

North Country Business Basics

Start-up information for the Small Business Entrepreneur



Helping Your Business Grow

in Clinton, Essex, Franklin, Hamilton, Warren & Washington Counties,
New York

Office Locations

WHERE: **North Country SBDC Main Office**
State University of New York College at Plattsburgh
194 US Oval (old base), 2nd Floor
Plattsburgh, NY 12903
(518) 564-2042 (phone)
(518) 564-2043 (fax)

Outreach Locations (by appointment):

Malone

OneWorkSource
Located at the Old Ponderosa
158 Finney Blvd & Woodward
Malone, NY 12953

Lake Placid

Essex County Business Council
@Lake Placid Visitor's Bureau
216 Main Street
Lake Placid, NY 12946

Elizabethtown

Essex County Industrial Dev. Agency
7566 Court Street
Elizabethtown, NY 12932

Lake George

Lake George Regional Chamber of
Commerce
P.O. Box 272
Lake George, NY 12845

Rouses Point

Village of Rouses Point
139 Lake St.
Rouses Point, NY 12979

WHEN: Monday – Friday from 8:00 a.m. – 4:30 p.m.

HOW: **Call the SBDC at Plattsburgh State University at (518) 564-2042 for appointments at all locations.**



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Section 1: Starting Your Business

Analyzing the Feasibility of Your Business Idea

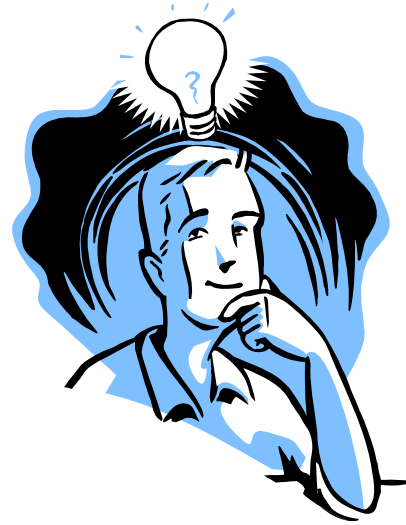
Most businesses start with an idea from someone who believes that they have a new product or service that may be successful. Others develop unique ways to change the business environment of existing ideas or business by making their products, faster, less expensive or in some way better than that of the current competitor's products or services.

The business feasibility needs to be tested as well as the individual's ability to develop the idea into a thriving and successful business.

Some questions to be considered in the analysis of your business idea:

- **What** does the product or service do?
- **How** is it different from other products/services?
- **Who** will buy it?
- **Why** will they buy it?
- **Where** will it be sold?
- **When** will it be ready to be sold?
- **How** will it be promoted and sold?

The following pages contain tools and exercises that will provide information to help you analyze your business idea. These exercises are intended to help evaluate market feasibility, research costs, determine management capability and identify goals for the future.



Smart entrepreneurs take the time to plan and evaluate their idea because they understand that it increases their chance of taking a dream and successfully turning it into reality.

Initial Cash Requirement for the New Business

Start-up Dollars Needed	Amount	Description
Advertising	_____	Promotion for opening the business
Beginning inventory	_____	Amount of inventory needed to open
Building construction	_____	Contractor estimates or construction costs
Cash	_____	Requirements for the cash register/working capital
Deposits	_____	Check with utility and telephone companies
Fixtures and equipment	_____	Use actual quotes
Installing fixtures/equipment/furnishings	_____	Use actual quotes
Insurance	_____	Quote from insurance agent
Lease payment	_____	Amount to be paid before opening
Licenses and permits	_____	Check with town, city, county or state offices
Professional fees	_____	Include CPA, attorney, engineer, etc.
Remodeling/Renovations	_____	The amount per contactor bid and other construction costs.
Rent	_____	Amount to be paid before opening
Services	_____	Any outside service
Signs	_____	The amount quotes for creation and installation
Supplies	_____	Office, cleaning, etc. supplies
Unanticipated expenses	_____	Include an amount as a contingency for unexpected costs
TOTAL START-UP DOLLARS	_____	Total amount of costs before opening
REPEATING MONTHLY EXPENSES		
Advertising	_____	
Bank service charges	_____	
Credit card fees	_____	
Delivery charges	_____	
Dues and subscriptions	_____	
Health insurance	_____	
* Insurance	_____	
Inventory	_____	Amount for expanding and replenishing inventory
* Lease payments	_____	
* Loan payments (Principal & Interest)	_____	
Office expense	_____	
* Payroll other than owner or manager	_____	
Payroll taxes	_____	
Professional fees	_____	
* Rent	_____	
Repairs and maintenance	_____	
* Salary of owner	_____	
Supplies	_____	
* Telephone	_____	
* Utilities	_____	
Miscellaneous	_____	
TOTAL REPEATING EXPENSES	_____	
TOTAL CASH NEEDED AT STARTUP =	_____	
STARTUP DOLLARS	_____	
+ ALLOWANCE FOR FIXED COSTS	_____	(Consider 3 Months of Core Fixed Costs-denoted with *)
TOTAL CASH NEEDED	=====	

**For help with
estimating these costs,
consider visiting your
SBDC!**

Section 2: What Form of Organization to Use

Four Types of Business Organizations

1) Sole Proprietorship

A sole proprietorship is a business that is owned by one person. As such, you own and control the business. Setting up a sole proprietorship is the simplest, quickest and least expensive way to go into business. Legally, all that is required for set up is to obtain a license as required by the federal, state or local government. If the business has a name other than your own, you must also register your name with your local county clerk. You do this through the use of a Certificate of Doing Business under an Assumed Name for sole proprietor, commonly referred to as a “DBA” (doing business as) form.

The sole proprietor is held personally liable for any business related obligation. What this means is that if your business fails to pay a vendor, defaults on a debt or loses a lawsuit, you are personally liable for the debt. Through the eyes of the law, the sole proprietorship is not legally separate from the person who owns it. The sole proprietor simply reports all business income or losses on his/her individual tax return – IRS form 1040 Schedule C.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • Easiest, quickest and least expensive to organize • Easy to discontinue if desired • Minimum of legal restrictions • Owner receives all profits • Owner has complete control 	<ul style="list-style-type: none"> • Owner has unlimited liability. Owner is legally responsible for business debts. Personal assets are at risk • Business dissolves upon death of owner • More restrictions on deductibility of employee benefits

2) Partnership

This is a business owned by two or more persons who get together to run the operation. Partners can contribute capital, specialized knowledge, marketing or management skills, and other valuable tools. They also share the risk. Partners share in the right and responsibility of managing the business, and by law each partner is responsible for all debt and obligations of the firm. This means you are personally liable for the full amount of the partnership’s debts, even if they exceed your investment and you did not personally consent to the debt. A formal written agreement should be prepared to properly define each partner’s role in the business. In the absence of a partnership agreement, the New York State Partnership Law (New York State Consolidate Laws, Chapter 39) sets forth rights and duties of partners.

Partnerships must file a certificate of Conducting Business as Partners with the county clerk of each county where the business is conducted, commonly referred to as a “DBA” (doing business as) form. A partnership’s profits and losses are included on each partner’s personal tax return. The partnership files an information return with the IRS.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • Easy, quick and inexpensive to organize. However, time should be spent on a legal agreement: decisions, time spent, capital invested, profits, disputes, buy out agreement or new partner coming in, steps to dissolve. • Easy to discontinue if desired • More than one source of funds • Share skills • Profits or loss flow to personal tax return 	<ul style="list-style-type: none"> • Partners are jointly and individually liable for the actions of the other partners. • Personal financial hardships of one partner can affect the business assets. • Profits must be shared. • Disagreements can occur. • More restrictions on deductibility of employee benefits. • The partnership may have a limited life; it may end upon the withdrawal or death of a partner.

3) "S" Corporations and "C" Corporations

A corporation in New York State is an entity mutually exclusive of the individuals(s) who own and manage the business. A corporation is authorized to sell, buy and inherit property in its own name, and has legal rights, powers and duties. Corporations are operated for profit and may raise capital by selling shares of interest in the corporation. A corporations' debts and obligations are distinctly its own. To create a corporation you must meet specific statutory requirements, which include filing a Certificate of Incorporation with the NYS Department of State; creating corporate bylaws and issuing stock certificates.

Income and expenses of the "S" corporation flow through to investors in proportion to their share holdings, and profits or losses are taxed to shareholder at their individual tax rates. Not all corporations qualify for this status. Certain restrictions apply: no more than 75 shareholders, no nonresident alien shareholders, and may not own stock in other corporations.

"C" Corporations are separate, taxable entities that report income and expenses on a corporation income tax return and are taxed at corporate tax rates. Profits are taxed before dividends are paid. Shareholders pay taxes on dividends by reporting them as income. This may result in a double taxation.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • Shareholders have limited liability for corporate debts. Officers can be held personally liable if fraud or negligence exist. Lenders normally require officers to personally guarantee debt. • Corporations can raise funds through sale of stock • A corporation may deduct the cost of benefits it provides to officers and employees. • Can elect S corporation status if certain requirements are met. Profits and losses pass through to owner's personal returns. Eliminates double taxation of corporate profits. A tax election only. IRS monitors for "reasonable compensation" 	<ul style="list-style-type: none"> • The process of incorporation requires time and money (filing fees and legal fees) • Corporations are monitored by federal, state and some local agencies, and as a legal entity more paperwork to comply with regulations.

4) Limited Liability Company (LLC) and Limited Liability Partnership (LLP)

LLC combines attributes from corporations and partnerships (or sole proprietorships): protection from personal liability for business debts and the simpler tax structure of partnership. For tax purposes, one owner LLCs are treated the same as sole proprietorships. Profits are reported on Schedule C as part of your individual 1040 tax return. Multiple owner LLCs are treated as a partnership. The LLC files IRS Form 1065, Partnership Information Return. Profits are reported to each owner on a Schedule K-1. Each owner then pays taxes on this income on their annual 1040 income tax return.

LLP is a form of partnership with financial liability limited to the amount of each partner's investment. There must be at least one general partner who controls the firm and is responsible for its debt and obligations. The limited partner gives up the right to participate in the day-to-day management of the business. While the partnership does not pay taxes, it must file Form 1065 with the IRS. This form sets out each partner's share of the partnership profits.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • Owners have limited personal liability. • Can elect to file as a corporation (certain requirements must be met) • Business structure designed to provide the limited liability features of a corporation and the tax efficiencies flexibility of a partnership 	<ul style="list-style-type: none"> • Relatively new business structure-limited case study • Certain businesses cannot be LLC (banks, insurance companies, non-profit organizations) • Requires filing fees and possible legal fees

Section 3: Writing a Business Plan

Why Is a Business Plan Essential

A business plan is a document that defines and describes your plan to develop goals and your plan for achieving those goals. Preparing a business plan helps you to organize and consolidate your ideas so you get a clearer, focused view of where your business is going and how it will succeed. If you need outside capital, the business plan will be one of the first things the lender or investor will want to see.

You will not personally attend the loan committee meeting. Therefore, your plan must clearly illustrate to the committee your marketing plan, financial plan and other key aspects of your business.

It is important that you write the business plan yourself. A well written plan is a snapshot of who you are and what you envision for your business venture. As you grow your business, a plan will help you keep track of the details and make sure the business is progressing as you had intended.



Your business plan should be:

- **Clear** Written in plain English – the reader should not have to struggle to understand what you are saying.
- **Concise** Get to the point, say what needs to be said without wordiness.
- **Well organized** Organize the plan so that it flows and is easy to follow. Use caps, indentations, bold type, underlines to highlight the plan's parts.
- **Honest** Deluding yourself or others is totally inappropriate with so much at stake. Be honest and forthright in your presentation and analysis.
- **Convincing** Your knowledge of the business and market and your management skills should impress the reader.

Structure of a Business Plan

There are three major sections of a business plan:

- The operational plan
- The marketing plan
- The financial plan.

Following is an outline of a typical business plan (may vary depending on business type).

Cover Sheet	Name of business, name of owner, address, phone number, date.
Statement of Purpose	Brief statement of objectives of the business plan, with amount, type, terms and proposed use of any financing requested.
Table of Contents	
Executive Summary	Overview summarizing key points in business plan.

-
- Operational Plan
-

Business Description	State type of business, organizational structure, current status (start-up, expansion or buyout), mission statement.
Product or Service	Describe primary products and/or services. This should include pricing strategy (core business model)
Business Location	Give address, physical features of building and site, status (own, lease), renovations needed and cost, zoning as it relates to your business, why this site was chosen, why it will help you succeed.
Management/Personnel	State management positions with job descriptions, names of key managers with brief descriptions of qualifications/experience, organizational chart. Describe personnel and skills needs, projected status (full or part-time, hourly or salaried), and fringe benefits.
Operational Details	This is an extremely important section of the business plan. It must include hours of operation, and details of expenses. The details of expenses are all expenses relevant to your business; e.g. if you own a manufacturing plant then energy will be a large part of your expenses.

- **Marketing Plan**

Market Analysis	Describe the general market for your product or service (size, growth potential, price, method of delivery, quality, etc.) and what opportunities exist in the market. Also include your target market.
Competition	Assess strengths and weaknesses of competitors, how your product or service will be positioned.
Marketing Strategy	Set realistic marketing objectives; determine action plan for attracting and keeping your target market; determine how you will expand your market.

- **Financial Plan**

Source & Use of Funds	Determine funds needed for startup (including equipment list with costs) and working capital. Specify all sources of funding, amounts and how these funds will be used.
Balance Sheet	A record of the assets, liabilities and net worth at a given time.
Cash Flow Statements	Project the actual dollars coming into the business and the dollars going out.
Projected Income Statement	Forecasts the income and expenses of the business for 1 to 3 years.
Exit Strategy	Creates a worst case scenario and identifies how you plan to pay back any obligations should the business not work as expected. This section is extremely important to show potential investors the level of risk they can expect in this venture.
Appendix	
Supporting Documents	Provide required documents such as resumes, credit reports, letters of reference, copies on contracts, leases, legal documents, etc.

Section 4: Developing a Marketing Plan

Market Analysis

- Products/services Describe your product/service features and the benefits that the customer will receive.
- Customers Define your customer profile:
 - **Type** (consumer, retailer, wholesaler, manufacturer, government agency)
 - **Geographic Area**
 - **Demographic Characteristics** (age, gender, income, education, race, etc.)
 - **Psychographic Characteristics** (attitudes, perceptions, etc.)
 - **Lifestyle Tendencies** (hobbies, etc.)
- Environment Discuss any environmental factors that affect your market (county growth, rising energy prices, etc.)
- Competition Describe your competition:
List major competitors and their product/service features, price, location, reputation, market share, size, age, etc.
- Competitive Advantages and Disadvantages Discuss how your product/service meets market needs and how you compare with the competition in terms of features, location, price, etc.
- Projections Give your projections in terms of the number of customers or items sold or contracts obtained, etc.

Marketing Strategy

- Positioning Strategy Present your positioning strategy. Describe how your product/service will sell because of benefits to the customer. This is usually based on the 4 P's of Marketing:
 - Price (Value)
 - Product/Service (Quality)
 - Place (Ease of Possession)
 - Promotion (Branding/Recognition)
- Promotion Strategy Describe how you plan to promote product/service: advertising, direct mail, personal contacts, sponsoring events, word-of-mouth, and trade associations. State what media you will use: radio, television, newspaper, magazines, telephone book yellow pages, billboards, etc.

Market Research

- Secondary Sources
 - Data previously gathered and compiled by someone else.*
 - The Official Guide to Household Spending
 - Statistical Abstract of the United States
 - Encyclopedia of Associations
 - Small Business Sourcebook
 - Manufacturing USA
 - Service Industries USA
 - Robert Morris Annual Statement Studies
 - New York State Statistical Yearbook
 - Thomas Register
 - U.S. Census Bureau
 - U.S. Small Business Administration
 - Internet Resources

- Primary Research
 - Information you obtain on your own*
 - Observation
 - Surveying
 - Shopping the Competition
 - Focus Groups
 - Test Marketing

Sample Market Analysis

The Sport Shop

The point of this illustration is to show that each of the following criteria alone do not justify the reasonableness of the fishing supplies and equipment business, but when joined with other data concerning the market can provide crucial support for the sales level a business can possibly achieve.

The Sports Shop plans to sell several different lines of sporting equipment one being fishing supplies and equipment. Based on floor space, inventory and the owner's prior business experience, The Sports Shop's fishing supply and equipment sales are estimated to be \$16,000 in the first year. The reasonableness of this projection can be judged by considering the total expenditures of fishing supplies and equipment in this area and what share of the total market this estimate represents.

- The expected market area is located within 20 miles of Pepper Pike. An approximation of the number of people residing in this area can be made by summing the totals from the main population centers in the area. According to the U.S. Census, the population in the local market area is 72,000.
- According to the U.S. Fish and Wildlife Service, 26% of the general population participates in fishing, and the National Sporting Goods Association estimates that each participant spends \$16 on basic fishing equipment and supplies every year.

Therefore, $72,000 \times 26\% = 18,720 \times \$16 = \$299,520$ is the total market for basic fishing equipment & supplies in the area. Thus, The Sports Shop's projection represents only 5% of the local market ($16,000/299,520 = 5\%$).

Based upon the competitive analysis, which identified the strongest competitors as hardware stores, Agway stores, and mail-order catalogs, a five percent market share in year one was deemed conservative. Further, sales of \$16,000 most likely represent less than 5% of the local market, because the tourist trade was not included in deriving the total market potential.**

**This market analysis is based primarily on secondary research (information collected by others). While the competitive research required direct observation by the prospective entrepreneur (primary research), a survey of local residents or sportsmen could enhance this analysis. Most thorough market analyses make use of both secondary and primary information.

Section 5: Financial Plan Statements

Financial Statement Definitions

In order to have a clear understanding of how your business is doing financially and to be able to predict and plan for the future, a fairly thorough understanding of your financial statements is necessary. There are several basic financial statements that can help you determine the condition of your business. The following can be found at our website: <http://www.NorthCountrySBDC.org/>

- **Sources and Uses of Funds**
This helps to explain how a company acquired its money and how it was spent. It can also help to identify financing needs and analyze cash inflows and outflows. Also, it can be used as a starting point to forecast future cash flows and financing requirements.
- **Balance Sheet**
The balance sheet is a financial “snapshot” of your business at a given point in time. It includes assets, liabilities and shows your business’ net worth.
- **Income Statement**
The income statement (also called a profit and loss statement or P&L) lists your income, expenses and net income (or loss). The net income (or loss) is equal to your income minus your expenses.
- **Cash Flow Statement**
This statement is a forecast of the money your business expects to receive and to pay out during a given period (usually on a month-to-month basis). The primary purpose is to predict your business’ ability to take in more cash than it pays out. If the business can’t initially sustain a positive cash flow, then steps should be taken to obtain more investment capital.

Common Financial Term Definitions

Accounts Payable	Money your business owes to suppliers and creditors
Accounts Receivable	Money others owe your business
Assets	Everything you own
Capitalization	How you finance your business
Collateral	Assets that can be used to assure the lender you can repay your loan even if the business fails
Credit	Time allowed to pay for goods and money borrowed
Credit Line	Total amount you may borrow or charge after you have been approved for credit
Disbursements	Money actually paid out
Fixed Assets	Property you own of a permanent or long term character
Fixed Expenses	Ongoing costs that remain the same regardless of sales volume
Inventory	Value of goods on hand for sale
Liabilities	Money you owe, including current costs of doing business
Net Worth	Value of what you own, or what business is worth after liabilities are subtracted from total asset value
Reserve Capital	Money set aside for unexpected expenses
Start-up Costs	Initial capital needed to start a business
Variable Expenses	Expenses which vary in proportion to change in sales volume

Personal Financial Statements

Cash Flow

Income		Flexible Expenses	
Salary		Food/Beverage	
Bonus		Clothing	
Dividends		Laundry/Cleaning	
Interest		Personal Care	
Proceeds for sale of securities		Entertainment	
Rental Income		Travel/Vacation	
Trust Income		Recreation	
Social Security		Gifts	
Pension		Household Help	
Alimony		Repairs	
Child Support		Home Furnishings	
Unemployment, Disability Insurance		Appliance Purchases	
Other Income		Gasoline	
		Health Care (Doctors, dentists, drugs)	
Total Income		Child Care	
		Education	
		Gifts and Donations	
		Investments	
Fixed Expenses		Savings	
Mortgage/Rent		Personal Allowance	
Fuel		Other	
Electricity			
Telephone			
Water		Total Flexible Expenses	
Personal Property Taxes		Total Expenses	
Real Estate Taxes			
Homeowner Insurance Premium			
Auto Insurance Premium			
Medical/Disability Ins. Premium			
Life Insurance Premium			
Auto Loan			
Loan of Installment Debt Repayment			
Other			
Total Fixed Expenses			

Net Worth

What You Own		What You Owe	
Cash:		Current Bills	
Cash on hand		Rent	
Checking accounts		Utilities	
Savings accounts		Charge accounts	
Money-market funds		Credit cards	
Life insurance cash value		Insurance premiums	
Money owed you		Alimony	
		Child support	
Marketable Securities:		Other bills	
Stocks			
Bonds			
Government securities		Taxes:	
Mutual funds		Federal	
Other investments		State	
Personal Property:		Local	
Automobiles		Taxes on investments	
Household furnishings		Other	
Art, antiques, other collectibles			
Clothing, furs		Mortgages:	
Jewelry		Homes	
Other possessions		Other properties	
		Debts to Individuals:	
Real Estate:			
Homes		Loans:	
Other properties		Auto	
		Education	
Pension:		Home improvement	
Vested portion of company plan		Life insurance	
Vested benefits		Other	
IRA		Total	
Keogh		What you own minus what you owe	
Long-Term Assets:		equals your net worth:	
Equity in business			
Life Insurance			
Annuities			
Total			

Calculating the Break-Even Point

The break-even analysis is an important preliminary tool to analyze the feasibility of a business using different price and cost scenarios to pinpoint the sales volume necessary to operate at a profit. It can also be a valuable instrument later as the business develops to measure the advisability of expansion or growth.

The breakeven point is the level of sales at which all expenses are covered resulting in no profit or loss. Sales higher than breakeven will generate a profit; while sales lower than breakeven will generate a loss. To determine the breakeven point, the cost must be divided into (1) variable costs which are costs that vary in direct proportion to a change in sales volume (ex. cost of goods sold), and (2) fixed costs which are costs that are constant regardless of sales volume (ex. loan payments, rent, insurance).

The formula to determine breakeven point is:

$$X = FC/P-V \text{ where}$$

- X = annual sales (dollars or units)
- FC = annual fixed operating expenses
- P = selling price per unit
- V = variable cost per unit



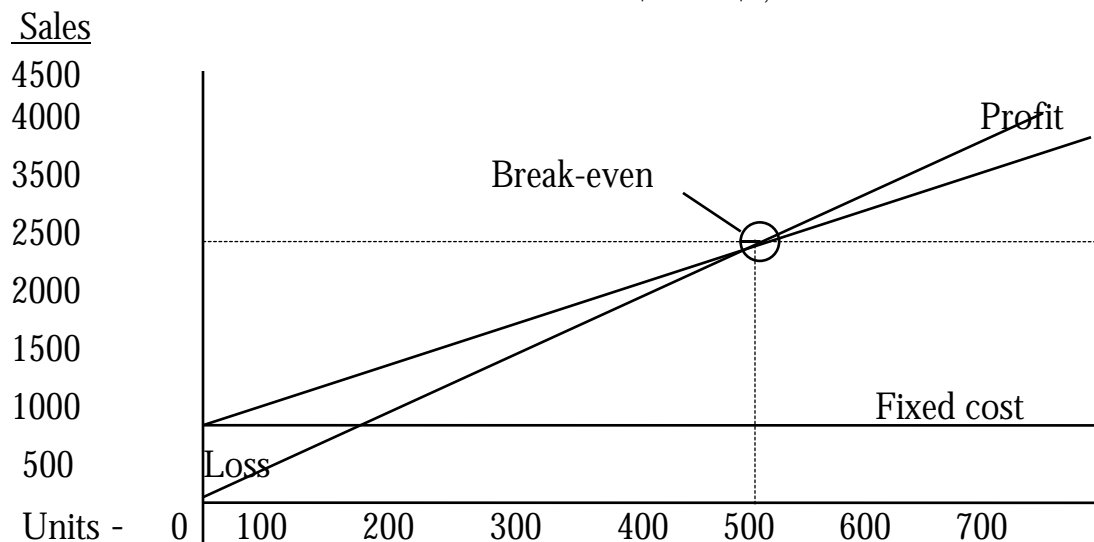
EXAMPLE:

Dana's Donuts sell for \$5 a dozen. Variable costs are \$3.38 per dozen. Fixed costs are \$829 a month. We find the company's break-even point by applying the formula.

$$X = FC/P-V$$

$$X = \frac{829}{5 - 3.38} = \frac{829}{1.62} = 512 \text{ dozen in sales}$$

$$\text{Break-even} = 512 \text{ dozen} \times \$5 = \$2,560 \text{ in sales}$$



Section 6: How and Where to Get Capital to Start

The Realities of Grants

There are many ads about how to get “free” money for business grants. They state that the government will give you “free” money for just about anything you want to do- from starting your own business to expanding your home business.

There are many scams that entice TV viewers with the promise of “free money” for a small fee. Here’s how they work:

- The company guarantees you will get a grant or you’ll get your money back.
- For a fee (\$40-50) you get a packet of information on how to write a grant proposal and a list of organizations who can provide the grant you want.
- The organizations on the list don’t typically give grants to individuals to start their own business.
- You try to get your money back and find that the guarantee is no real guarantee at all.



While certain organizations, either federal or private, do provide grant money, they generally direct their assistance toward charities, lending institutions, non-profit organizations, educational institutions, etc. Very little money goes to individuals.

Currently the U.S. Small Business Administration does not provide home business grants or grant money for starting a small business. From their Web site:

“While SBA does offer a limited number of grant programs, these are generally designed to expand and enhance small business technical assistance. SBA does not offer grants to start or expand small businesses...SBA’s grant programs generally support non-profit organizations, intermediary lending institutions, and state and local governments in an effort to expand and enhance small business technical and financial assistance.” Small Business Administration

Even for the organizations that do receive grants (non-profits, charities, educational institutions, etc.) their “free” money is not totally free. They do not have to repay the funds but they also cannot spend them as they please. There are strict rules and regulations about how the money can be spent and for what purposes, etc.

In conclusion, grants to start a small business are extremely rare!

Sources of Financing

There are various sources to consider when trying to obtain financing to start a business.

- Personal savings Primary source of capital for most new businesses comes from savings and other forms of personal resources.
- Relatives and friends Family and friends may contribute financing for small business ventures.
- Banks and credit unions Banks and credit unions will provide a loan if you can show your business proposal is sound.
- Venture capital firms These firms help expanding companies grow in exchange for equity or partial ownership. (See www.sba.gov for listing.)

Types of Personal Loans

- Banks Secured loans (real estate)
- Finance companies Secured loans (real estate, personal assets)
- Credit Unions Unsecured “signature” loans
Secured loans (real estate, personal assets)
- Savings & Loan Associations Secured loans (real estate, personal assets)
- Mortgage Brokers/Private Investors Secured loans (real estate, personal assets)
- Life Insurance Companies Policy loans (secured against cash value)

Types of Business Loans

- Banks (short-term) Maturity of up to one-year, secured loans (accounts receivable, inventory, equipment)
- Banks (long-term) Maturity of greater than one year but usually less than seven years, unless secured by real estate (15 – 30 years). Long-term loans are used for major business expenses such as purchasing land, buildings, construction, durable equipment, furniture, fixtures, vehicles, etc. These loans usually require significant collateral, such as real estate, equipment or inventory.
- Commercial Finance Co. Secured loans (real estate, equipment, inventory, accounts receivable)
- Public Loan Funds There are municipal, county, regional and state loan funds that may be a source of capital for business investment. These funds are normally limited to a portion of the total project and are often based on creating or sustaining jobs. The SBDC can help you determine your financing options and assist with the preparation of a business plan which is necessary to pursue public loans.

Section 7: Hiring Professionals For Your Team

How to Register a Business Name (DBA)

in Clinton, Essex, Franklin, Hamilton and Washington Counties

If an assumed name is to be used, or if the business is to be a partnership, section 130 of the general business law requires the filing of a business certificate with the County Clerk in the county where the business will be conducted.

Completing A Business Certificate

1. Purchase a Business Certificate (sole proprietorship) or Business Certificate for Partners (for partnerships) at your local office, stationery supply store, or County Clerk's office.
2. File the Certificate with the County Clerk at:

In Clinton County:

County Clerk's Office

www.co.clinton.ny.us/Departments/CC/CountyClerkHome.html

In Essex County:

County Office Building

www.co.essex.ny.us/ccclerk.asp

In Franklin County: (Form is online)

Franklin County Courthouse

www.franklincony.org/content/Departments/View/4

In Hamilton County:

County Clerk

Lake Pleasant, New York 12108

Hours: 8:00 am - 5:00 pm

Phone: 518-548-7111

In Warren County:

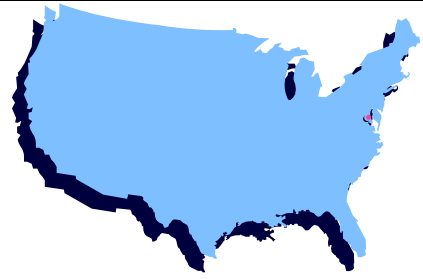
County Clerk

www.co.warren.ny.us/clerk/

3. The following number of Certificates are needed:
 - a) File one Certificate with the County Clerk (considered the original).
 - b) The bank requires a certified Certificate in order to open a business account.
 - c) You may decide to obtain an extra certified copy for display at your place of business.
4.
 - a) The filing fee for a Business Certificate is \$25.00 (some counties charge for the form).
 - b) If you require a certified copy, please bring duplicate copies of the original to the County Clerk's office. The filing fee for certification is \$5.00 for each copy, plus the cost of the form.
 - c) Fees may be paid in cash, check or money order.

Federal Employer Identification Number (EIN)

The EIN is a nine digit number (00-0000000) issued by the IRS to identify taxpayers who are required to file various tax returns. All businesses are required to have one, except for sole proprietorships with no employees.



Form SS-4 Application for Employer Identification Number is used to obtain the EIN number. The form can be obtained at any Social Security Administration office, SBDC office, by calling the IRS at 1-800-829-3676 or you may download a PDF file at their website, <http://www.irs.gov>

Mail

Complete Form SS-4 at least 4 to 5 weeks before you will need an EIN. Sign and date the application and mail to address for your state. You will receive your EIN in the mail in approximately 4 weeks.

Telephone

You can receive your EIN by telephone and use it immediately to file a return or make a payment. If you are applying by telephone, it will be helpful to complete Form SS-4 before contacting the IRS. An IRS representative will use the information from the form to establish your account and assign you an EIN. Write the number you are given on the upper right corner of the form and sign and date it. Keep this copy for your records. If requested by an IRS representative, mail or fax the signed Form SS-4 within 24 hours to the address provided by the representative.

Fax

Under the Fax-TIN program, you can receive your EIN by fax within 4 business days. Complete and fax form to IRS using the Fax-TIN number listed for your state. Be sure to provide your fax number so the IRS can fax the EIN back to you.

Online

You can receive you EIN by internet and us it immediately to file a return or make a payment. Go to IRS website www.irs.gov and click on Employer ID Numbers.

Employer Responsibilities - Checklist

1. Apply for your SS-4 Federal Employer Identification Number (EIN) from the Internal Revenue Service. An EIN can be obtained via telephone, mail or on-line. If you obtain one by phone, the IRS representative may request that you mail or fax the signed SS-4 Form to them.
2. Register with the NYS Department of Labor (DOL) as a new employer. NYS-100 should be completed and sent to the Albany address appearing on the form. This report is required of all employers for the purpose of determining whether the applicants are subject to state unemployment insurance taxes. They will follow up with you with their determination.
3. Obtain both Workers Compensation and NYS Disability Insurance from an insurer. The insurance company will provide the required certificates that should be displayed.
4. Order Federal Tax Deposit Coupons – Form 8109 – if you didn't order these when you received your EIN. To order call 1-800-829-1040; you will need to give your EIN. You may want to order some blanks sent for immediate use until the pre-printed ones are complete. Also ask for the current Federal Withholding Tax Tables (Circular A) – this will explain how to withhold and remit payroll taxes, and file reports.
5. Order State Withholding Tax Payment Coupons – call 1-800-462-8100. Also ask for the current NYS Withholding Tax Tables.
6. Have new employees complete an I-9 form. This form can be photocopied. You should have all employees complete prior to beginning work. **Do not** send to Immigration and Naturalization Service – just keep it with other employee records.
7. Have employees complete a W-4. This form also can be photocopied. A copy of this must now be sent to NYS for the New Hire Reporting Program.

IRS Publications 15 “Employer’s Tax Guide” and Publication 15-A “Employer’s Supplemental Tax Guide” discuss all the forms required as an employer from the W-4 “Employee’s Withholding Allowance Certificate” to the Form 940 “Employer’s Annual Federal Unemployment (FUTA) Tax Return”. Important information to note is the calendar of required forms on page 2 of Publication 15.

Also form NYS-50 “Employer’s Guide to Unemployment Insurance, Wage Reporting and Withholding Tax” for New York State taxes provides state information and regulations.

The Occupational Safety and Health Administration (OSHA) assists in assuring a safe and healthful workplace for your employees. A fact sheet is available with further information. It is important to document and report any employee injuries requiring medical treatment.

Lastly, you can obtain required employee notification posters by contacting the various agencies. Many agencies have websites where the forms are available to download and print or the agencies will mail them to you at no cost.

*For additional information the SBDC has an Employer Package available which includes all the required forms.

Section 9: Essentials of Good Record Keeping

Whether you use computer or manual tools to keep business records, having a good recordkeeping system is vital to monitoring and measuring the performance of your business!

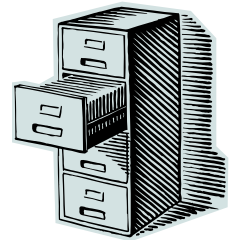
Determine Your Record Keeping Needs

You may need to:

- Collect and remit NYS sales tax
- Payroll deductions – file quarterly returns
- File quarterly self employment taxes
- Record income and expense accounts to prepare income tax returns
- Manage use of cash flow, accounts payable, accounts receivable and inventory
- Provide monthly and annual financial statements

Records that should be kept:

- Income receipts
- Expense receipts
- Payroll records
- Personnel records
- Inventory records
- Asset lists
- Owner equity/partner/shareholder contributions
- Loan records (promissory notes)
- Corporate/LLC or Partnership records
- Lease and rental agreements (ex. office, equipment, car)
- Insurance policies
- Contracts with clients and suppliers
- Other- any records relevant to your particular business and its transactions.



Recording Business Transactions

A good record keeping system includes a summary of your business transactions. A journal and ledger list business transactions shown on source documents:

Business checkbook
Daily summary of cash receipts
Monthly summary of cash receipts
Check disbursement journal
Employee compensation record

Whether you use computer software or manual systems to keep your records, remember it is ultimately **your** responsibility to remain in compliance with local, state and federal requirements.

*The extent of record keeping needs varies with different businesses.
Consult an accountant to determine your individual needs.*

Sales Tax Returns

You must file a sales tax return even if you did not have any taxable sales or business purchases subject to use tax during the filing period.

As a registered vendor, you are required to file a sales and use tax return summarizing your business activities. (Failure to do so may result in a penalty being imposed, in the minimum amount of \$50.)

When you first register, you will normally be classified as a quarterly filer. Returns are due not later than twenty days after the quarterly period.

Quarterly Period	Return Due Date
March 1 – May 31	June 20
June 1 – August 31	September 20
September 1 – November 30	December 20
December 1 – February 28	March 20

Certain circumstances may change the status of your classification to:

Monthly filing:

- If the combined amount of your taxable sales totals \$300,000 or more in any of the preceding four quarters.
- If you are a distributor of automotive fuel and your sales of automotive fuel total 100,000 gallons or more in any quarter of the preceding four quarters.

Annual filing:

- If you do not expect to pay or collect any sales or use tax
- If you describe your major business activity as manufacturer or wholesaler
- If your tax due for the four most recently filed quarterly periods did not exceed \$3,000.

*For additional information refer to Publication 750: A Guide to Sales Tax in New York State or contact the New York State Department of Taxation and Finance.

Self-Employment Tax

What is it?	Self-employment tax (SE tax) is a social security and Medicare tax primarily for individuals who work for themselves. It is similar to the social security and Medicare taxes withheld from the pay of most wage earners.
Who must pay it?	You must pay self employment tax if your net profits are \$400 or more or you performed services for a church as an employee and received more than the current allowed amount.
Why pay it?	Social security benefits are available to self-employed persons just as they are to wage earners. Your payments of SE tax contribute to your coverage under the social security system. Social security coverage provides you with retirement benefits, disability benefits, survivor benefits and hospital insurance (Medicare) benefits.
How to pay it?	<p>Estimated tax is the method used to pay tax (including SE tax) on income not subject to withholding. You generally have to make estimated tax payments if you expect to owe tax, including SE tax, of \$1,000 or more when you file your return. Use Form 1040-ES, Estimated Tax for Individuals to figure and pay tax.</p> <p>If you are self-employed and you are also an employee, you may be able to avoid paying estimated tax by having your employer increase the income tax taken out of your pay. Use Form W-4, Employee's Withholding Allowance Certificate, to increase your withholding.</p>

*For additional information refer to:

Publication 533: Self-Employment Tax
Publication 505: Tax Withholding and Estimated Tax

Or contact the Internal Revenue Service.

Section 10: SBDC Services

Helping Your Business

Counseling

The SBDC provides confidential, free of charge, one-on-one management and technical assistance for:

- small business start-ups
- business plan development
- organizational structures
- financial planning
- export assistance
- cost analysis
- loan information assistance
- financing strategies
- business expansion

Training Workshop Seminars

There are many Training Workshop Seminars given throughout the year they cover various topics such as: starting your business, marketing, record keeping, safety requirements, and many other issues targeted to the small business owners. There are occasionally nominal fees charged to cover the seminar expenses. The current schedule is always available from a link on the SBDC website at www.NorthCountrySBDC.com/events.asp

Research

The NYS SBDC Research Network is one of the most advanced business information resources in the country. Located in Albany, NY, the Research Network provides NYS SBDC advisers with the latest economic, demographic, regulatory and other data that can have an impact on small business. They have a wide range of invaluable resources available and do an outstanding job of supplying pertinent, relevant and up-to-date information that will help the small business entrepreneur with business start-up or expansion.

Small Business Websites

Legal Resources

<https://bizfilings.com/> Online incorporation and LLC formation.

<http://www.inventorprise.com/about.html> solves the needs of individuals and businesses to affordably protect their ideas through U.S. patents.

<http://lp.findlaw.com/> The latest legal news, case law, and analytical articles. FindLaw's online resources also allow you to search for a case or research an attorney.

<http://www.martindale.com/> Use this Lawyer Locator to find the credentials of more than one million lawyers and firms.

<http://www.uspto.gov/> US Patent and Trademark Office

Market Resources

<http://www.bizstats.com> Instant access to useful financial ratios, business statistics and benchmarks.

<http://www.brandchannel.com> The world's only online exchange about branding.

<http://www.census.gov/> US Census reports

http://www.dot.state.ny.us/tech_serv/high/tvwebpag.html New York State traffic counts.

<http://easidemographics.com/> Demographic reports, Census updates, maps, and site selection

<http://www.findarticles.com> Search millions of articles from leading academic, industry and general interest publications.

<http://www.ibisworld.com/> United States Industry Analysis

<http://www.ibisworld.com/snapshot/industry/> The industry sectors option provides a snapshot of industries in the US Economy.

<http://www.ipl.org/div/aon> A limited selection of associations on the internet.

<http://www.ipl.org/div/searchresults/> The internet public library

<http://www.ledburyresearch.com/> Ledbury provides research and advice to brands who market and sell to wealthy consumers.

<http://www.nyssbdc.org/News/NYStateStats/nystatestats.html> New York State statistics.

<http://www.ricksegel.com/> Retail marketing, retail sales & service expertise.

<http://www.thomasnet.com/> Thomas Register manufacturer's directory.

Special Outreach

<http://www.empire.state.ny.us/pdf/dmwbd.pdf> New York State's application for certification of women and minority owned businesses.

<http://www.nativeamericacapital.com/> A Private Equity Fund Serving Indian Country.

<http://www.womensbiz.us/> All women. All business.

Start-up and General Information

<http://www.entrepreneur.com/> Online magazine for business opportunities.

<http://www.eventuring.org/eShip/appmanager/eVenturing/eVenturingDesktop> The entrepreneur's guide to high growth.

<http://www.franchisehandbook.com/> The most comprehensive and up-to-date database of franchises available

<http://www.inc.com/home/> The daily resource for entrepreneurs.

<http://www.northcountrysbdc.com/> Check the latest in training programs from the Small Business Development Center or schedule an appointment.

<http://www.mindyourownbiz.org/default.shtml> Created by the U.S. Small Business Administration and Junior Achievement, this site walks you through five easy steps of business ownership - whether you've just had a brainstorm for your first business venture or you've been at it a few years.

<http://www.nfib.com/page/home> The National Federation of Independent Business is the nation's largest small business advocacy group representing the consensus views of its 600,000 members in DC and all 50 state capitals

<http://www.nylovessmallbiz.com> Resources for starting and expanding businesses in New York State.

<http://www.sba.gov/> Small business resources from the US Small Business Administration.

<http://www.toolkit.cch.com/> Business Owner's Toolkit – Total know-how for small business

<http://www.workingsolo.com/index.html> The information source for independent entrepreneurs and companies serving the SOHO (Small office/home office) market.

Taxes and Regulatory Assistance

<http://www.irs.gov> Internal Revenue Service - information and downloadable tax forms

<http://www.nys-opal.com> NYS Governor's Office of Regulatory Reform On-Line Permit Assistance and Licensing (OPAL)

<http://www.nystax.gov> NYS Department of Taxation and Finance - information and downloadable tax forms

<http://www.clintoncountygov.com/> Clinton County Government – information on county government and services

<http://www.co.essex.ny.us/> Essex County Government – information on county government and services

<http://franklincony.org/content> Franklin County Government – information on county government and services

<http://hamiltoncounty.com/> Hamilton County Government – information on county government and services

<http://www.co.warren.ny.us/> Warren County Government – information on county government and services

Sources of Reference

http://www.sba.gov/starting_business/start-up/entreuriatetest.html

http://www.sba.gov/pa/phil/Phil_BusinessFeasability.pdf

<http://www.toolkit.cch.com>

<http://www.home-business-savvy.com/home-business-grants.html>

<http://www.ftc.gov>

Publication 20: New York State Tax Guide for New Businesses

Publication 750: A Guide To Sales Tax in New York State

Publication 533: Self Employment Tax

Mark L. Bargar, Esq. Choosing Among the Various Business Entities in New York State

Basic IRS Tax Requirements Workshop Participant Manual

Special thanks to: SBDC at Farmingdale: Business Basics: Starting Off on the Right Path
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Mengyuan Tong