



First 5 Steps to Get your Business Open

Disclaimer: Rob is not an accountant or attorney, all these advice comes from 20 years of business experience. Check this advice and make sure it is the course for you.

Topics Covered:

1. Opening your Amazon Sellers Account (Pro or Individual Account)
2. The Structure of your Business (Sole Proprietorship, LLC, S Corp, or C Corp)
3. Do you need an EIN or can you use Social Security?
4. Do you need a business account or personal account
5. Insurance and Liability
6. Accounting
7. A Brief on Sales Tax
8. Your First Product Sale

Note: With these steps you are no longer just thinking about being in business, you will be in business.

Let's Begin:

Opening an Amazon Account

What you Need:

An E-mail Address: Pick an email address you will use exclusively for your business, you need this to only be important emails. Additionally, you may only want one for sourcing purposes when you are on Alibaba. If you don't you could regret having a business box that is full of inquiries.



A Seller's Name: You need to choose what your seller name will be in Amazon. You can change this later, but strive to get it right the first time....do not pick something that is related to only one category. What if in the future you want to sell sports and outdoors but your seller name is "Kitchen Essentials."

Credit Card or Bank Account: You need your business to be separated from any other financial things you do.

Physical Address: A physical address your business is located at.

EIN or Social Security Number

Routing Number and Bank Account Number: So you can have your money direct deposited to your bank account.

Setting Up Your Account

1. Log in to your personal account.
2. You don't need a professional account until your product gets in (no need to pay for an account until you have product to sell)
3. Read the Terms of Service, don't skip it, see if you are serious about this or not
4. Choose a display name and complete your contact information, save and continue
5. Set up your Credit Card in case you owe a balance and have to pay at the end of a week period
6. Amazon will verify your credit card information
7. Fill out your 1099, so they can report your information to the IRS
8. Click on the registration congratulations, your seller account should not take 10 minutes

Now let's talk about Business Structure:



For starters, you can open an Amazon Business with a \$100 and a private or white label for \$1500 and slowly grow it to a sustainable income.

Structure 1: Sole Proprietorship

A sole proprietor is an individual who owns an unincorporated business. Many small businesses begin as sole proprietorships. These business structures are owned by one person, generally it is the same individual who has day-to-day responsibilities for operating the business.

A sole proprietorship is the simplest business structure, since you need not register your business name with the state, and you can use your Social Security number instead of obtaining an employer identification number.

Lets talk about EIN vs Social Securiry. When EIN Is Required for Sole Proprietors: (You will need an EIN if you answer "Yes" to any of the following questions, clicking on the "Yes" option will take you directly to the IRS site):

Do you have employees?	<u>YES</u>	NO
Do you operate your business as a corporation or a partnership?	<u>YES</u>	NO
Do you file any of these tax returns: Employment, Excise, or Alcohol, Tobacco and Firearms?	<u>YES</u>	NO
Do you withhold taxes on income, other than wages, paid to a non-resident alien?	<u>YES</u>	NO
Do you have a Keogh plan?	<u>YES</u>	NO
Are you involved with any of the following types of organizations? <ul style="list-style-type: none"> • Trusts, except certain grantor-owned revocable trusts, IRAs, Exempt Organization Business Income Tax Returns • Estates • Real estate mortgage investment conduits • Non-profit organizations • Farmers' cooperatives • Plan administrators 		



Structure 2: Limited Liability Company (LLC)

If you establish an LLC, then you will need to register online with your secretary of state, pay a fee and file an introductory form called the articles of organization.

Why You Need an Operating Agreement...While many states do not legally require your LLC to have an operating agreement, it's foolish to run an LLC without one, even if you're the sole owner of your company.

You will also need to apply for a federal and state employer identification number, or you may be able to operate under your Social Security number.

Finances and Taxes when it comes to Sole Proprietorships and LLCs:

The net effect of taxation will be identical whether you are a single-member LLC or a sole proprietor: Your federal income will be reported on IRS tax form 1040, Schedule C.

You will be taxed only once, as opposed to incorporated business owners, who are taxed once at the corporate level and again on their individual tax return.

Most banks treat sole proprietorships and limited liability companies the same in terms of business accounts, but check with your financial institution first.

If your online retail business will owe sales tax for sales to in-state customers, your business structure should not make any difference in how you pay this tax to the state. The only added expense for an LLC is the startup fees and annual registration fees owed to the state.

Neither LLCs nor sole proprietorships are required to hold board meetings, as are nonprofit organizations and corporations.

Both business types may be required to report quarterly or monthly sales, depending on your secretary of state requirements.

LLCs are required by the state to file an annual report, with an accompanying fee, to let the state know you are still in business.

All other accounting and records will be identical for your online retail business, regardless of the business type.



Room to Grow

If you expect to grow bigger in the future, hire employees, add payroll or add new business owners, it would be better to establish a limited liability company from the start.

While your initial operating agreement will establish your LLC as a single-member LLC managed by yourself, you will be able to amend it in the future to accommodate growth.

A sole proprietorship, on the other hand, has no room to grow. You can, however, re-establish your sole proprietorship company in the future as a new LLC if you wish.

Moreover, the words in LLC mean that your personal liability is limited if you are sued. For example, your personal home is not likely to be taken from you if your business is sued.

Structure 3: S-Corporation

Formerly called a "Sub section S corporation," an S corporation pays no income tax and may only be used for small businesses. All of the income or losses of the corporation for the year are passed through to the shareholders, who report them on their individual returns.

What is a Corporation?

A corporation is chartered by the state where it is headquartered and is considered by law to be a unique entity that can be taxed, it can be sued, and it can enter into contractual agreements.

The owners of a corporation are its shareholders. The shareholders elect a board of directors to oversee the major policies and decisions.

Advantages of Corporation:

In a corporation, shareholders hold limited liability for debts or judgments against the organization. Corporations can raise additional funds through the sale of stock.



Disadvantages of Corporation:

Forming a corporation can be more complex than that of a sole proprietorship or limited liability company.

[Legal Zoom](#) is an amazing resource. If you choose to get a LLC from there or a Corp use them and the spend \$100 for your attorney to look it over if you feel you need too. 1000's and 1000's of people use Legal Zoom!

Online businesses are required to follow the same federal, state, and local tax laws as regular businesses.

If you are operating your online business in a state that charges a sales tax; or levies a gross receipts or excise tax on businesses you may have to apply for a tax permit or otherwise register with your state revenue agency.

Online businesses are responsible for collecting state and local sales taxes from their customers when applicable, and paying these taxes to state and local revenue agencies.

Note: There is a substantial cost to opening a business entity. Don't spend 1500 on attorneys and the government. Spend this \$1500 on the actual business. This business can change your life. Don't let 500 government agencies get involved so if it doesn't work out you won't have to spend \$5000 closing it.

Once you get over 25,000 to 50,000 until you make a move towards being an entity. But you don't ever have to be one.

Hoops and Costs to Becoming an Entity

Tax Returns: Business entities are obligated to prepare and file state and federal tax returns. Doing so is far more complicated than preparing individual tax returns, so it is essential to use an experienced accountant. Most accountants charge at least \$1,000 to prepare even the simplest corporate tax return.

Franchise Taxes: Nearly every state charges an annual franchise tax for the privilege of conducting business through a corporation or LLC. In California, the minimum franchise tax is \$800.

Secretary of State Filings: All business entities must file an annual report with the Secretary of State in all states where the company is formed and qualified to do business.



The annual fees vary substantially from state to state and by entity type. For example, in Delaware, the annual fee for corporations is \$125, but for LLCs it is \$250.

Corporate Compliance: To maintain a company properly, it must be maintained. Corporations, for example, are required by law to hold annual meetings of the shareholders and authorize corporation action in Board of Directors meetings. Our flat charge for corporate compliance is \$135/year.

Agent for Service of Process: All legal entities are required to have an agent for service of process in each jurisdiction where they conduct business. A flat charge for resident agent services is \$125/year.

Lets Talk About Banking

So I refer back to the make it simple up front as to not create a dragon you have to slay later on... as it will cost you more to open up a business account so I suggest a personal but you can go either way its not really a big deal either way.

You want to see if your business will do well before you need too. Open up another personal bank account and ask the bank to add to the second line under your name Amazon Account.

Get a debit card and use the account for all of your purchases and deposits.

If you start a LLC you will need to get a new account, but just follow the same procedure... the bank will want your paper work.

Open up a regular bank account with your bank that has your name and the title Amazon Account underneath it with a debit card. Use your social security number as your identifier.

New business people are often thwarted before they start, because of this I got to start an official business.

Those things I just mentioned are exactly that, a real business and very normal business practices...I am not a lawyer or a CPA and I only play one on TV...;)

You taxes will simple if you do this as everything in the account is from you business and expenses and income...accounting... simple again...for your bank account I would suggest the following software to get your accounting in order...



Accounting Services

There are a lot of accounting software with quick books being the most popular, but it costs money...the online version of this service is like \$35 per month (\$400 per year)

WAVE Accounting

I suggest you use [WAVE](#) here's why, a full-featured online accounting software.

Wave Accounting offers one of the few free accounting software packages that is designed specifically for small businesses.

But just because it's free doesn't mean it compromises on key functions that small businesses without an in-house accountant need.

Wave is the only one that's easy to use, cloud-based and offers a comprehensive set of accounting tools that previously were available only with paid accounting software.

Furthermore, unlike other free services that limit capabilities, Wave offers unlimited everything, so you can use it for as many customers, invoices, expenses and reports as your business needs.

It's very easy to use Wave Accounting tools, and it's even easier to get started. Create an account in seconds by entering your email address and desired password

Wave, also automatically syncs data, so you do not have to manually input your business transactions yourself. For instance, the service securely connects with your



bank, credit card, PayPal, and 10,000 other financial institutions to automatically download and import expenses, deposits and other financial data in real time.

Wave has a mobile app you can scan your receipts with as well.

Another feature we liked is the software's ability to easily and quickly create accurate financial reports, such as balance sheets, sales reports, tax documents and more using premade templates.

So I recommend this software it is free and does everything you probably ever need.

Sales Tax...What Being an FBA Seller Means for Sales Tax Compliance

While you're working out all of the details of how to play the FBA game, be sure to keep one of the most often-overlooked implications of becoming FBA: sales tax.

Here's the best way to summarize how FBA affects your business:

[Your business + FBA = multi-state sales tax compliance](#)

What the heck does that all mean? Basically, it means that your business changes overnight in terms of sales tax obligations. No matter how much revenue your business is generating, sending your inventory to FBA turns your business from one that collects and pays sales tax in a single state to one that could potentially have to do collect and pay tax in many different states.



Insurance

So lets talk about insurance, this is when you liability issue is ultimately the most important...

As far as a LLC and protecting your assets. If you are sued you will also personally sued as well. Eventually you may be separated but not for a long time.

Every single time I have been sued I was personally too. Insurance is basically prepaid legal services.

Amazon requires a certificate...

You must have Commercial General Liability (CGL), Umbrella and/or Excess Liability Insurance coverage with limits of not less than:

- \$1,000,000 per occurrence, \$1,000,000 in the aggregate for products and completed operations, and \$1,000,000 in the general aggregate. Such insurance must include products liability, products/completed operations, bodily injury, personal injury, broad form property damage and broad form contractual coverage.

You may also satisfy the insurance limits by using any combination of Commercial General Liability and Umbrella and/or Excess Liability insurance.

Introduction to Business Owner's Policy: A Package Solution

Many small business owners purchase a business package policy called a "BOP" – a business owner's policy.

A BOP typically includes property insurance, business interruption/continuation insurance and liability insurance. A home-based business or a company with only a few employees may start out with a BOP and then expand its coverage as it grows.

[Liability Insurance for Products you design, manufacture, market and distribute.](#)

Designing, manufacturing or distributing a product is an exciting venture..



What is Products Liability Insurance?

Products Liability Insurance Coverage covers the policy-holder in the event that a suit arises out of the use of the insured's products.

Who Should Have Products Liability Insurance?

Anyone that is responsible for the design, manufacture, sale or distribution of a component or end user product.

What is a business owner's policy?

A business owner's policy is a comprehensive insurance package that combines coverage for major property and liability insurance risks, and much optional additional coverage, into one convenient policy.

Why buy a business owners policy?

Unexpected events could be devastating to your business. Convenient and comprehensive, a business owner's policy provides coverage when you need it most. A business owners policy is for most businesses a perfect way to safeguard business assets.

- Property Liability

Covers damages that you are legally obligated to pay as a result of bodily injury, property damage or personal and advertising injury up to the policy limits and subject to your deductible.

Castle Rock Farmers insurance... Hartford...AIG... Farmers

<http://www.productliabilitycoverage.org/>

Private label brands

White label brands

Private label and white label are both terms used to describe products branded by a particular reseller for sale to consumers. A **private label brand** means that a product is produced for exclusive sale by a particular retailer.

A **white label brand** means a generic product is created by a manufacturer and distributed to multiple providers for rebranding.



Private label branding is one way to separate yourself from competitors. One of the greatest attributes of private labels is that you inherently have an exclusive right to sell the products.

Private labeling is nothing more than finding a generic or manufactured product that you give your own company name to. Another name for that is branding.

File a trademark application online. Legal Zoom Once I have the logo and trademark, I can use them over and over -but the cost was a one-time cost. .

The biggest reason for doing this is that you own the buy box on Amazon 100% of the time. White label too

Branding

But what exactly does "branding" mean? How does it affect a small business like yours?

Simply put, your brand is your promise to your customer. It tells them what they can expect from your products and services, and it differentiates your offering from your competitors'.

The foundation of your brand is your logo. Your website, packaging and promotional materials--all of which should integrate your logo--communicate your brand. Spend the money...it's everything about you

- Develop a tagline. Write a memorable, meaningful and concise statement that captures the essence of your brand.



- Design templates and create brand standards for your marketing materials. Use the same color scheme, logo placement, and look and feel throughout. You don't need to be fancy, just consistent.
- Be true to your brand. Customers won't return to you--or refer you to someone else--if you don't deliver on your brand promise.
- Be consistent. I placed this point last only because it involves all of the above and is the most important tip

Note: Reviews are the main thing for branding on Amazon. They are a staple of your reputation

Getting your First product Up For Sale

Many FBA folks buy from the clearance shelves at retail stores like Target or Wal-Mart, that were both cheap enough on clearance and in high enough demand on Amazon to work.

To find Fulfillment By Amazon retail arbitrage opportunities, you've got to be on the lookout all the time.

Use the [Amazon Seller App](#) – FREE.

The Amazon Seller app allows you to scan the barcodes of products while you're out and about and it'll tell you the product rank, it's price, if there are other FBA sellers, etc.

This will give practice with listing and the user interface for Amazon so start out set up like 10 product FBM and then send in about ten to FBA