

III. Getting Started – Organizational Options

- Your Options
- The Right Mindset
- Forms of Doing Business
- Choosing a Name and Registering Your Company
- Getting a Federal ID Number (FEIN)
- Carrier-Dispatcher Agreement
- Special Note for Owner Operators
- Do Freight Dispatchers Need an Authority or Licensing?
- Going Solo as a Dispatcher or Working for a Trucking Company
- Getting Your Payment from Your Owner Operator(s) Established – How Much and How?
- Invoicing and Using Factors

Your Options

As a freight dispatcher, you have options as to how you want to organize your business. It can be very simple such as a sole proprietor; or you may want to set up a Limited Liability Company (LLC) or a corporation.

You will have few assets as a dispatcher so – keep it simple starting out. As you increase your involvement, working with brokers and indirectly with shippers, you may want to consider business liability and/or errors and omissions insurance. But, again, keep it simple starting out.

The Right Mindset

Sometimes people just “fall” into certain work positions; others plan and prepare for months or years. Regardless of how YOU got involved in your current or previous vocation, it’s important to develop the right mindset for YOU personally as you consider working as a freight dispatcher.

You may want to work solo and be satisfied with just a certain, modest amount of income and activity; on the other hand, you may want to “go big” with multiple off-shoots of your dispatch business. Some dispatchers

can handle five or even more drivers; others would be overwhelmed by this.

You're the boss - it's up to you how you want to work.

Your vision will carry you especially if you prepare, and even plan, for some set-backs. No venture goes smoothly ALL the time.

Here's another piece of information - if you are passionate about what you are planning to do, this is good. You can be nervous, you can be uncertain, you can even be a little fearful as you start your new venture.

But, if you have passion - this will help you face - and overcome - all of the uncertainties that you may encounter.

Take time to read through the **Success Strategies** eBook located in the Industry Resources further along. The principles in this eBook are applicable for most service-oriented businesses.

Every successful company, regardless of what industry they are in, has most likely implemented most or all of these mindsets found in this eBook.

Going Solo as a Dispatcher or Working for a Trucking Company

It's a matter of personal preference but you may choose to work alone with one or several owner operators that have agreed to with you; or you may choose to become a W-2 employee and work for a transportation company.

Some of these employer companies may provide loads for you through their customer acquisition department and all you need to do is dispatch a small fleet of trucks.

Depending on your situation, this may be very attractive for more experienced dispatchers because they may be well equipped with just about any situation or problem that comes along.

Otherwise, if you work solo and are new to this industry, you will have to get your own brokers to

work with who will then provide a supply of loads for you.

Choosing a Name and Registering Your Company

Some people already have a name they would like to work with; others need to spend time thinking of business names.

Note: you do NOT necessarily need an attorney to get a name and register your business.

You can usually do a name search yourself (other than just using Google) and you will have to find a name that is available. If someone else has the same or similar name in your industry, you may have to continue your search.

Once you come upon a name, you will decide on the business structure: LLC, sole proprietor, partnership, regular corporation? Again, the easiest and least expensive path is to begin as a sole proprietorship but LLCs are very popular.

When working as a sole proprietor - use a search engine and type in "county clerk XXXXX XXXXX" where the X's represent the name of your county and the name of your state.

You may have heard of fictitious, assumed or dba names for sole proprietorships - these are names other than personal names. Your personal name will be the legal name of the business if you choose to work as a sole proprietor and you will then select and use your desired name as the fictitious name.

For example: George J Jones, (doing-business-as) d/b/a *Lickitysplit Truck Dispatching*.

When forming an LLC or a corporation - use a search engine and type in "secretary of state XXXXX" where "XXXXX" represents the name of your state.

Go to "Filing Options", "Forms" or something similar inside the State website.

If you are filing papers yourself without using an attorney, YOU are the "registered agent".

Some states and counties may require that you submit duplicate forms. Make sure that you do.

Filing the Articles of Corporation or a Certificate of Organization is generally a very simple one or two-page deal.

Forms of Doing Business

Here are the most popular forms of doing business:

- **Limited liability company (LLC)** - popular, flexible, can have members.
- **C Corporation** - this is a good option, can have shareholders.
- **Sole proprietorship** - most simple and least costly - for the individual.
- **Partnership** - when husband and wife are in the business or other partners from outside the family.

Getting a Federal ID Number (FEIN)

For each type of business except the sole proprietorship you will need a federal identification number - "EIN" or "FEIN" or "TIN". Do it yourself online for free by going to www.irs.gov Once there, type "EIN" in the search box; Or scroll down a little bit and click on the Form W-9 link.

The only tricky part is if you are the sole owner in an LLC. It's called a "Single-member LLC". You may choose to be taxed as a "Corporation" or as a "Sole Proprietor".

Check with your accountant but most people choose sole proprietorship and file IRS **Schedule C** in the **Form 1040** for their income taxes. Corporate benefits still are there. Others choose to be taxed as a "Corporation" and are required to file IRS Form 1120 for income taxes.

Others choose to set up a Sub S Corporation. It's best to consult with your accountant if you want more details on your options here.

Once you have your company set up with your business name, business address and EIN, you are now ready to open a business checking account.

You will also transmit your EIN to the owner operators you are working for by completing the IRS Form W-9. You will first sign and date the form and this is done just one time.

Go here:

<https://www.irs.gov/pub/irs-pdf/fw9.pdf>

Carrier-Dispatcher Agreement

Your carrier will certainly have an agreement that you'll need to sign. If they don't have one, create one yourself.

You'll be agreeing to the fact that you are an independent contractor and are responsible for your own taxes, expenses and whatever.

Get a full understanding of this agreement before you begin, especially what you are responsible for.

Special Note Regarding "Double Brokering"

Double brokering occurs when a motor carrier or their dispatcher gives out excess loads to other trucking companies. In this case, the carrier that actually delivers the loads is not a party to the contract.

There are potential financial and legal issues that may put a dent in your carrier and/or dispatching business if you take part in double brokering. Stay away from it.

Do Freight Dispatchers Need To Get Their Freight Broker Authority?

There is a renewed controversy about whether dispatchers should be required to get their freight broker authority or not. The confusion surrounds the definition of terms: broker, agent and dispatcher.

These terms - at least the agent and dispatcher terms - are ambiguous and not clearly defined.

The FMCSA is currently soliciting comments and have given interim guidelines.

You can review these interim guidelines by going to the Handouts.

Many dispatchers are working with either one or several motor carrier companies under the assumption that they do not need their broker authority. And then some dispatchers have no idea about this controversy at all.

However, it's generally understood that working as a dispatcher for one motor carrier does not constitute the need for a freight broker authority.

The main controversy seems to revolve around when the dispatcher is dispatching for two or more motor carriers.

If you choose to work with a FMCSA authority, you may then dispatch trucks for two or more trucking companies for sure.

However, keep this in mind, if you get your FMCSA authority, it's the same as becoming a freight broker AND you do not want to get loads from other freight brokers on the load boards. That would be double-brokering and it's discouraged, to say the least, by the FMCSA.

The website below focuses on getting an authority as a dispatcher but, as mentioned above, do NOT believe you are required to get registered with the FMCSA unless you plan to dispatch trucks for two or more companies and you will then be going directly to shippers to get your loads.

<https://www.dat.com/solutions/truck-dispatcher-license>

Should You Pursue Education Beyond High School?

Moving along, if you plan to work for a company, many of them will require you to have at least your high

school diploma or your Graduate Equivalency Degree (GED).

Here's a tip and a suggestion -

If you have your GED or high school diploma, it may be wise to go ahead and seek an associate's degree at a local community college.

While you don't necessarily need to go on to get a four-year degree, getting more than your high school diploma may benefit you in many ways - professionally, financially, socially and personally.

Consider an associate's two-year program. Some community colleges will give you a broad based education in logistics. Once you are ready to actually get into dispatch, you can then consider taking specific training for dispatch.

It's up to you to decide which way to go but, in general,

- An associate's degree will provide general information, and
- Dispatch training will give you the specifics on "how to" dispatch trucks

Getting Your Payment from Your Owner Operator(s) Established – How Much and How?

This is a no-brainer but you need to understand how you will be making money off of the loads you provide to your owner operators and the two most popular ways already mentioned are: a flat fee for each load of, let's say, \$50; or a percentage of the gross amount that your owner operators are collecting for each load, let's say, 7%.

Your fees may be increased if you perform some of the "back-room" work.

Lastly, can you get set up with direct deposit? And you need to understand how often you will be paid - after each delivery? weekly? Every two weeks?

There may be other issues that may affect the amount and timeliness of getting paid. For now, just focus on what is presented here.

Invoicing and Using Factors

A factor will advance money to your owner operator(s) after you or your owner operator invoices the factor. The broker, in turn, will invoice the broker on your behalf.

If you do not use a factor for certain loads, you will be invoicing brokers directly on behalf of your owner operators.

You may want to ask your owner operator if they will provide a limited power of attorney which gives you the legal right to sign on behalf of your owner operator.

Invoicing the brokers you are working with is the most cost-effective way to do business especially if your broker has a cushion of money to get your brokers paid in a timely manner.

Whether you invoice a factor or the broker, your concerns are how soon will your owner operator receive funds and, for a factor, what percentage of the funds will they be advancing to your owner operator?

Do factors run credit checks on the shippers that your broker is using? Do they run credit checks on brokers to see their days-to-pay? Timeliness is important.

There are other questions, but again, just focus on what is presented here for the time being.