      | 5%         | Annual, \$500       | One of the highest filing fees. Due on anniversary date.         |
| Michigan (MI)      | \$50       | 4.25%      | Annual, \$25        | Annual statement due February 15.                                |

| State               | Filing Fee | Income Tax | Annual Report          | Key Notes                                                      |
|---------------------|------------|------------|------------------------|----------------------------------------------------------------|
| Minnesota (MN)      | \$155      | 9.85%      | Annual, \$0            | No annual report fee but must file annual renewal.             |
| Mississippi (MS)    | \$50       | 4.7%       | Annual, \$0            | No annual report fee for LLCs.                                 |
| Missouri (MO)       | \$50       | 4.95%      | None                   | Operating agreement legally required. No annual report.        |
| Montana (MT)        | \$70       | 6.75%      | Annual, \$15           | Annual report due April 15.                                    |
| Nebraska (NE)       | \$110      | 5.84%      | Biennial, \$26         | Biennial occupation tax report required.                       |
| Nevada (NV)         | \$75       | 0%         | Annual, \$200+         | No state income tax. Privacy-friendly LLC laws.                |
| New Hampshire (NH)  | \$100      | 0%         | Annual, \$100          | No income tax on wages. Annual report due April 1.             |
| New Jersey (NJ)     | \$125      | 10.75%     | Annual, \$75           | Annual report due on anniversary month.                        |
| New Mexico (NM)     | \$50       | 5.9%       | None                   | No annual report. Privacy-friendly — no member names required. |
| New York (NY)       | \$200      | 10.9%      | Biennial + Publication | Publication req. can cost \$1,000-\$2,000 in NYC.              |
| North Carolina (NC) | \$125      | 4.5%       | Annual, \$200          | Annual report due April 15.                                    |
| North Dakota (ND)   | \$135      | 2.5%       | Annual, \$50           | Annual report due November 15. Low income tax.                 |
| Ohio (OH)           | \$99       | 3.99%      | None                   | No annual report for LLCs. Flat income tax rate.               |
| Oklahoma (OK)       | \$100      | 4.75%      | Annual, \$25           | Annual certificate of compliance due on anniversary date.      |
| Oregon (OR)         | \$100      | 9.9%       | Annual, \$100          | Annual report due on anniversary date. High income tax.        |
| Pennsylvania (PA)   | \$125      | 3.07%      | None                   | No annual report for LLCs. Low flat income tax rate.           |
| Rhode Island (RI)   | \$150      | 5.99%      | Annual, \$50           | Annual report due March 1.                                     |
| South Carolina (SC) | \$110      | 6.5%       | Annual, \$0            | Annual report required but no filing fee.                      |
| South Dakota (SD)   | \$150      | 0%         | Annual, \$50           | No state income tax. Business-friendly environment.            |
| Tennessee (TN)      | \$300      | 0%         | Annual, \$300          | No income tax on wages. Annual report due May 15.              |
| Texas (TX)          | \$300      | 0%         | Franchise tax report   | No income tax but franchise tax on revenue. Due May 15.        |

| State              | Filing Fee | Income Tax | Annual Report | Key Notes                                                  |
|--------------------|------------|------------|---------------|------------------------------------------------------------|
| Utah (UT)          | \$54       | 4.65%      | Annual, \$18  | Annual renewal due on anniversary date. Low flat rate.     |
| Vermont (VT)       | \$125      | 8.75%      | Annual, \$35  | Annual report due March 15.                                |
| Virginia (VA)      | \$100      | 5.75%      | Annual, \$50  | Annual report due last day of 12th month of fiscal year.   |
| Washington (WA)    | \$200      | 0%         | Annual, \$71  | No personal income tax. Annual report on anniversary date. |
| West Virginia (WV) | \$100      | 6.5%       | Annual, \$25  | Annual report due July 1.                                  |
| Wisconsin (WI)     | \$130      | 7.65%      | Annual, \$25  | Annual report due in anniversary quarter.                  |
| Wyoming (WY)       | \$100      | 0%         | Annual, \$60  | No income tax. Strong privacy. LLC-friendly laws.          |

**JNM SOLUTIONS TIP**

State data changes — fees increase, deadlines shift, new requirements emerge. Always verify current details with your state's official Secretary of State website before filing. JNM Solutions stays current so our clients don't have to.

Chapter 1 · Formation

# Choosing Your Business Structure

Your legal structure affects taxes, personal liability, how you raise money, and how you exit. This is one of the highest-leverage decisions in your business — and it can be changed later, but with cost and complexity.

| Sole Proprietorship          | LLC ■ Most Popular                 | S-Corporation                    | C-Corporation                  |
|------------------------------|------------------------------------|----------------------------------|--------------------------------|
| → No formal state filing     | → Personal liability protection    | → Can reduce self-employment tax | → Best for outside investment  |
| → Owner liable for all debts | → Flexible tax treatment           | → Pass-through taxation          | → Corporate tax rate applies   |
| → Income on personal return  | → Minimal ongoing formalities      | → Must pay yourself a salary     | → Most administrative overhead |
| → Cannot bring in investors  | → Filing fees: \$40–\$500 by state | → Requires IRS Form 2553         | → Delaware popular for corps   |

STATE VARIATION

Formation fees and tax treatment vary significantly

Florida LLC filing: \$125. California: \$70 filing + \$800 annual minimum franchise tax. New York: \$200 filing + publication requirement (\$1,000–\$2,000). Wyoming: \$100 filing, no state income tax, strong privacy laws. Texas: \$300 filing, no state income tax but franchise tax applies. Delaware: \$90 filing, preferred by investors for legal precedent.

## Step-by-Step: Forming an LLC in Any State

1

Confirm your state of formation

Operate in Florida? Form in Florida. Multi-state operations may have different considerations — out-of-state LLCs require foreign qualification filings in every state you actually operate in.

2

**Search and reserve your business name**

Use your Secretary of State's free name search tool. Confirm the name includes a required designator (LLC, L.L.C., or Limited Liability Company). Reserve it if filing will be delayed.

3

**Appoint a registered agent**

Required in all 50 states. Must have a physical street address (not a P.O. Box) in the state of formation. Can be you, a member, or a professional registered agent service (\$50–\$150/year).

4

**File Articles of Organization**

Submit online or by mail to your Secretary of State. Typical requirements: business name, registered agent, principal address, member names. Pay the state filing fee.

5

**Draft your Operating Agreement**

Only a few states legally require it (California, New York, Missouri, Maine, Delaware), but every LLC should have one. Defines ownership, voting rights, profit distribution, and exit procedures.

6

**Obtain your EIN from the IRS**

Free, instant, available at [irs.gov](https://irs.gov). Required to open a business bank account, hire employees, and file business taxes. Apply even if you currently have no employees.

**JNM SOLUTIONS TIP**

S-Corp election (IRS Form 2553) can be added to an existing LLC and may meaningfully reduce self-employment taxes once net profit exceeds roughly \$50,000 annually. We model this for every consulting client to determine if and when the switch makes financial sense.

## Chapter 2 · Formation

# Licenses, Permits & Compliance

Operating without proper licenses exposes you to fines, forced closure, and personal liability. Requirements stack at the federal, state, and local level — and this is the most variable part of the entire setup process.

## The Three-Layer Licensing Stack



### Federal licenses

Required for regulated industries: firearms (ATF), broadcasting (FCC), investment advising (SEC), alcohol (TTB), agriculture (USDA), transportation (DOT). Federal requirements are uniform across all 50 states.



### State licenses & professional certifications

Most states require a general business license plus industry-specific permits for contractors, healthcare providers, real estate agents, cosmetologists, accountants, and childcare operators. Verify at your state's official licensing portal.



### Local (city/county) permits

Business tax receipts, zoning approvals, sign permits, fire safety inspections, health department permits. These are the most commonly overlooked layer and the most frequently enforced at the local level.

#### STATE VARIATION

### Local requirements are the most variable of all

Florida requires a Business Tax Receipt from each county where you operate. California cities add local permits on top of state requirements. New York City has some of the most complex local licensing in the country. Texas is generally permissive at the state level but municipal requirements vary widely. Always check with your city or county clerk's office in addition to state resources.

## Industry-Specific Requirements

### ■ Retail & E-Commerce

Seller's permit or sales tax permit required in most states. Home occupation permit if operating from a residential address. Post-Wayfair: most states now require e-commerce businesses to collect sales tax once they exceed an economic nexus threshold — typically \$100,000 in sales or 200 transactions — regardless of physical presence.

### ■ Food & Beverage

Food handler permits for all employees (most states). Health department facility inspection and annual permit. Cottage food license if producing from home — limits vary dramatically by state. Liquor license if serving alcohol — expect 3–12 months to obtain in most jurisdictions.

### ■ Construction & Contracting

State contractor's license (Florida: required for any work over \$1,000; California: any work over \$500). Workers' compensation insurance is mandatory in most states for any employees. Always pull permits for each job — working without a permit can void insurance and create significant liability.

### ■ Professional Services

State professional license required for CPAs, attorneys, engineers, architects, and therapists — licenses are not transferable between states without reciprocity agreements. Business consulting generally does not require a license, but verify for your specific services and state.

### ■ Healthcare & Childcare

State professional licenses for all clinical staff. Facility licensing from the state health department. Background checks required for childcare workers in every state. HIPAA compliance required for any healthcare provider handling protected health information.

#### IMPORTANT

Licenses must be renewed — typically annually or biennially. Missing a renewal means operating illegally without realizing it. Add renewal dates to your business calendar and set 60-day advance reminders.

**Chapter 3 · Formation**

# Financial Setup

Your financial infrastructure is the foundation everything else is built on. Get it right from day one — retrofitting it later is painful, expensive, and error-prone.

## Separate Personal and Business Finances — Immediately

Commingling personal and business funds is the leading cause of LLC liability protection being lost ('piercing the corporate veil') and the primary driver of accounting errors and audit risk.

**1****Open a dedicated business checking account**

Bring your EIN and Articles of Organization. Options include Chase Business, Bank of America Business, Mercury (online, no fees), and Relay. Never use your personal account for any business transaction.

**2****Get a business credit card**

Use exclusively for business expenses. This creates an automatic spending record, simplifies bookkeeping, builds business credit history, and earns rewards. Pay in full monthly.

**3****Set up bookkeeping software immediately**

QuickBooks Online, FreshBooks, and Wave (free) are the most common choices. Connect your bank and credit card for automatic transaction import. Reconcile monthly — not at tax time.

**4****Set up a dedicated tax savings account**

Transfer 25–30% of every payment received into a separate savings account earmarked only for taxes. This prevents the painful scramble every April and keeps your operating cash picture accurate.

## Tax Obligations Every Business Owner Must Know

### ■ Quarterly estimated tax payments

If you expect to owe \$1,000 or more in federal taxes for the year, you must make quarterly estimated payments to the IRS (due April 15, June 15, September 15, January 15). States have their own quarterly deadlines. Underpayment results in penalties even if you pay in full at year-end.

### ■ Self-employment tax

Sole proprietors and LLC members pay self-employment tax of 15.3% on net business income — covering Social Security and Medicare. S-Corp election can reduce this by allowing a portion of income to pass as distributions rather than wages, but requires paying yourself a 'reasonable salary' first.

### ■ Sales tax collection and remittance

If you sell physical goods (and some services or digital products), you may be required to collect and remit sales tax. Register with your state Department of Revenue before collecting. Florida's base rate is 6% plus local surtax. 45 states plus D.C. have a sales tax — check each state where you have nexus.

### ■ Payroll taxes (when you hire)

When you hire employees, you must withhold federal income tax, Social Security, and Medicare. Use payroll software (Gusto, ADP, Paychex) to avoid costly errors. Payroll tax failures are personally assessed — even against non-owner officers.

#### STATE VARIATION

#### State income taxes vary from 0% to 13.3%

Florida: no personal state income tax — a significant advantage for LLC members and sole proprietors. Texas: no state income tax but a franchise tax on revenue. California: income taxed up to 13.3% plus the \$800 annual minimum LLC franchise tax. New York: up to 10.9%. Nevada and Wyoming also have no income tax. If you have flexibility in where to establish your business, this is a legitimate variable to model.

**Chapter 4 · Formation**

# Marketing & Branding Basics

A strong brand and consistent marketing presence make you visible, credible, and memorable. You don't need a large budget — you need a clear strategy and the discipline to execute it consistently.

## Build Your Brand Foundation First

**1****Define your target customer precisely**

Write one sentence: who specifically benefits most from what you do, and what specific problem do you solve for them. Vague definitions produce vague marketing.

**2****Create a consistent brand identity**

Logo, color palette, and typography — use them on every touchpoint without exception. Inconsistency signals that a business isn't serious.

**3****Claim your online presence**

Register your domain. Set up Google Business Profile (free, critical for local search). Create social profiles on platforms your actual customers use — don't spread yourself thin across every platform.

**4****Build a clear, simple website**

Five essentials: who you serve, what you do, why you're different, proof (testimonials or results), and a clear call to action on every page.

**5****Ask your first clients for reviews**

Google reviews are free, trusted, and directly impact local search rankings. Ask within 24 hours of completed work — response rates drop sharply after that window.

## Marketing Channels by Priority

### ■ Referrals & word of mouth (highest ROI)

The highest-converting, lowest-cost channel for most small businesses. Build a formal referral process: ask every satisfied client, make it easy with a shareable link, and consider a referral incentive. Track where new clients come from — most are surprised how dominant referrals are.

### ■ Local SEO & Google Business Profile

For location-based businesses, 'business consultant near me' searches are high-intent. Optimize your Google Business Profile with complete information, regular posts, and active review management. NAP consistency (Name, Address, Phone) across all directories is critical for ranking.

### ■ Social media (strategic, not scattered)

Pick one or two platforms based on where your customers actually are. LinkedIn for B2B and professional services. Instagram and Facebook for consumer-facing local businesses. Consistency (3–4x/week) beats volume. Useful content outperforms promotional content by a wide margin.

### ■ Email marketing

Your email list is an asset you own — unlike social media followers. Collect emails from day one. A monthly newsletter with genuinely useful content builds trust over time. Mailchimp is free up to 500 contacts. Small business newsletters average 20–40% open rates.

#### JNM SOLUTIONS TIP

Pick two marketing channels. Execute them consistently for 90 days. Measure results. Then consider expanding. Scattered effort across five channels produces far worse results than focused effort in two. We build 90-day marketing plans with all of our clients — ask us about it.

**Chapter 5 · Formation**

# Strategic Planning

A business without a plan is an expensive hobby. Strategic planning doesn't require a 50-page document — it requires clarity on where you're going and an honest assessment of what it will take to get there.

## The One-Page Strategic Plan

**1****Write your 3-year vision**

What does success look like in three years? Be specific: revenue target, number of clients, team size, services offered, geographic reach. Vague visions produce vague results.

**2****Set 3 annual priorities (maximum)**

What are the three most important outcomes this year to move toward that vision? More than three and nothing is truly a priority. These must be measurable.

**3****Define 90-day milestones**

Break each annual priority into what you will specifically complete this quarter. Review weekly. Adjust when circumstances change — this is a living document, not a shelf artifact.

**4****Track 5–10 weekly metrics**

Identify the numbers that tell you whether your business is on track: new leads, conversion rate, revenue, average transaction value, client retention. Review every week without fail.

## Financial Clarity You Must Have

**■ Break-even analysis**

Know exactly how much revenue you need monthly to cover all fixed and variable costs. This is your floor. Most new business owners dramatically underestimate how long it takes to reach break-even — plan conservatively for 6–18 months.

#### ■ Cash flow vs. profit

Profitable businesses go bankrupt from cash flow problems. If clients pay net-30 or net-60 but your bills are due now, you can be profitable and unable to make payroll. Build a 13-week cash flow projection and update it weekly.

#### ■ Pricing for profit — not just market rate

Most new business owners underprice. Calculate the true cost to deliver your product or service — including your time at a real hourly rate — add your desired profit margin, then compare to market rates. Price on value delivered.

#### JNM SOLUTIONS TIP

We run a structured quarterly planning process with all consulting clients. Every 90 days: review what worked, what didn't, and reset priorities. This cadence — more frequent than annual, more strategic than weekly — is where sustainable growth happens. Ask us about our Strategic Planning Engagement.

Chapter 6 · Follow-Through

# Annual Reports & Ongoing Compliance

Forming your business is the beginning, not the end, of your compliance obligations. Most states require annual or biennial filings to keep your business in good standing — and the consequences of missing them are serious.

**WHAT 'GOOD STANDING' MEANS — AND WHY IT MATTERS**

A business in good standing has met all state filing and fee requirements. Loss of good standing can prevent you from signing contracts, opening bank accounts, renewing licenses, or obtaining financing. Some states administratively dissolve businesses that miss filings — meaning your liability protection disappears automatically.

## Annual Report Requirements by State Type

**Annual report states**

Most states require an annual report with a filing fee. Florida: due May 1, \$138.75 for LLCs. Delaware: due June 1. Missing the deadline triggers late fees and potential dissolution.

**Publication requirements**

New York and Arizona require LLCs to publish a notice of formation in local newspapers. In New York City, this can cost \$1,000–\$2,000. This is a one-time requirement, but failure to comply can result in LLC suspension.

**No annual report states**

A small number of states (Ohio, Missouri, New Mexico) don't require annual reports for LLCs. However, all states require you to maintain a current registered agent and update your address.

**Franchise tax states**

California charges a minimum \$800 annual franchise tax, even for LLCs with no activity. Delaware charges a minimum franchise tax for corporations. These are owed regardless of revenue — plan for them from day one.

**STATE VARIATION**

**Annual report deadlines and fees differ by state**

Florida LLCs: May 1 annually (\$138.75; late fee kicks in May 2). Texas LLCs: annual franchise tax report, May 15. New York LLCs: biennial statement, \$9 fee + publication requirement. California LLCs: \$20 biennial Statement of Information + \$800 minimum franchise tax. Wyoming LLCs: annual report, minimum \$60. Always calendar your state's specific deadline.

## The Ongoing Compliance Calendar

**Q1****January – March**

Issue 1099s to contractors paid \$600+ (January 31 deadline). File W-2s for employees. Make Q4 estimated tax payment (January 15). Prepare for annual tax filing. Review business insurance policies for renewal.

**Q2****April – June**

File federal and state income tax returns (April 15, or file extension). Make Q1 estimated tax payment (April 15). File Florida annual report by May 1. Review and renew any licenses expiring mid-year.

**Q3****July – September**

Make Q2 estimated tax payment (June 15). Mid-year financial review — compare actuals to projections. Update your strategic plan based on first-half performance. Make Q3 estimated payment (September 15).

**Q4****October – December**

Year-end tax planning with your accountant (before December 31 — not after). Consider equipment purchases, retirement contributions, or expense timing. Make Q4 estimated tax payment (January 15 of the following year).

**BOI REPORTING — NEW FEDERAL REQUIREMENT**

The Corporate Transparency Act requires most LLCs and corporations to file a Beneficial Ownership Information (BOI) report with FinCEN. New businesses formed after January 1, 2024 must file within 90 days of formation. Penalties for non-compliance can reach \$500/day. Confirm current status at [fincen.gov](https://fincen.gov) — this requirement has been subject to legal challenges and deadlines have shifted.

## Chapter 7 · Follow-Through

# Hiring Your First Employee

Your first hire is a major milestone — and a significant legal and administrative step. Done right, it fuels growth. Done wrong, it creates tax liability, legal exposure, and operational chaos.

## Employee vs. Independent Contractor — The Critical Distinction

Misclassifying an employee as an independent contractor is one of the most common and costly mistakes small business owners make. The IRS and state agencies actively audit this. The test is behavioral and financial control — not what you call the relationship or what the worker prefers.

### Employee

You control how, when, and where they work. You provide tools and training. The relationship is ongoing. You withhold and pay employer taxes on their wages.

### Independent Contractor

They control how they perform the work. They use their own tools. They work for multiple clients. They invoice you and handle their own taxes. They can profit or lose on the engagement.

#### STATE VARIATION

#### Contractor classification tests differ by state

California uses the strictest test in the country (ABC test — workers are presumed employees unless all three criteria are met). Florida and Texas apply a more flexible common-law test. New York uses a hybrid standard. When in doubt, classify as an employee — the cost of misclassification far exceeds the cost of proper classification.

## Steps to Hire Your First Employee Legally

1

### Register for an EIN

You need this before hiring. If you already have an EIN from your business formation, you're set. If not, apply free at [irs.gov](https://irs.gov) — it's instant online.

2

**Register with your state for payroll taxes**

Every state where you have employees requires registration for state income tax withholding and state unemployment insurance (SUTA). Do this before the first paycheck.

3

**Set up payroll software**

Gusto, ADP Run, Paychex, and QuickBooks Payroll all automate withholding calculations, direct deposit, tax deposits, and year-end W-2s. Attempting manual payroll is a leading cause of costly IRS penalties.

4

**Complete required new hire paperwork**

Federal Form I-9 (work authorization verification), Federal Form W-4 (withholding elections), and your state's equivalent withholding form. Report the new hire to your state's agency within the required timeframe (3–20 days, varies by state).

5

**Obtain workers' compensation insurance**

Required in almost every state once you have any employees. Rates vary by job classification and state. Obtain coverage before the employee's first day — not after an incident occurs.

6

**Post required workplace notices**

Federal and state law requires specific posters to be displayed in any area where employees work. The Department of Labor provides free federal posters. Your state labor department provides free state posters.

**JNM SOLUTIONS TIP**

Plan for your total cost of employment to be 20–30% above the employee's base salary — accounting for employer payroll taxes (7.65%), workers' comp, any benefits, and administrative overhead. This math is essential for pricing your services correctly and maintaining healthy margins as you grow.

## Chapter 8 · Follow-Through

# Business Banking & Funding Options

Access to capital is what separates businesses that survive from businesses that thrive. Know your options before you need them — capital is easiest to obtain when you don't desperately need it.

## Choosing the Right Business Bank Account

### Traditional banks

Chase Business, Bank of America, Wells Fargo. Best for: in-person service, cash deposits, SBA loan relationships. Watch for monthly fees, minimum balances, and transaction limits.

### Credit unions

Often lower fees, higher savings rates, and more flexible lending for small businesses. Require membership. Best for lower-cost financing and personalized service.

### Online banks

Mercury, Relay, Bluevine, Novo. Best for: zero fees, strong software integrations, fast account opening. Limitation: no cash deposits, no branches. Excellent for service businesses.

### What to look for

No monthly fee (or waivable). Free ACH transfers. Business debit card. Integrates with bookkeeping software. No transaction limits that exceed your volume. FDIC insured.

## Funding Options — From Startup to Scale

### ■ Bootstrapping & personal savings

The most common way to fund a new business — and often the right one. You retain 100% ownership, have no debt service, and are forced to be capital-efficient. The risk is personal financial exposure. Keep personal emergency funds separate from business startup capital.

### ■ SBA loans (7a and 504)

SBA 7(a) loans: up to \$5 million, for working capital, equipment, real estate, or business acquisition. SBA 504 loans: for major fixed assets (commercial real estate, heavy equipment), up to \$5.5 million. Both require 2+ years in business typically, strong credit, and collateral.

### ■ Business lines of credit

A revolving credit facility that lets you draw and repay as needed — ideal for managing cash flow gaps and seasonal businesses. Available through banks and online lenders (Bluevine, Fundbox). Establish one before you need it — lenders are reluctant to extend credit to businesses in distress.

### ■ Grants & state/local programs

Grants don't require repayment, but they are competitive and often sector-specific. Search Grants.gov for federal grants. State economic development agencies often have small business grant and loan programs. Minority-owned, women-owned, and veteran-owned businesses have access to dedicated grant programs.

### ■ Invoice financing & revenue-based financing

Invoice financing advances you 80–90% of outstanding invoices immediately — useful for B2B businesses with slow-paying clients. Revenue-based financing provides capital in exchange for a percentage of future revenue. Cost is high; understand the effective APR before committing.

#### STATE VARIATION

#### State-specific lending and grant programs vary widely

Florida: Florida SBDC Network offers free advising and access to state loan programs. Florida Black Business Investment Board offers loan programs for minority-owned businesses. Texas: Texas Enterprise Fund. California: IBank Small Business Finance Center provides loan guarantees. New York: Empire State Development offers a range of small business programs. Always check your state economic development agency first.

#### JNM SOLUTIONS TIP

Build your business credit profile from day one: open business credit accounts, pay them on time, and keep utilization below 30%. Dun & Bradstreet, Experian Business, and Equifax Business each maintain separate business credit files. A strong business credit profile opens doors to better financing terms — often without requiring a personal guarantee.

**Chapter 9 · Follow-Through**

# Scaling & Expanding to Other States

Growth across state lines brings new opportunities and new compliance obligations simultaneously. Expanding without the proper registrations creates tax exposure and can invalidate contracts — but the process is straightforward when you know the steps.

**WHAT TRIGGERS 'DOING BUSINESS' IN ANOTHER STATE?**

You are considered to be 'doing business' in a state when you have physical presence (office, warehouse, employees), substantial economic activity (sales nexus thresholds), or conduct regular business transactions there. Remote employees working in another state immediately create nexus in that state. Digital businesses often hit sales nexus thresholds without realizing it.

## Foreign Qualification — The Registration Process

When an existing LLC or corporation formed in one state begins operating in another state, it must 'foreign qualify' — registering as a foreign entity in that new state. This is different from forming a new company; you're registering your existing entity to legally operate across state lines.

**1****Determine if you have nexus in the new state**

Nexus is triggered by employees, a physical location, inventory storage, or meeting economic sales thresholds (typically \$100,000 in sales or 200 transactions). Remote employees are one of the most common and overlooked nexus triggers.

**2****Obtain a Certificate of Good Standing from your home state**

Most states require this document — confirming your business is current on all filings in its home state — as part of the foreign qualification application. Obtain it from your Secretary of State.

**3****Appoint a registered agent in the new state**

You need a registered agent with a physical address in every state where you're registered. Use a professional service if you don't have a physical presence in the new state.

4

**File the Application for Certificate of Authority**

Submit to the new state's Secretary of State. Include your Certificate of Good Standing, registered agent info, and pay the filing fee. Processing time varies from same-day to several weeks.

5

**Register for state tax accounts in the new state**

Register for state income tax withholding, state sales tax, and any other state-specific taxes. Each state has its own registration portal and process.

6

**Obtain required licenses in the new state**

Your home-state business license does not transfer. Research and obtain any state and local licenses, permits, or professional certifications required in the new state for your industry.

## Multi-State Tax Considerations

### ■ Income tax apportionment

When a business operates in multiple states, income is apportioned among those states based on formulas that consider sales, payroll, and property in each state. Most states now use single-sales-factor apportionment based primarily on where sales are made. You may owe state income tax in each state where you have nexus, even if your headquarters is in a no-income-tax state like Florida.

### ■ Sales tax nexus across state lines

Post-Wayfair (2018), economic nexus means you must collect and remit sales tax in any state where your sales exceed that state's threshold — regardless of where your business is located. Monitor your revenue in each state. Most thresholds are \$100,000 in sales or 200 transactions annually. Use sales tax automation software (Avalara, TaxJar) once you're selling in multiple states.

### ■ Remote employee state taxes

A remote employee working from their home state creates payroll tax obligations in that state for your business. You must register for state payroll taxes there, withhold state income tax at that state's rates, and comply with that state's employment laws — from day one of employment.

**STATE VARIATION****Foreign qualification fees range from \$50 to \$750+**

California foreign qualification: \$70 filing + \$800 annual minimum franchise tax + biennial Statement of Information. New York: \$250 filing fee + publication requirement. Texas: \$750 filing fee. Florida: \$125 for foreign LLC. The ongoing compliance obligations in each state add up — factor this into your expansion decision.

**JNM SOLUTIONS TIP**

Before expanding into a new state, model the full cost: foreign qualification filing, registered agent fees (\$100–\$300/year), annual report fees, and any new state tax obligations. We help clients run this analysis before committing to expansion.

## Ready to expand? Let's map it out.

JNM Solutions helps businesses across the country navigate multi-state expansion — from compliance planning to strategic execution.

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Helping entrepreneurs grow nationwide

## Final Chapter

# The Complete Business Launch Checklist

Check off each item as you complete it. Items marked ■ vary by state — verify with your state's official resources or contact JNM Solutions for guidance specific to your situation.

## Formation

- ☐ Choose your business structure (LLC, Corp, Sole Prop)
- ☐ Search and verify business name availability in your state ■
- ☐ File Articles of Organization or Incorporation with Secretary of State ■
- ☐ Appoint a registered agent with a state address ■
- ☐ Draft and sign Operating Agreement or Bylaws
- ☐ Obtain EIN from the IRS at [irs.gov](https://irs.gov) (free)
- ☐ File BOI report with FinCEN if required

## Licenses & Compliance

- ☐ Obtain local business tax receipt / occupational license ■
- ☐ Apply for required state professional licenses ■
- ☐ Obtain required federal permits (if applicable)
- ☐ Register for state sales tax collection ■
- ☐ Confirm zoning approval for your business location ■
- ☐ Purchase required business insurance
- ☐ Calendar all license renewal dates (60-day reminders)

## Financial Setup

- ☐ Open dedicated business checking account
- ☐ Open dedicated tax savings account (25–30% of income)
- ☐ Apply for a business credit card
- ☐ Set up bookkeeping software and connect bank accounts
- ☐ Register for quarterly estimated tax payments

- 
- Build break-even analysis and first-year budget
  - Register DUNS number with Dun & Bradstreet
- 

### Marketing & Online Presence

- 
- Register your domain name
  - Set up and verify Google Business Profile
  - Create or update business website
  - Create professional email address (not Gmail/Yahoo)
  - Claim social media profiles on key platforms
  - Set up email marketing account
  - Ask first 5 clients for Google reviews
- 

### Strategic Planning

- 
- Write your 3-year vision statement
  - Define 3 annual priorities (measurable outcomes)
  - Set 90-day milestones for Q1
  - Identify 5–10 weekly metrics to track
  - Schedule monthly financial review on calendar
- 

### Follow-Through (Ongoing)

- 
- File annual report with Secretary of State ■
  - Make quarterly estimated tax payments (4x/year)
  - Issue 1099s to contractors by January 31
  - Set up payroll when hiring first employee ■
  - Register for workers' comp before first hire ■
  - Foreign qualify in any new state before operating ■
  - Schedule quarterly strategic planning review
  - Schedule consultation with JNM Solutions
-

**A NOTE ON STATE VARIATIONS**

Every item marked ■ has state-specific requirements. Requirements also change — new laws pass, fees increase, deadlines shift. Never rely solely on this guide for compliance decisions. Verify current requirements with your state's official resources or with a qualified professional. JNM Solutions provides up-to-date, personalized guidance for clients in every state.

## You don't have to figure this out alone.

JNM Solutions provides personalized consulting across strategic planning, financial management, marketing, and business formation — for businesses at every stage, in every state.

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## Questions about your specific situation?

JNM Solutions provides personalized consulting — guidance tailored to your state, your industry, and your goals.

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