

## The First Few Steps to Starting a Farm Business

### New Business Check List

- Register Business Name
- License for Business
- Federal Employer Identification Number
- NC Sales and Use Tax number
- Product Liability Insurance
- Business Plan
- After filing your first Schedule F (tax form) you can apply for a Sales Tax Exempt Number (E-595EA)

### Register Your Business Name

- **Sole proprietorships and general partnerships.** Contact the County Register of Deeds Office where you intend to do business.
- **File corporations, LLC, LLP, or limited partnerships.** Contact the North Carolina Secretary of State Office (<http://www.sosnc.com>), Corporations Division or call (919) 807-2225

### Get the Correct License

There are many different business licenses and permits that you must comply with to sell products. They originate from many different agencies, depending on your product and where you sell. Example: County Health Department, NC Dept. of Agriculture, Your County (vending license)

- Best source of info to determine which licenses and permits you need: **NC Department of Commerce Business ServiCenter 1-800-228-8443**  
The ServiCenter can talk to you about your specific license needs and let you know if you need any license or inspection for your specific business
- Also talk to your local county government to check for permits needed to do business locally

### If you plan to have employees...

Having employees requires an additional level of record-keeping and tax liability. If you plan to have regular employees, you must educate yourself about withholding taxes and labor laws. Good places to start your research are **the IRS [www.irs.gov](http://www.irs.gov)** website and **the [www.dornc.com](http://www.dornc.com) NC Department of Revenue** websites. If internet research is not

your “cup of tea”, then your next step is to find a good accountant to help you through these issues. Before you hire employees you must:

- Have a Federal EIN – Employer Identification Number
- Have a separate NC State number – use form NC-BR to obtain

### **NC Sales and Use Tax**

Agricultural products may be subject to NC Sales Tax of 2%-7.75% (8% in Haywood County) depending on if they are sold in their original state or are value-added items (check with the NC Department of Revenue)

- If your products are subject to sales tax, you must apply for a Sales and Use Tax number with NC Dept of Revenue - Use form NC-BR
- Will receive “coupon” book from North Carolina Dept of Revenue with forms for depositing the sales tax you have collected

### **Product Liability Insurance**

In our present business climate, it is important to protect your family and property from lawsuits involving food and/or product. It is good to have at least a \$1 million dollar policy if you are selling food products. Many facilities/businesses/customers such as shared use kitchens, meat packers and grocery stores require you to carry this type of insurance before doing business with them.

- Available through many different insurance carriers now: ask you own
- Ask other food/farm businesses for references

### **Business Preplanning**

Should I Write A Business Plan?

It's the best idea – helps you solidify every aspect of your new business

- If you're in a hurry – at least have a solid estimate on what your product will cost to make it and what you can sell it for.
- Don't get caught up in the business plan format – just make sure you go through the planning activities

### **SKIPPING FINANCIAL PLANNING IS THE FIRST STEP TO BUSINESS FAILURE**

After your first year of business you will file a Schedule F – Profit and Loss from Agriculture form with you income tax. After the first year, you will be eligible to get a NC sales tax exemption number that will save you from having to pay NC Sales Tax on your farm inputs. Google “E-595-EA” to get the form or call for more information.

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**Reference and good starting place:**

<http://www.nccommerce.com/en/BusinessServices/StartYourBusiness/StartupChecklist/>