



Middletown

Small Business Development Center



BEING A LEGAL BUSINESS – OR CONVERTING A HOBBY INTO A BUSINESS

For those considering entrepreneurship and are not sure that they are ready to “take the plunge,” starting a part-time business while you are still employed or looking for a job is a way to evaluate if entrepreneurship is right for you. Since small business ownership requires a degree of passion and knowledge of the product and/or service being offered, consider converting your hobby into a business.

Simple Five-Step Process that you can do yourself

Forming a small proprietorship business is not complicated and you can do it yourself for considerably less than \$100. If you are considering forming a partnership, even if the partners are a husband and a wife, you should meet with an attorney, who will guide you through the process of developing a partnership agreement.

Step 1 – Choosing a Business Name

If your business is a proprietorship, there is no requirement that the business have a special name. You can conduct business in your own name. If you do choose to have a name for the business, preferably it should convey something about the product or service you are selling and not be so similar to existing businesses in your market area to confuse customers. There is no central registry for business names in Connecticut, or elsewhere. Your local business librarian has access to a number of business databases and would be delighted to help you research your business name. The [Russell Library Resources](#) on the MSBDC CD explains how to access library business resources. All Limited Liability Companies (LLC) and Corporations are required to register with the Secretary of the State. To see if the name you are planning to use is registered in Connecticut with the Secretary of the State, please CTRL + click on the following link (<http://tinyurl.com/3bhglb>) and enter the name of the business.

Step 2 – Obtain a Business Tax Number (EIN)

While you can use your Social Security Number for your proprietorship, in today’s environment of identity theft you should not be using your Social Security Number for your business. Every business should have its own federal business tax number, known as an [Employer Identification Number \(EIN\)](#), even if you do not have or expect to have any employees. There is no cost to obtain an EIN. The form to apply for an EIN and the address to send the form (SS-4) is on the MSBDC CD. You can also apply online. CTRL + click on the following link (<http://tinyurl.com/2jraqn>) to obtain an EIN online. Note that if your business is a proprietorship or a single person LLC, you should check Proprietorship in Box 8a and supply your Social Security Number. If your LLC has two or more members (owners), you should check Partnership in Box 8a.

Step 3 – Register Your Business Name

Every business should register with the Town Clerk in the town where the business is located. For most proprietorships, that is the town where you live. While costs vary from town to town, it is typically less than \$25. The MSBDC CD contains the [Trade Name Adoption](#) form for the City of Middletown. All LLCs must register with the Secretary of the State. There is a \$60 fee to

register an LLC. Registration must be done either in person or by mail. At the present time, the Secretary of the State does not accept online registration of LLCs. The MSBDC CD contains the [LLC Registration](#) form.

Step 4 – Open a Business Checking Account

Even if you are doing business in your own name, you should keep your personal and business finances separate. The best way to do this is to have a separate bank account for your business. A number of local banks offer free business checking accounts. The bank will need your EIN in order to open a business account.

Step 5 – Obtain a State Tax Number

The EIN is a federal tax number. In Connecticut, every business must obtain a state tax number from the Department of Revenue Services. [Reg-1](#) is the form used to register your business with DRS. Since Reg-1 is a multi-purpose form, a number of sections will not apply to your business. If your product or service is subject to sales taxes, be sure to check the appropriate boxes in Section 8. There is a \$50 fee for obtaining a sales tax number. If your business is an LLC, single person or multi-person, you must register for the Business Entity Tax in Section 10. While there is no charge to register for the Business Entity Tax, DRS bills all LLCs, even inactive LLC, \$250 which must be paid annually by April 15. Reg-1 is on the MSBDC CD. To file Reg-1 online, CTRL + click on the following link (<http://tinyurl.com/clz72t>) and then follow the instructions and links on the page. While all LLCs are required to register for the Business Entity Tax with DRS at the time the LLC is registered with the Secretary of the State, a business can wait until it starts to generate sales to register for a sales tax number.

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The Middletown Small Business Development Center (MSBDC) is a partnership of the City of Middletown and the Middlesex County Chamber of Commerce to assist Middletown residents and Middletown based business prosper and grow. In addition to assisting Middletown residents form businesses, MSBDC can guide entrepreneurs through the process of

- Developing a Business Plan
- Improving its Marketing
- Obtaining Financing
- Purchasing an Existing Business and
- General Business Management Practices

To schedule a meeting with MSBDC business counselor, Paul Hughes, please call the Middlesex County Chamber of Commerce (860-347-6924). There is no charge for MSBDC services.