

The Step-by-Step Guide for

# ***STARTING A BUSINESS***

**In the Aloha State**



# Starting a business in Hawaii?

## Begin here.

Congratulations! You've got a winning idea and now you want to make it a reality! But where do you begin? What should you do first? What happens after that? If you don't know all the steps that go into turning your idea into a successful business, fear not. ProService Hawaii is here to help.

With over 25 years supporting 2,500 local businesses, we've seen a thing or two. To help you get started, our team created this step-by-step checklist to help you begin. All that we ask is that you stop and consider us when you get to Step 14.

---

## What's Inside?

### SEE IF YOUR BUSINESS IS VIABLE | 02

- **Step 1:** Conduct market research
- **Step 2:** Write a business plan
- **Step 3:** Find funding

### ESTABLISH YOUR BUSINESS | 03

- **Step 4:** Choose your business structure
- **Step 5:** Choose your business name
- **Step 6:** Get an FEIN
- **Step 7:** File and register your business in the State of Hawaii
- **Step 8:** Open a business bank account

### PLAN FOR YOUR FIRST HIRE | 06

- **Step 9:** Decide if new hire are employees or independent contractors
- **Step 10:** Choose a health insurance plan and create a benefits package
- **Step 11:** Get workers' compensation and TDI coverage
- **Step 12:** Familiarize yourself with employment taxes
- **Step 13:** Define your work culture

### GET TOOLS TO DRIVE EFFICIENCIES | 12

- **Step 14:** Find a local payroll and HR provider
- **Step 15:** Choose an accounting system
- **Step 16:** Identify your professional support network

### HOW PROSERVICE CAN HELP YOU | 14

## STEPS 1-3:

# See if your business idea is viable

### ❑ Step 1: Conduct market research

Get your arms and legs around your market, customers, competitors and suppliers. *What's the health of your industry? How is your target customer spending money right now? Who are your competitors and where are they excelling? Where is the gap in your market? How will you source and deliver your products and services?* Visit the [Hawaii Department of Commerce and Consumer Affairs \(DCCA\)](#) to get data and insights to fuel your research and planning.

### ❑ Step 2: Write a business plan

A business plan outlines your business goals and how you'll achieve them. It typically includes sections to describe your company, value proposition, market analysis, organization/management, revenue projections and scenarios, products/services, sales and marketing approach, timelines and other factors that support the viability of your new business venture. Learn how to write a business plan by visiting the [Small Business Association](#). Or, check out the [Hawaii Small Business Development Center Network](#) and [Service Corps of Retired Executives \(SCORE\)](#). Both organizations offer free business counseling and assist with drafting business plans.

### ❑ Step 3: Find funding

Starting a business can incur a lot of expenses. From branding and marketing, to retail space and critical equipment/infrastructure. Even if you don't have much money, there are several ways to fund your business. Consider the following options and see what's right for you:

- Self-funding
- Venture capitalists or "angel investors"
- Small business loans from local banks
- Crowdfunding online

## **STEPS 4-8:**

# **Establish your business**

### **❑ Step 4: Choose your business structure**

The right business structure can bring a lot of value to your company. Some common business structures include Sole Proprietorships, Partnerships, Limited Liability Companies (LLC), Cooperatives, Corporations and S Corporations, to just name a few! The business structure you choose can influence everything from day-to-day operations to business taxes so make sure to research the ins-and-outs of your options. Read the SBA's [Choose a Business Structure](#) to determine what structure is right for your business, or visit [Hawaii DCCA](#) to learn more.

### **❑ Step 5: Choose your business name**

*What's next?* Choosing your business name. Think about a name that fits your brand and your values. Once you've come up with a few favorites, visit [Hawaii Business Express](#) to see if the business name you want is available and not already registered by another entity. Pro-tip: Make sure the social media handles you want are available as well!

Depending on the business structure you select, you may need a DBA ("Doing Business As") as well. DBA is a fictitious name that's different from your business entity name and is sometimes necessary to open a business bank account in certain situations. To learn more, check out this article: [Understand DBAs and How They May Be Beneficial to Your Small Business](#).

### **❑ Step 6: Get an FEIN**

Before you file your business with the State of Hawaii, it's often a good idea to first [apply for a federal employer identification number \(FEIN\)](#), also known as a tax ID or EIN, from the IRS. This number is important for filing federal taxes, hiring employees, or in some cases, opening a business bank account. Not all businesses need an FEIN. You can use your Social Security Number as your tax ID if you operate a Sole Proprietorship or LLC with no employees. Learn more: [Do I need a Tax Id Number for My Business?](#)

Now what? Get to know what federal taxes you'll be subject to (and when those taxes are due). What taxes you must pay and how you pay them depends on the type of business you operate. To learn more, Visit the IRS's [Business Taxes](#) site to learn about Income Taxes, Estimated Taxes, Self-Employment Taxes, Employment Taxes, Excise Taxes and more.



## ❑ Step 7: File and register your business in the State of Hawaii

Hawaii has a single application that lets you:

- Register a **new business** with the Department of Commerce and Consumer Affairs
- Get a **Hawaii Tax ID** and **General Excise Tax** license
- Apply for a **Withholding License/ID** with the Department of Taxation
- Get an **Unemployment Account Number** with the Department of Labor

### A) New Business Registration:

An important next step is to register your business and file for necessary licenses, permits and other employer requirements. In Hawaii, all business registrations are filed with [Hawaii DCCA's Business Registration Division](#) (BREG). The easiest and quickest way to do so is to fill out the State of Hawaii's Basic Business Application (BB-1) online through the DCCA's [Business Express](#) portal.

### B) Hawaii Tax ID:

In Hawaii, all businesses need to get a Hawaii Tax Identification Number (HI Tax ID) from the Hawaii Department of Taxation. Your HI Tax ID, like your FEIN, is a unique identifier for your business. It allows businesses to register for a variety of tax licenses and permits with the Hawaii Department of Taxation.

### C) Licenses:

In Hawaii, there are several businesses licenses to know about.

- **General Excise Tax license:** The most common license is the General Excise Tax license (GET), which is commonly referred to as a seller's permit, GET license or GET permit. Anyone that receives income from completing business activities in the state of Hawaii needs a GETtax license to operate.
- **Other state and local license requirements:** Depending on your business, you might also need a state license, county-level business license or both. There also are Hawaii business licenses for selling specific items, such as cigarettes, liquor etc.
- **Withholding license:** If you plan on having employees, you'll need a withholding license (and number) in order to file Hawaii payroll taxes for your business. A tax withholding takes a certain amount of money out of an employees' paycheck and pays it directly to the government. Employees typically fill out a W-4 Form when they are hired which indicates how much tax to withhold from their paychecks. It's then credited against the employees' annual income tax. If too much money was withheld, employees will receive a tax refund. Or, if not enough was withheld, employees will pay an extra bill.
- **Unemployment license:** Similar to withholdings, you'll need an unemployment license (and account number) if you plan on having employees. As an employer, you'll be responsible for paying for State Unemployment Taxes (SUTA tax) and you'll receive a [UI account number](#), sometimes referred to as a DOL account number.

To determine all your licensing requirements, visit DCCA's [Permit and Licenses](#) site.

## ❑ **Step 8: Open a business bank account**

A business bank account is not required for every business but it's typically a best practice that will help you separate your personal and business finances and keep your business expenses organized. When shopping around, you'll want to consider a variety of factors, including type of business bank account (checkings, savings and/or merchant accounts), monthly fees, minimum balance requirements, ATM access, online/mobile banking capabilities, access to loan options, and more etc. While each bank has different requirements, you'll typically need articles of incorporation, your EIN or tax ID numbers, business licenses, and other incorporation documents. You can check out your local options with [American Savings Bank](#), [Bank of Hawaii](#), [First Hawaii Bank](#), [Central Pacific Bank](#).

## STEPS 9-13:

# Get ready to hire your first employee

### ❑ Step 9: Decide if new hire are employees or independent contractors

There are many types of workers (e.g. full-time employee, part-time employee, seasonal workers, independent contractor, volunteers etc.). Generally, when you bring on a new hire, you'll need to classify them as either an employee (W-2) or an independent contractor (1099). Knowing how to differentiate between the various types is crucial. Failing to comply with applicable laws can have costly consequences. Employee classifications not only impact methods of employee payment and benefits, but impacts tax withholdings and employer taxes too. Misclassifying employees can result in costly fines and back wages for overtime, benefits and more.

Unfortunately there is no single test to evaluate if a worker is an employee or an independent contractor. However, the IRS offers guidance in three key areas to assess if an independent contractor or an employee. It's based on the degree of control (or independence) a worker has, and the relationship that exists between both parties.

See Figure 1 for more details.

#### Employer Branding? What You Need to Know

- [How to Get Started Building Your Employer Brand to Attract New Talent](#)
- [5 Ways to Bring Your Employer Brand to Life](#)

## Figure 1: Employee vs. Independent Contractor?

Here is a helpful chart to help you figure out the difference:

Employee:	Independent Contractor:
<u>Nature of work</u> <ul style="list-style-type: none"><li>→ Works at a specific time and place set as determined by employer</li><li>→ Generally works for just one company</li><li>→ May receive training</li><li>→ Uses employer's tools and/or other work-related resources</li><li>→ Does work that is an integral part of employer's business</li><li>→ Is subject to a large degree of control by employer</li><li>→ Is generally paid a salary or hourly wages</li></ul>	<u>Nature of work</u> <ul style="list-style-type: none"><li>→ Can work whenever and sometimes wherever they'd like</li><li>→ Can work for multiple companies</li><li>→ Usually trains on their own</li><li>→ Uses their own tools and resources</li><li>→ Controls their own method of work</li><li>→ Is often (but not always) paid by the project or on a flat-fee basis</li></ul>
<u>Benefits</u> <ul style="list-style-type: none"><li>→ Typically eligible for healthcare and other employee benefits</li><li>→ Subject to tax withholdings/deductions from employee pay</li><li>→ Protected by state/federal law for overtime, minimum wage, employment discrimination</li></ul>	<u>Benefits</u> <ul style="list-style-type: none"><li>→ Not usually eligible for healthcare and other employee benefits</li><li>→ Not subject to withholdings/deductions since they pay their own taxes</li><li>→ Generally doesn't receive overtime or protection from employment discrimination</li></ul>

Learn more: [Independent Contractor or Employee?](#)



**Pro-Tip:** At ProService Hawaii, **we ensure employees are properly classified** and correctly set-up for payroll and benefits based on their classifications. With less administrative things to worry about, you can focus on your business and gain confidence that you're doing things the *right way*.



## ❏ Step 10: Choose a health insurance plan and create a benefits package

Why? This will help you attract employees as you grow your business! Plus, in Hawaii, providing employer-sponsored health insurance is *required*. In general, businesses must offer employees health insurance coverage if they work at least 20 hours per week, for four weeks in a row.

But employee benefits aren't just limited to health insurance. Benefits are a form of compensation given to employees that's above and beyond their regular salary or wages and can include other things from retirement savings plans to gym discounts or free breakfast on Fridays.

Employee benefit packages vary by company but generally a benefits package might include access to the following:



Health Insurance



Retirement Savings Account



Life Insurance



Flexible Savings Account



Paid Time Off (PTO)



**Pro-Tip:** At ProService, we offer businesses access to affordable healthcare plans not found on the open market. On top of this, we offer employers 401(k) plans and a robust list of voluntary benefits, things like life insurance, accident insurance, cancer insurance, short-term disability insurance, hospital insurance, discounted gym membership and more! If your employee opts-in, we automatically track benefits eligibility and set-up their payroll to automatically deduct their contributions too.

To learn more, download our free guide:

- [How to Create a Benefits Package That's Right for Your Business](#)
- [5 Mistakes to Avoid When Planning Employee Benefits](#)

## ❏ **Step 11: Get workers' compensation and TDI coverage**

In Hawaii, businesses are required to purchase certain types of insurances the moment they hire their first employee. Workers' Compensation insurance (WC) and Temporary Disability Insurance (TDI) are two such examples.

- Workers Compensation: Workers' compensation insurance provides wage replacement benefits when an employee is unable to work because of a *work-related* injury or illness. It helps employees get the medical and financial support they need, while it helps businesses avoid the real cost of an employee's medical expenses and lost wages following a workplace injury or illness.
- Temporary Disability Insurance: TDI, like workers' compensation, offers wage replacement benefits when an employee is unable to work. Unlike workers' comp, employees are eligible for TDI benefits when they are unable to work due to a *non-work-related* injury or illness. Read more: 4 Types of Insurances Every Business Needs in Hawaii



**Pro-Tip:** Hey, guess what? **ProService Hawaii offers workers' compensation and TDI coverage too!** What's even better is that unlike other providers, our workers' compensation plan is pay-as-you-go (no upfront cost) and our rates are very stable (rates don't rise at all, or only very minimally, from year-to-year). How is that possible? At ProService, we manage our workers' compensation and TDI programs in-house to keep costs (and risk) low for everyone.

To learn more, download our free guide:

- The Ultimate Guide to Workers' Compensation in Hawaii.

## ❏ Step 12: Familiarize yourself with employment taxes

If you have a business with employees, there are a number of tax responsibilities you must understand and manage. For example, as an employer, you must:

- Withhold **federal income tax** from employee pay (Form 941)
- Withhold **state income tax** from employee pay (Form 941)
- Withhold **FICA aka payroll taxes** (Social Security Tax and Medicare Tax) from employee
- Pay an equal amount of **FICA tax from your business** (Form 941)
- Withhold **additional medicare tax** for employees' earning over a certain threshold (Form 8959)
- File and pay **federal unemployment (FUTA) taxes** (Form 940)
- File and pay **state unemployment (SUTA) taxes** (Form UC-B6)
- File and pay quarterly **federal taxes** (Form 941)

Here are a couple of additional things to note about employer tax types:

- **Withholding Taxes** (federal/state income taxes, payroll taxes etc.): A tax withholding takes a certain amount of money out of an employees' paycheck and pays it directly to the government. Employees typically fill out a W-4 Form when they are hired which indicates how much tax to withhold from their paychecks. It's then credited against the employees' annual income tax. If too much money was withheld, employees will receive a tax refund. Or, if not enough was withheld, employees will pay an extra bill.
- **Unemployment Insurance Taxes:** When an employee becomes unemployed, most become eligible to receive unemployment benefits. These benefits are funded by unemployment taxes, which are paid based on employee wages. In Hawaii, employers are responsible for paying the Federal Unemployment Tax (FUTA), which pays for the federal government's oversight of state unemployment insurance programs. Similarly, employers are also responsible for paying for the State Unemployment Tax (SUTA), which funds the payout of unemployment insurance benefits to unemployed workers. This tax is sometimes called SUTA, SUI or UI tax depending on who you talk to.



**Pro-Tip:** At ProService Hawaii, our goal is to make running a business easier for busy owners. As a client, **we'll take certain tax responsibilities off your plate.** For example, we'll automatically calculate and withhold federal and state income taxes and payroll taxes (Social Security and Medicare) from employee pay. Not only this, we will prepare and file Form 940, Form 941 and Form UC-B6 on your behalf.

## ❏ Step 13: Define your work culture

There are two main ways company culture is developed. One is by letting it develop naturally by default (this can lead to a positive or negative work environment). The other is by steering it purposefully using culture building tools and programs. The latter is our preferred method.

The first step to building a purposeful company culture (and one your employees can get behind) is by defining your company's values and beliefs. As you define your brand's company culture, here are a few questions to help you get started. *What is your overall team-first mission? What is your game plan to achieve this mission? What is expected of each team member?*

Next, brainstorm programs and activities that align with your company culture, like team-bonding paunahana, coaching programs, learning and development initiatives, and more. Once you've hired employees, you can encourage them to take part in building a cohesive team culture by brainstorming additional ideas with you and using them to establish new programs.

See our resources below for more tips on workplace culture:

- [4 Ways to Build a Team First Work Culture](#)
- [The Employee Engagement Playbook](#)

### Need Hiring Best Practices? What You Need to Know

- [How to Write Job Descriptions to Attract the Right Candidates](#)
- [Best Practices for Conducting Effective Interviews](#)
- [Do's and Don'ts: Are You Asking the Right Interview Questions?](#)
- [6 Essentials to Make Sure Your Next Job Candidate Chooses You](#)
- [4 Common Mistakes That Drive Job Candidates Away](#)
- [3 Tips for Hiring Great Millennials](#)

### In-Person or Remote Work? Get Insights

- [Is it Time to Implement Remote Work for Your Employees?](#)
- [Remote Work: Temporary Shift or New Reality?](#)



**Pro-Tip:** Part of having a healthy work culture is making employees aware of workplace rules and expectations. Having an **Employee Handbook** is a helpful tool. It provides information about your work policies in a written format. As a ProService Hawaii client, our team works with businesses to regularly review and update their existing Employee Handbooks, or we can assist you with building one from scratch as well.

## STEPS 14-16:

# Get tools to run your business efficiently

### ❑ Step 14: Find a local payroll and HR provider

There are many ways to approach payroll and HR for your new business.

#### Do it yourself manually

One way is to do it manually and handle all the calculations in spreadsheets. You may save a little money this way but this method is very time consuming and comes with the most potential for compliance mistakes if you're not paying attention to all the details.

#### Do it yourself with payroll software

That's why a lot of business owners turn to payroll software. It's a more automated and efficient way of running payroll. But this method comes with its own set of downsides. For one thing, Hawaii is a very regulated state and many mainland payroll software providers aren't technically equipped to handle the nuances of doing business and payroll here in Hawaii. Plus, when a problem arises, the last thing you want is to play the time-zone game with a mainland customer support call center.

#### Outsourcing it to a local payroll & HR service provider (hint: ProService Hawaii)

Another option is to outsource payroll to a local payroll and HR service provider (sometimes referred to as a [Professional Employer Organization](#) or PEO). You'll get access to the benefits of an automated technology just as you would have if you purchase a payroll software plan. However, you'll also get access to local professionals who will be responsible for handling a lot of these tasks *for you*. As a payroll service provider (not just software provider), you'll know your payroll consultant by name and can trust them to know the ins-and-outs of running payroll and HR in Hawaii.

To learn more, download our guide:

→ [The Human Resources Dilemma: In-house, Outsource, or In-Between?](#)



**Pro-Tip:** Local payroll providers like **ProService Hawaii** will automatically pay your employees, calculate withholdings and deductions, file taxes and comply with relevant local and federal regulations. Unlike other payroll providers, ProService Hawaii does so much more than payroll. Not only do we afford affordable and stable rates on required insurances (i.e. healthcare, workers' comp, temporary disability insurance), we offer numerous value-add services to our clients at no extra costs (e.g. complimentary safety and HR trainings, employee handbooks, hiring/firing guidance, background checks/drug test, and much more).



## ❏ **Step 15: Choose an accounting system**

Before you make an initial sale or service your first customer, you'll need a method of managing your finances. You can tackle these important tasks yourself using spreadsheets, finding an online accounting platform, or hiring a bookkeeper or accountant. In order to operate efficiently, it's the most ideal to have an accounting system that also integrates with your payroll system.

## ❏ **Step 16: Identify your professional support network**

Surround yourself with individuals and business partners that will have your back through the ups and downs of running a business. Did you know? ProService Hawaii clients that applied for a Paycheck Protection Program loan in the first funding cycle were almost 2X as successful in receiving a loan as compared to the state average and nearly 4X more successful compared to the national average.

Throughout the COVID-19 pandemic, our responsive service team provided personalized support and expert advice so our clients never had to navigate the ups and downs alone...or miss an opportunity to get ahead. Whether its friends, family or business partners, find people who will stand by you, encourage you when you're down, and rally on your behalf when things get tough.

### **Did you know? The ROI of a PEO is pretty G.R.E.A.T**

Compared to other small business, those that partnered with a Professional Employer Organization (PEO) like ProService:

- **Grow 7-9% faster**
- **Have 23-32% lower employee turnover**
- **Have 30% lower workers' compensation costs**

And during the pandemic were...

- **60% less likely to permanently close**
- **91% less likely to still be temporarily closed**
- **119% more likely to have received PPP loans**

*\* Based on a study from the National Association of Professional Employer Organizations (NAPEO)*



# How ProService Hawaii Makes it Easier to Run Your Business

Starting and running a business can be *exciting* as well as a bit overwhelming too. Especially during the ups and downs of a global pandemic! That's where we come in. We've been providing Hawaii employers with comprehensive payroll and human resource services for over 25 years. As Hawaii's most trusted partner, we handle payroll, employment taxes, healthcare, workers' comp, safety programs, HR and more (to just name a few things) so busy entrepreneurs like yourself can focus on doing your best work.

When you choose a partner like ProService Hawaii, you don't just get a "human resources services" or some do-it-yourself software. You get an actual team of certified, local HR professionals at a fraction of the cost of a full-time hire.

## And not just any team. A team who...

- **Knows Hawaii** business inside and out to help you navigate uncertainty
- **Helps save you thousands** on rich benefits packages that attract top talent
- **Ensures you're compliant** with all local, federal and COVID-19 related laws
- **Provides free training** to keep your employees and customers safe
- **Takes care of everything HR-related** so you can free up internal resources

As Hawaii ramps up to recover from the pandemic...we're exactly the kind of **affordable, service-oriented, all-in-one partner** you'll want on your side.

## Everything you need from one partner

Payroll	Business Insurance	Human Resources
Pay your team easily. We'll take care of certified payroll, benefits deductions and tax withholdings for you.	Protect your bottom line with affordable healthcare, workers' comp and TDI coverage, only at ProService.	Check off tedious HR and employee tasks from your to-do list. From hire to retire, we do the heavy lifting for you.
Worksite Safety	Labor Reporting	Risk Management
Keep your team safe and accident free with live or on-demand employee safety training at no extra costs.	Easily manage labor costs with instant reporting that help manage teams and projects on time and under budget.	Stay out of trouble with a team of experts that advocate for your needs and shield your business from the unexpected.



*"At ProService, I have a healthcare team. And a payroll team. And a legal team. And a training team. And a team which advocates on behalf of small Hawaii businesses. They are responsive and provide very practical advice and solutions. This is invaluable. We could never hire this expertise in-house, at any price."*



Starting a business? Talk to our experts to see how we can help you succeed.

**Book a free business consult**

Or call us at **(808) 564-5550**