



SYKES ADVANCED ESTHETICS

THE CURRICULUM 1.0

BUSINESS OWNERSHIP

What are the CORRECT steps? What do I need to do to ensure BUSINESS SUCCESS? Whether you are renting a room OR opening a full-service Spa or Med Spa, here are the details!

1. Apply with the IRS and create a **Federal Tax ID Number (EIN)**.
 - Sykes Recommendation: Make sure to register your business entity as an LLC and not a Sole Proprietorship if you ever plan to hire employees in the future.
 - A Federal Tax ID Number is a nine-digit tax code for a business entity, while a Social Security Number is a tax code used by an individual.
 - Website: <https://www.irs.gov/>
2. Apply to the state Department of Revenue to create a **State Tax Withholding Number**.
 - Retail Licenses are typically issued through the Department of Revenue as well.
 - If the business has employees, you generally need to apply for a State Withholding Number. This number is entered on state employment tax forms used to report state income taxes withheld from employee's pay.
 - Sykes Recommendation: Hire YOURSELF as a W2 employee of your own company and prepare a weekly or biweekly payroll submission for yourself based on a percentage of your total sales for the pay period. Utilize a payroll company to ensure taxes are withheld.
3. Register with the **Secretary of State** you are operating in to register your business as an LLC
 - The business entity will receive a "Certificate of Existence" or "Articles of Organization" in the state it is operating in. This documentation will be required for some banks to issue a business bank account to your entity, as well as other future needs.
4. Register with the municipality (city, town, county) you are working in to request a **Business License**.
 - Each municipality (city, town, county) administers its own business licenses. Not all counties in each state require one. It is the responsibility of the business owner to check the municipality requirements of business entities.
5. Open a **Business Bank Account** with an FDIC insured bank.

- Rates and fees vary from bank to bank. Many banks do not charge a monthly fee, but they will require the business to deposit a minimum amount to open the account. Minimum deposits can be as low as \$25 for a bare-bones business bank account, though this comes with certain requirements like keeping a daily balance of \$1500.
 - Not only does opening an LLC business bank account make life easier, it also helps you maintain personal liability protection (which is the main reason people form LLCs).
 - Think of your LLC as being another person: it makes its own money, has its own bank account, and has its own expenses.
 - If you don't create a separate bank account for your LLC (and you mixed your LLC funds with your personal funds), you would be "commingling" your assets and a court could "pierce your corporate veil", which would then make you personally liable for the LLC's debts and legal obligations.
 - Other reasons to have an LLC bank account are:
 - easier financial record-keeping
 - easier to calculate and pay taxes
 - audit prevention
 - easy to track/deduct business expenses
 - professionalism and credibility (using business checks instead of personal checks)
 - In order to keep your personal liability protection:
 - don't pay personal expenses out of your business account
 - don't pay business expenses out of your personal account
 - What documents are needed to open a business bank account?
 - Articles of Organization/Certificate of Existence from the Secretary of State
 - Federal Tax ID Number (EIN)
 - EIN Confirmation Letter from the IRS (575 CP)
 - EIN Verification Letter (147C)
 - Your Identification: 2 Forms of ID
 - Driver's License
 - Passport/Voter's Registration/Credit or Debit Card/or Utility Bill
 - Operating Agreement for your LLC or Welcome/Approval Letter
 - Some banks do not require this.
 - Declaration of Beneficial Ownership
 - Simply document discussing who the LLC owners are
1. **Hire an accountant and open an accounting software account** to organize your business expenses and income for tax purposes. *Sykes Recommendation:* Quickbooks Online: <https://quickbooks.intuit.com/>
 2. Take out a **liability insurance policy and a property insurance policy**. Shop around to find the best pricing. *Sykes Recommendation:* Check out ASCP for specific Esthetician insurance policies that are cost effective for liability insurance only. <https://www.ascpskincare.com/>
 3. **IMPORTANT STEP! Set yourself up as a W2 employee of your own company** through a payroll service and pay yourself either weekly or bi-weekly. You will enter your withholdings and begin allowing the payroll company to pay your taxes.
 - a. This is very important, as you do not want to OWE taxes on the annual tax deadline. You want to collect a W2 and potentially a tax return at the beginning of the year.
 - b. Personal bank accounts can be linked to the payroll system of your choice to receive direct deposits. You can additionally set up future employees this way as well.
 - c. Sykes Suggestion: ADP Payroll: www.adp.com
 4. Register for a **Salon License** (if applicable) through your state Board of Cosmetology.
 5. Shop around for Appointment Booking/Point of Sale Systems.
 - a. Ensure the software or company you are choosing prepares accurate Financial Reports if utilizing as a point of sale system.

- b. If linking Merchant Services, ensure you are shopping around for best merchant service fees regularly. *Sykes Suggestion:* Credit card processing should not be more than 1.99% of your monthly credit card transactions for consumer spending within your company.