

Introduction to Farrier Business and Finances  
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One question that arises for many beginning small business farrier owners is whether your business needs to go legit if you're just starting out and there is not much sales. The simple answer is it do it right to begin with and avoid any future complications. If the government finds out your not running a legit business, you could become subject to fines and penalties as well as your business could be shut down. If you don't pay taxes on your earnings, the IRS can track you down and impose criminal charges and even jail time. This is especially so if you accept credit cards as your business is easily exposed.

It can be quite intimidating to officially register your business but it isn't that complicated to fill out the forms.

So where do you begin?

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First, obtain a Federal Employer Identification Number or FEIN. Technically as a sole proprietorship, you don't need to obtain a FEIN, however it will allow you to fully separate your business from your personal affairs. It is easy to obtain from the IRS web site. At a later date you may take on a customer or barn that will provide you with a 1099-MISC for what they paid you for your farrier service. You will find it safer to give out your FEIN then your SSN or Social Security Number. In general, any service provider (such as a farrier operating as a sole proprietor, Partnership or LLC) that has been paid \$600 or more can be issued a 1099-MISC.

Second, register your business with your state county courthouse as a "Doing Business As" or DBA. If you plan on using a name for your business that doesn't contain your name, you will need to file a "Fictitious Business Name" or FBN. The government makes you file for an FBN in order to allow customers to locate the owner of a company without too much effort.

Third, obtain a state Sellers Permit or Sales Tax Permit. The main reason for such permits is to allow you to collect state sales tax from your customers, which by the way is required that you do. Sales tax is only collected if you sell goods or services to someone that resides in your home state. Unfortunately, even if all of your customers are out of state, you still have to get a seller's permit. You can obtain a sellers permit by contacting your official state taxation department. Each state is different when it comes to what gets taxed. Some states it is only new products used (new shoe and nails). In NYS we have to charge sales tax on the final bill, including labor, no matter if new products are used or not. Check your own personal state laws for further information.

So what is the next step now you're a legit farrier business? The "dreaded" bookkeeping and paper work.

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Keeping track of your business can be done in a simple ledger book. As your business grows, I would suggest obtaining easy to use software programs designed for farriers in order to make accounting so much easier and less time consuming. Simply keep track of all your expenses and any income received. Keep all your personal and business finances separate including bank accounts and credit cards. You will also need to keep a mileage log book in your vehicle for proof when it comes to tax time.

There are two main ways to maintain your business books, the cash method and the accrual method. In general, a farrier business that carries inventory must use the accrual method of accounting. What this means is that income and expenses are treated and taxed when it is earned (the day you present a bill) rather than when the money is actually received.

As a new small business owner, you're also required to give your customer a receipt for their purchases and are also required to keep a hard or electronic copy on file. You can start off by purchasing a simple carbonless two-page receipt book, plain or farrier geared. A bill and a receipt are not the same thing. A bill is an acknowledgment that a specified sum of money is due for goods or services. A receipt is a written or printed acknowledgment that a specified article or sum of money has been received as an exchange for goods or services. A bill marked as paid becomes a receipt. Receipts may include any messages from the farrier, warranty, return details, advertisement, billing fees, etc. A physical or electronic copy of the receipt must be kept on file and is a really good idea for more accurate business records. Under the Consumer Protection Act (2005) a receipt must show such information as: the amount of money paid by the consumer; the date on which the purchase was made; a description of the goods or services sold; and where applicable, the professional fee charged. It's also the consumer's rights to refuse receipts that do not itemize the purchased goods or services. The receipt must also state that the service or goods was paid.

Now that you're a legit business and tracking your business income and expenses, we need to move into discussing your budget. Remember, you are the only one who can maintain your budget. Making purchases without careful thought and planning may destroy your financial and savings plans.

Approximately for every dollar you receive, about thirty to forty cents will go towards expenses; about thirty-five cents will go towards taxes; leaving you with twenty-five to thirty-five cents for actual income. Keep this in mind when some bright and shiny new tool is begging you to purchase it. Another point that many people don't know is that the average taxes per person is 31%. Nearly one third of what you make will go to your local, state and/or federal government.

Now we can discuss saving and investing your money. Saving money merely means to put it aside for a "rainy day." Investing money means to commit your money to a financial institution in order to earn a financial return at a later date. As a new farrier business owner, saving your money will be an important financial decision. Saving money will help you have a cushion to protect you in the event of an unexpected financial event such as injuries, repairs, etc.

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Start off simple and small. Open a separate high yield savings account. Of the twenty-five to thirty-five cents per dollar you are making, place ten cents of it into your savings account each week. If you earned \$300 for the week, you would deposit \$30.00 into your savings account that week. It may not seem like much however it will add up very quickly. As your savings account grows you can work on building a financial future by investing in a retirement account.

Now more than ever, saving for retirement has become extremely important as Social Security may not be enough to support you through your retirement years. Regardless of your age, now is the time to start building your “nest egg” in order to maintain a comfortable lifestyle throughout your retirement.

Having a list of general operating procedures or [Respective Responsibilities](#) for your farrier business, will help provide clear and concise rules and expectations for your customers. This guideline shows your customers what you expect and how you will conduct your business. List your guidelines for scheduling, work conditions, horse behavior expectations, fees and billing procedures.

The last task for a new farrier business owner is to obtain insurance. In order to make an informed decision about what insurance to obtain, it is important to determine the risks that you and your family face. You must decide whether to purchase insurance in order to reduce your risks or depend on your own resources to cover those risks. Medical and auto insurance are a must in the farrier profession. Certainly liability, disability and professional insurance should be considered later on as your farrier business gets more established.

These introduction suggestions will help you correctly get your business up and running from the start. As your business grows, you will have to make adjustments along the way.

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