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Starting a business sounds simple – take your idea, get a federal ID number and a bank account, and you’re ready to go. Unfortunately, that level of simplicity is a myth. There are many complexities and nuances when creating a business at the federal, state, and local levels.

Each state has its own set of rules and regulations and no two are alike. Non-compliance can saddle the new business owner with fees and penalties that could have been avoided with knowledge of the requirements. In this article, we offer

insight on the varying regulations throughout New Jersey, New York, New York City,

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to have.

New Jersey

All limited liability companies formed in New Jersey, or filing to do business in New Jersey, must first determine if the business name is available and then file formation documents to register and receive a Certificate of Formation. To register for tax and employer purposes a NJ-REG must be completed and, to ensure the continued use of your business name, an annual report filing must be completed for a small fee.

Income taxes will be reported on your individual tax return whether you are a single or multi-member LLC, but there is an additional filing of Form 1065 if you are a multi-member LLC. If you employ at least one individual, you will need to review the requirements for employer and workers' compensation insurance. Depending on where in the state your business is located and what type of industry you are in, there could be additional local permits, business licenses, certificates, registrations and/or sales and use tax filings to comply with.

New York

To form an LLC in New York you need to be a New York resident and/or have a business entity in New York State and file Articles of Organization with the Department of State. New York LLCs are also required to update their contact information every two years by filing a Biennial Statement with the New York Department of State.

Income tax treatment is similar to that of New Jersey, being reported on your personal tax return with an additional filing of Form IT-204 if you are a multi-member LLC. If you have employees, the business will need to register with the New York Department of Labor and be mindful of any filings and/or payments for withholding taxes and wage reporting as well as unemployment, workers' compensation, disability and health insurance.

Depending on the type of business, you may be required to register as a New York

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Pennsylvania

An LLC operating in the state of Pennsylvania must file Form 8913 – Organization Domestic Limited Liability Company and Docketing Statement with the state. LLCs must register under a business name that is not already in use, and determine whether or not the name of the business is considered a fictitious name.

A fictitious name can be registered by completing Form 311 – Application for Registration of Fictitious Name; the name is required to be advertised in a newspaper of general circulation in the county in which the business will be located. A newly formed LLC is required to complete the Pennsylvania Enterprise Registration Form (PA-100) and file with the Pennsylvania Department of Revenue, which will allow the entity to establish employer withholding, unemployment compensation insurance, and sales and use tax accounts.

The state of Pennsylvania has a 6% sales and use tax rate, and there is an additional 2% local sales and use tax for purchases made in Philadelphia and a similar local tax of 1% for Allegheny County. Use tax liabilities are reported on the PA-1 Use Tax Return. An LLC reporting as a partnership is required to file a PA-20S/PA-65 Information Return, and provide each resident and non-resident member with a PA Schedule RK-1 or NRK-1 in order to report income taxes on their individual tax returns. Additionally, LLCs doing business in the state of Pennsylvania are subject to a capital stock/foreign franchise tax.

Philadelphia

Businesses operating in the City of Philadelphia are required to obtain a Commercial Activity License from the Department of Licenses and Inspections. In order to obtain the Commercial Activity License, a business must first obtain a City of Philadelphia Tax Account Number, which requires a Federal EIN and Pennsylvania State Sales &

Use Tax Number, both of which are also prerequisites for obtaining a Commercial

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In conclusion, one should seek competent tax advice to stay in compliance with the laws that govern their business in the states in which they will operate.

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