STARTING A BUSINESS

10 steps to starting a business

Starting a business involves planning, making key financial decisions and completing a series of legal activities. These 10 easy steps can help you plan, prepare and manage your business.

1

WRITE A BUSINESS PLAN

A written description of your business's future, usually 3-5 years out.

2

GET BUSINESS ASSISTANCE AND TRAINING

Counseling, mentoring and training programs are available to assist you in starting your business.

3

CHOOSE A BUSINESS LOCATION

Consider how to select a customer-friendly location and comply with zoning laws.

4

FINANCE YOUR BUSINESS

Find government backed loans, venture capital and research grants to help you get started.

5

DETERMINE THE LEGAL STRUCTURE OF YOUR BUSINESS

Decide which form of ownership is best for you: sole proprietorship, partnership, Limited Liability Company (LLC), corporation, S corporation, nonprofit or cooperative.

6

REGISTER A BUSINESS NAME ("DOING BUSINESS AS")

Register your business name with your state government.

7

GET A TAX IDENTIFICATION NUMBER

Learn which tax identification number you'll need to obtain from the IRS and your state revenue agency.

8

REGISTER FOR STATE AND LOCAL TAXES

Register with your state to obtain a tax identification number, workers' compensation, unemployment and disability insurance.

9

OBTAIN BUSINESS LICENSES AND PERMITS

Get a list of federal, state and local licenses and permits required for your business.

10

UNDERSTAND EMPLOYER RESPONSIBILITIES

Learn the legal steps you need to take to hire employees.

BUSINESS TYPES

GREEN BUSINESSES

The explosion of organic and eco-friendly products on retail store shelves is more than just a passing fad. It's big business. This reality presents opportunities for environmentally minded entrepreneurs ready to start their own small business. Successful green businesses not only benefit the environment, but also use green business practices as a means to market their products.

If you are thinking of starting a green business, consider the following tips:

1. Get Certified
To differentiate your product or service as environmentally sound, consider obtaining certification from an independent, third-party. Being certified means that you can include their "eco-label" on your product's label and other marketing materials. This eco-label is important for attracting "green" customers and can strengthen the value of your brand.

2. Join Industry Partnerships
The U.S. Environmental Protection Agency (EPA) sponsors a wide variety of industry partnership and product stewardship programs that aim to reduce the impact of industrial activities on the environment. Joining one of these programs helps you connect with others in your industry, grow your brand, and protect the environment and natural resources.

STARTUPS & HIGH GROWTH BUSINESSES

In the world of business, the word "startup" goes beyond a company just getting off the ground. The term startup is also associated with a business that is typically technology oriented and has high growth potential. Startups have some unique struggles, especially in regards to financing. That's because investors are looking for the highest potential return on investment, while balancing the associated risks. Here are some important things to consider when considering starting your business.

Financing a Startup
From seed capital to capital for expansion, getting financing is one of the most important activities for a startup. Making sure you can impress the venture capitalists and the angel investors takes preparation and practice.

Intellectual Property
Entrepreneurs with high-growth startups need to make sure they have their ideas protected. In the early stages of business, the idea is the driving force. Learn how to protect yourself and your startup through intellectual property protection methods.

Marketing & Social Media
Like most small businesses, marketing should be on every startup owner's agenda. Creating a brand and making sure that your customers and potential customers know about your technology, innovation, or idea is important. Develop your marketing strategy before your startup begins operations.

Mentoring & Training
Creating a startup can be an overwhelming endeavor,

but finding a mentor and additional resources can help keep you on the track toward success. Gain invaluable insight from mentors or counselors during the beginning stages of your business to help you avoid common mistakes.

Environmental Factors
A growing number of startups view global environmental problems as business opportunities. Learn about environmental regulations, along with opportunities for businesses in the green sector. Learn how to make your startup a green business. Help your startup join the Green movement and learn about Green Technology innovation grants and technical assistance.

Hiring Employees & Independent Contractors
Entrepreneurs need help to initiate and expand their startups. Make sure that you are hiring the right people and understand the difference between an employee and an independent contractor. Know the basics of hiring for your startup and learn what hiring means for your startup, from taxes to liabilities. Manage worker issues effectively by understanding proper Human Resource procedures.

HOME-BASED BUSINESSES

Starting a home-based business has many rewards as well as challenges.

Start a Home-Based Business
If you have decided you are ready to start a home-based business, then you might already have an idea and/or the products you want to market. If not, think about your background, what you are good at, and what experience you have. This exploration can get you on your way to coming up with a sound idea.

Financing a Home-Based Business
Federal agencies do not provide grants for starting a home-based business. However, there are a number of low-interest loan programs that help individuals obtain startup financing.

ONLINE BUSINESSES

Establishing a business presence on the Internet can be a lucrative way to sell, market and advertise your business's goods and services. Here are some steps to help you set up your online business.

1. Start a Business
Regardless of where you choose to operate your business, certain general requirements always apply. Before you can begin completing specific online business steps you must follow the basic rules for starting a business.

2. Register a Domain Name
A domain name is the web address of your online business. Choosing and registering a domain name is the first step to starting an online business. After you've chosen the name you'd like to register, the process is simple and cost-friendly. Where to register your name is up to the discretion of individual businesses. Be careful to avoid possible security risks by becoming aware of potential scams. The Federal Trade Commission issued a consumer alert about Domain Name Registration Scams. The Internet Corporation for Assigned Names and Numbers is the non-profit corporation that has technical oversight of Internet protocol address space allocation, protocol parameter assignment, domain name system management and root server system

management functions. It provides current news on issues surrounding domain names.

3. Select a Web Host
A web host provides you with the space and support to create your website. Choosing the host that best suits a business is up to the discretion of that business. Costs and abilities, such as site maintenance, search registration, and site development, vary from host to host but it is important for it to be both reliable and secure.

4. Design Your Website
The website of your online business is extremely important to its success. Because you don't have a physical location, this is considered your "store front". Websites can be designed personally, by hiring someone to work as your site designer, or by using an independent design firm. Be sure to comply with U.S. trademark and intellectual property laws. The same laws and regulations apply to online businesses as regular businesses. Search for trademarks currently in use to avoid infringing on another company's rights on your website.

5. Begin Advertising and Marketing
Similar to the traditional market place, online businesses cannot be successful without customers. For online businesses, these customers come in the form of site visitors or viewers. Generating the highest amount of traffic possible on your website will create the highest chance that those visitors will become customers. Register with search engines and use keywords that will drive the most traffic to your site. Advertising and marketing on the internet is regulated very similarly to the real world, and many of the same rules apply. The Federal Trade Commission has created several guides to help online businesses comply with these regulations.

6. Comply with Online Business Regulations
Online businesses must comply with special laws and regulations that apply only to them. A lawyer that specializes in internet law can assist businesses with all aspects of starting and operating an online business. Contact an expert at the Federal Trade Commission for more information.

7. Find State and Local Compliance Information
In addition to Federal requirements, businesses must know and comply with state and local laws and regulations.

8. Learn Federal, State, and Local Tax Requirements
Online businesses are required to follow the same federal, state and local tax laws as regular businesses. If you are operating your online business in a state that charges a sales tax; or levies a gross receipts or excise tax on businesses, you may have to apply for a tax permit or otherwise register with your state revenue agency. Online businesses are responsible for collecting state and local sales taxes from their customers when applicable, and paying these taxes to state and local revenue agencies.

9. Understand International Trade Laws
Operating internationally requires many additional considerations from finding overseas markets and suppliers to shipping and tax regulations. Follow international trade laws for online business to be sure you are in compliance with all regulations.

FRANCHISE BUSINESSES

the risk of starting your own business from scratch? Franchising can be a great alternative if you want to have some guidance in the start-up phase of the business.

What is Franchising?
A franchise is a business model that involves one business owner licensing trademarks and methods to an independent entrepreneur. Sometimes, franchises are referred to as chains.

- **Product/trade name franchising:** Franchisor owns the right to the name or trademark and sells that right to a franchisee.

- **Business format franchising:** Franchiser and franchisee have an ongoing relationship, and the franchiser often provides a full range of services, including site selection, training, product supply, marketing plans and even assistance in obtaining financing.

Investing in a Franchise

Before you decide to franchise, you need to do your research. You could lose a significant amount of money if you do not investigate a business carefully before you buy. By law, franchise sellers must disclose certain information about their business to potential buyers. Make sure you get all the information you need first before entering into this form of business.

The decision to purchase a franchise involves many factors. To help you explore if franchising is right for you, consider the following questions:

- **Do you know how much you can invest?**
- **What are your abilities?**
- **What are your goals?**

Franchising Strategy

You need a strategy before investing in a franchise. Doing your homework about the franchise first will help you gain a solid understanding of what to expect as well as the risks that could be involved.

- **Do Your Research:** In addition to the routine investigation that should be conducted prior to any business purchase, you should be able to contact other franchisees before deciding to invest. You can obtain a Uniform Franchise Offering Circular (UFOC), which contains vital details about the franchise's legal, financial and personnel history, before you sign a contract.

- **Pay Attention to the Details**: Before entering into any contract as a franchisee, you should make sure that you would have the right to use the franchise name and trademark, receive training and management assistance from the franchiser, use the franchiser's expertise in marketing, advertising, facility design, layouts, displays and fixtures and do business in an area protected from other competing franchisees.

- **Watch Out for Possible Pitfalls:** The contract between the two parties usually benefits the franchiser far more than the franchisee. The franchisee is generally subject to meeting sales quotas and is required to purchase equipment, supplies and inventory exclusively from the franchiser.

- **Seek Professional Help:** The tax rules surrounding franchises are often complex, and an attorney, preferably a specialist in franchise law, should assist you to evaluate the franchise package and tax considerations. An accountant may be needed to determine the full costs of purchasing and operating the business as well as to assess the potential profit to the franchisee.

Buying Existing Businesses

For some entrepreneurs, buying an existing business represents less of a risk than starting a new business from scratch. While the opportunity may be less risky in some aspects, you must perform due diligence to ensure that you are fully aware of the terms of the purchase. Here are a few steps to help you figure out if this is the right type of business for you, as well as other important aspects to consider when buying an existing business.

The Steps to Start Looking for a Business

1. Identify Your Interests:

Consider what areas of business interest you and focus there first. If you have absolutely no idea what business you want to invest in, first eliminate businesses that are of no interest to you.

2. Consider Your Talents:

Being honest about your skills and experience can help you eliminate unrealistic business ventures and discover opportunities you might not have previously considered.

3. List Conditions for Your Business:

Consider if a business has a condition that is unfavorable to you, such as location and time commitment. Make sure you know all the conditions of owning a particular business and can live with those conditions before deciding to buy a business.

4. Quantify Your Investment:

Finding profitable businesses for sale at reasonable prices can be difficult. Ask yourself why this business is for sale in the first place. Make sure the numbers work before buying. Do not invest more money in a business then you can reasonably estimate you will make from running the business.

Advantages to Choosing an Existing Business

There are many favorable aspects to buying an existing business such as drastic reduction in startup costs. You may be able to jump start your cash flow immediately because of existing inventory and receivables.

Disadvantages to Choosing an Existing Business

There are also some downsides to buying an existing business. Purchasing cost may be much higher than the cost of starting a new business because of the initial business concept, customer base, brand and other fundamental work that has already been done. Also, be aware of hidden problems associated with the business like debts the business is owed that you may not be able to collect.

Doing Due Diligence

As you become a business owner, there are items that need to be addressed before entering into any business agreements or transactions.

- **Obtain all Licenses and Permits:** Most businesses need licenses and permits to operate.
- **Zoning Requirements:** Zoning requirements may affect the type of business that you are intending to operate in a particular area.
- **Environmental Concerns:** If you are acquiring real property along with the business, it is important to check the environmental regulations in the area.

Determining the Value of a Business

There are a number of different methods to determine a fair and equitable price for the sale of the business. Here are a few:

- **Capitalized Earning Approach:** This method refers to the return on the investment that is expected by an investor.
- **Excess Earning Method:** Similar to the capitalized earning method, except that it separates return on assets from other earnings.
- **Cash Flow Method:** This method is typically used when attempting to determine how much of a loan the cash flow of the business will support. The adjusted cash flow is used as a benchmark to measure the firm's ability to service debt.
- **Tangible Assets (Balance Sheet) Method:** This method values the business by the tangible assets.
- **Value of Specific Intangible Assets Method:** This method compares buying a wanted intangible asset versus creating it.

Doing Research for Purchasing a Business

Once you have found a business that you would like to buy, it is important to conduct a thorough, objective investigation. The following list includes important information you want to include when researching the business you want to buy.

Letter of Intent: The letter of intent should spell out the proposed price, the terms of the purchase and the conditions for the sale of the business.

Confidentiality Agreement: A confidentiality agreement indicates that you will not use the information about the seller's business for any purpose other than making the decision to buy it.

Contracts and Leases: If the business has a current lease for the location, be aware that you may have to work with the landlord to assume any existing lease on the business premises or negotiate a new lease.

Financial Statements: Examine the financial statements from the business for at least the past three to five years. Also make sure that an audit letter accompanies the statements from a reputable CPA firm. You should not accept a simple financial review by the business itself.

Tax Returns: Review the business's tax returns from the past three to five years. This will help you determine the profitability of the business as well as any outstanding tax liability.

Important Documents: Numerous documents should be checked during your investigation. Examples include property documents, customer lists, sales records, advertising materials, employee and manager information and contracts.

Professional Help: A qualified attorney should be enlisted to help review the legal and organizational documents of the business you are planning to purchase. Also, an accountant can help with a thorough evaluation of the financial condition of the business.

Sales Agreement for Buying a Business

The sales agreement is the key document to finalize the purchase of the business. This agreement defines everything that you intend to purchase including business assets, customer lists, intellectual property and goodwill. If you do not have a lawyer to help you draft the terms of the sale, you should at least have one review the agreement before you sign it.

✓ Checklist for Closing the Deal on Buying a Business

The closing is the final step in the process of buying a business. Keep in mind that you should have legal counsel available to review all documentation necessary for the transfer of the business.

- ✓ **Adjusted Purchase Price:** This will include prorated items such as rent, utilities and inventory up to the time of closing.
- ✓ **Review Required Documents:** These documents should include a corporate resolution approving the sale, evidence that the corporation is in good standing, or any tax releases that may have been promised by the seller. Check with your local department of corporations or Secretary of State for more information.
- ✓ **Signing Promissory Note:** In some cases, the seller will have back financing, so have an attorney review any note documentation.
- ✓ **Security Agreements:** A security agreement lists the assets that will be used for security as a promise for payment of the loan. UCC Financing Statements: Uniform Commercial Code documents are recorded with the Secretary of State in the state you will be purchasing your business.
- ✓ **Lease:** If you agree to take over the lease, make sure that you have the landlord's concurrence. If you are negotiating a new lease with the landlord instead of assuming the existing lease, make sure both parties are in agreement of the terms of the new lease.
- ✓ **Vehicles:** If the purchase of the business includes vehicles, you may have to complete transfer documents for the vehicles. Check with your local Department of Motor Vehicles to determine the correct procedure and necessary forms.
- ✓ **Bill of Sale:** The bill of sale proves the sale of the business. It also explicitly transfers ownership of tangible business assets not specifically transferred on their own.
- ✓ **Patents, Trademarks and Copyrights:** If there

are any patents, trademarks and/or copyrights associated with the business, you may need to complete the necessary forms as part of the transaction.

- ✓ **Franchise:** You may need to complete franchise documents if the business is a franchise.

- ✓ **Closing or Settlement Sheet:** The closing or settlement sheet will list all financial aspects of the transaction. Everything listed on the settlement should have been negotiated prior to the closing.

- ✓ **Covenant:** Not to Compete. It is a good idea to have the seller sign an agreement to not compete against the business. This will help prevent any interference from the previous owner.

- ✓ **Consultation/Employment Agreement:** If the seller is agreeing to remain on for a specified amount of time, this documentation is necessary for legal purposes.

- ✓ **Complete IRS Form 8594 Asset Acquisition Statement:** This document will indicate how the purchase was allocated and the amount of assets, which are important for your tax return.

- ✓ **Bulk Sale Laws:** Make sure that you comply with bulk sale laws, which govern the sale of business inventory.

SELF EMPLOYED & INDEPENDENT CONTRACTORS

Self Employed: As an individual conducting your own business, you may want some guidance along the way. For example, what taxes do you need to pay?

Financing a Business
Federal and state government agencies do not provide grants to self-employed individuals for starting a business. However, there are a number of low-interest loan programs that help individuals obtain startup financing.

Government Contracting Opportunities
The government provides many opportunities for small businesses. The following guide provides information on programs that help small businesses successfully compete for federal contracting opportunities.

Independent Contractor: Commonly known as consultants, freelancers and self-employed, independent contractors are individuals who are hired to do a particular job, receiving payment only for the work being done. Independent contractors are business owners, and are not their clients' employees. They do not receive employee benefits or the same legal protections as employees, and are often responsible for their own expenses.

Start Your Business
As an independent contractor, you will also want to create a standard agreement for your services. The U.S. Chamber of Commerce provides a sample agreement. You can find a number of other sample agreements on the Internet, but it is best to consult an attorney to draft one specifically for your business, since your agreement will be a legal document between you and your client.

Find Business Opportunities
Large and small businesses, organizations and government agencies hire independent contractors for a wide variety of jobs, from professionals such as accountants and engineers to trades like construction and trucking.

Operate Your Business
As an independent contractor, you are responsible for paying your own taxes, Social Security, unemployment taxes, workers' compensation, health insurance and other benefits. In addition, you and your client should understand the differences between an independent contractor and an employee, as well as your legal rights and responsibilities.

Pay Your Taxes
Independent contractors must pay federal taxes on

income and FICA; however, your client will not withhold taxes for you. As a business owner, you will need to pay estimated taxes throughout the year instead of once a year on April 15.

Are You an Employee or Independent Contractor?
Just because you or your client calls you an independent contractor doesn't mean that you are one. There are legal requirements that classify workers into employees and independent contractors. Before starting your first job (or even the next one), it's important to become familiar with these distinctions.

As an independent contractor, you do not have the same legal rights and protections as employees:

- You are paid only for the work performed. Your clients are not required to pay employee benefits under the Fair Labor Standards Act (FLSA), including overtime and minimum wage.
- You are not covered under your clients' workers' compensation benefits.
- You are not entitled to receive your clients' employee benefits.
- You are not covered under Equal Employment Opportunity laws as they apply to your client's relationship with its employees.
- Your taxes are not withheld and paid by your client, including income, FICA and unemployment.
- If your client misclassifies you as an employee, they may be required to pay back taxes, and provide employee benefits, workers' compensation, unemployment and more.

Just as your client should be very careful to distinguish between employees and contractors, so should you. If you feel you are being treated as an employee, complete Form SS-8 to ask the IRS to make a determination. If the IRS determines you are an employee, you should immediately contact an attorney. You may be able to file a lawsuit against the employer under FLSA, state unemployment or workers' compensation laws and others.

PEOPLE WITH DISABILITIES

Starting a business can be a great opportunity for many people with disabilities. In addition to meeting career aspirations and goals, owning your own business can provide benefits such as work flexibility and financial stability.

Financing a Business:
Federal and state government agencies do not provide grants to people with disabilities for starting a business. However, there are a number of low-interest loan programs that help disabled people obtain startup financing.

CREATE YOUR BUSINESS PLAN

A business plan is an essential roadmap for business success. This living document generally projects 3-5 years ahead and outlines the route a company intends to take to grow revenues.

EXECUTIVE SUMMARY

The executive summary is often considered the most important section of a business plan. This section briefly tells your reader where your company is, where you want to take it, and why your business idea will be successful. If you are seeking financing, the executive summary is also your first opportunity to grab a potential investor's interest. The executive summary should highlight the strengths of your overall plan and therefore be the last section you write. However, it usually appears first in your business plan document.

WHAT TO INCLUDE IN YOUR EXECUTIVE SUMMARY

If You Are an Established Business

If you are an established business, be sure to include the following information:

- **The Mission Statement** – This explains what your business is all about. It should be between several sentences and a paragraph.

- **Company Information** – Include a short statement that covers when your business was formed, the names of the founders and their roles, your number of employees and your business location(s).

- **Growth Highlights** – Include examples of company growth, such as financial or market highlights (for example, "XYZ Firm increased profit margins and market share year-over-year since its foundation). Graphs and charts can be helpful in this section.

- **Your Products/Services** -- Briefly describe the products or services you provide.

- **Financial Information** – If you are seeking financing, include any information about your current bank and investors.

- **Summarize future plans** – Explain where you would like to take your business.

With the exception of the mission statement, all of the information in the executive summary should be covered in a concise fashion and kept to one page. The executive summary is the first part of your business plan many people will see, so each word should count.

If You Are a Startup or New Business

If you are just starting a business, you won't have as much information as an established company. Instead, focus on your experience and background as well as the decisions that led you to start this particular enterprise. Demonstrate that you have done thorough market analysis. Include information about a need or gap in your target market, and how your particular solutions can fill it. Convince the reader that you can succeed in your target market, then address your future plans.

COMPANY DESCRIPTION

This section of your business plan provides a high-level review of the different elements of your business. This is akin to an extended elevator pitch and can help readers and potential investors quickly understand the goal of your business and its unique proposition.

What to Include in Your Company Description

- Describe the nature of your business and list the marketplace needs that you are trying to satisfy.
- Explain how your products and services meet these needs.
- List the specific consumers, organizations or businesses that your company serves or will serve.
- Explain the competitive advantages that you believe will make your business a success such as your location, expert personnel, efficient operations, or ability to bring value to your customers.

MARKET ANALYSIS

The market analysis section of your business plan should illustrate your industry and market knowledge as well as any of your research findings and conclusions.

WHAT TO INCLUDE IN YOUR MARKET ANALYSIS

Industry Description and Outlook – Describe your industry, including its current size and historic growth rate as well as other trends and characteristics (e.g., life cycle stage, projected growth rate). Next, list the major customer groups within your industry.

Information About Your Target Market – Narrow your target market to a manageable size. Many businesses make the mistake of trying to appeal to too many target markets.

Distinguishing characteristics – What are the critical needs of your potential customers? Are those needs being met? What are the demographics of the group and where are they located? Are there any seasonal or cyclical purchasing trends that may impact your business?

Size of the primary target market – In addition to the size of your market, what data can you include about the annual purchases your market makes in your industry? What is the forecasted market growth for this group?

How much market share can you gain? – What is the market share percentage and number of customers you expect to obtain in a defined geographic area? Explain the logic behind your calculation.

Pricing and gross margin targets – Define your pricing structure, gross margin levels, and any discount that you plan to use.

When you include information about any of the market tests or research studies you have completed, be sure to focus only on the results of these tests. Any other details should be included in the appendix.

Competitive Analysis – Your competitive analysis should identify your competition by product line or service and market segment. Assess the following characteristics of the competitive landscape:

- Market share.
- Strengths and weaknesses.
- How important is your target market to your competitors?
- Are there any barriers that may hinder you as you enter the market?
- What is your window of opportunity to enter the market?
- Are there any indirect or secondary competitors who may impact your success?
- What barriers to market are there (e.g., changing technology, high investment cost, lack of quality personnel)?

Regulatory Restrictions – Include any customer or governmental regulatory requirements affecting your business, and how you'll comply. Also, cite any operational or cost impact the compliance process will have on your business.

ORGANIZATION & MANAGEMENT

This section should include: your company's organizational structure, details about the ownership of your company, profiles of your management team and the qualifications of your board of directors.

Who does what in your business? What is their background and why are you bringing them into the business as board members or employees? What are they responsible for? These may seem like unnecessary questions to answer in a one- or two-person organization, but the people reading your business plan want to know who's in charge, so tell them. Give a detailed description of each division or department and its function.

This section should include who's on the board (if you have an advisory board) and how you intend to keep them there. What kind of salary and benefits package do you have for your people? What incentives are you offering? How about promotions?

Organizational Structure

A simple but effective way to lay out the structure of your company is to create an organizational chart with a narrative description. This will prove that you're leaving nothing to chance, you've thought out exactly who is doing what, and there is someone in charge of every function of your company. Nothing will fall through the cracks, and nothing will be done three or four times over. To a potential investor or employee, that is very important.

Ownership Information

The following important ownership information should be incorporated into your business plan:

- Names of owners
- Percentage ownership
- Extent of involvement with the company
- Forms of ownership (i.e., common stock, preferred stock, general partner, limited partner)
- Outstanding equity equivalents (i.e., options, warrants, convertible debt)
- Common stock (i.e., authorized or issued).
- Management Profiles

Experts agree that one of the strongest factors for success in any growth company is the ability and track record of its owner/management team, so let your reader know about the key people in your company and their backgrounds. Provide resumes that include the following information:

- Name
- Position (include brief position description along with primary duties)
- Primary responsibilities and authority
- Education
- Unique experience and skills
- Prior employment
- Special skills
- Past track record
- Industry recognition
- Community involvement
- Number of years with company
- Compensation basis and levels (make sure these are reasonable -- not too high or too low)
- Be sure you quantify achievements (e.g. "Managed a sales force of ten people," "Managed a department of fifteen people," "Increased revenue by 15 percent in the first six months," "Expanded the retail outlets at the rate of two each year," "Improved the customer service as rated by our customers from a 60 percent to a 90 percent rating")

Also highlight how the people surrounding you complement your own skills. If you're just starting out, show how each person's unique experience will contribute to the success of your venture.

Board of Directors' Qualifications

The major benefit of an unpaid advisory board is that it can provide expertise that your company cannot otherwise afford. A list of well-known, successful business owners/managers can go a long way toward enhancing your company's credibility and perception of management expertise. If you have a board of directors, be sure to gather the following information when developing the outline for your business plan:

- Names
- Positions on the board
- Extent of involvement with company
- Background
- Historical and future contribution to the company's success

SERVICE OR PRODUCT LINE

Once you've completed the Organizational and Management section of your plan, the next part of your business plan is where you describe your service or product, emphasizing the benefits to potential and current customers. Focus on why your particular product will fill a need for your target customers.

WHAT TO INCLUDE IN YOUR SERVICE OR PRODUCT LINE SECTION

A Description of Your Product / Service

Include information about the specific benefits of your product or service – from your customers' perspective. You should also talk about your product or service's ability to meet consumer needs, any advantages your product has over that of the competition, and the current development stage your product is in (e.g., idea, prototype).

Details About Your Product's Life Cycle
Include information about where your product or service is in its life cycle, as well as any factors that may influence its cycle in the future.

Intellectual Property
If you have any existing, pending, or any anticipated copyright or patent filings, list them here. Also disclose whether any key aspects of a product may be classified as trade secrets. Last, include any information pertaining to existing legal agreements, such as nondisclosure or non-compete agreements.

Research and Development (R&D) Activities
Outline any R&D activities that you are involved in or are planning. What results of future R&D activities do you expect? Be sure to analyze the R&D efforts of not only your own business, but also of others in your industry.

MARKETING & SALES

Marketing is the process of creating customers, and customers are the lifeblood of your business. In this section, the first thing you want to do is define your marketing strategy. However, there are common steps you can follow which will help you think through the direction and tactics you would like to use to drive sales and sustain customer loyalty.

An **overall marketing strategy** should include four different strategies:

- **A market penetration strategy.** This strategy establishes how you plan to entice your target market to buy your product or service.
- **A growth strategy.** This strategy for building your business might include: an internal strategy such as how to increase your human resources, an acquisition strategy such as buying another business, a franchise strategy for branching out, a horizontal strategy where you would provide the same type of products to different users, or a vertical strategy where you would continue providing the same products but would offer them at different levels of the distribution chain.
- **Channels of distribution strategy.** Choices for distribution channels could include original equipment manufacturers (OEMs), an internal sales force, distributors, or retailers.
- **Communication strategy.** How are you going to reach your customers? Usually a combination of the following tactics works the best: promotions, advertising, public relations, personal selling, and printed materials such as brochures, catalogs, fliers, etc. However, these

After you have developed a comprehensive marketing strategy, you can then define your sales strategy. This covers how you plan to actually sell your product.

Your **overall sales strategy** should include two primary elements:

- **A sales force strategy.** If you are going to have a sales force, do you plan to use internal or independent representatives? How many salespeople will you recruit for your sales force? What type of recruitment strategies will you use? How will you train your sales force? What about compensation for your sales force?
- **Your sales activities.** When you are defining your sales strategy, it is important that you break it down into activities. For instance, you need to identify your prospects. Once you have made a list of your prospects, you need to prioritize the contacts, selecting the leads with the highest potential to buy first. Next, identify the number of sales calls you will make over a certain period of time. From there, you need to determine the average number of sales calls you will need to make per sale, the average dollar size per sale, and the average dollar size per vendor.

FUNDING REQUEST

If you are seeking funding for your business venture, your funding request should include the following information:

- Your current funding requirement

- Any future funding requirements over the next five years
- How you intend to use the funds you receive:

  Is the funding request for capital expenditures?

  Working capital? Debt retirement? Acquisitions? Whatever it is, be sure to list it in this section.
- Any strategic financial situational plans for the future, such as: a buyout, being acquired, debt repayment plan, or selling your business. These areas are extremely important to a future creditor, since they will directly impact your ability to repay your loan(s).

When you are outlining your funding requirements, include the amount you want now and the amount you want in the future. Also, include the time period that each request will cover, the type of funding you would like to have (e.g., equity, debt) and the terms that you would like to have applied. To support your funding request, you'll also need to provide historical and prospective financial information.

FINANCIAL PROJECTIONS

Financial Projections
You should develop the Financial Projections section after you've analyzed the market and set clear objectives. That's when you can allocate resources efficiently. The following is a list of the critical financial statements to include in your business plan packet.

Historical Financial Data
If you own an established business, you will be requested to supply historical data related to your company's performance. Most creditors request data for the last three to five years, depending on the length of time you have been in business. The historical financial data to include are your company's income statements, balance sheets and cash flow statements for each year you have been in business (usually for up to three to five years). Often, creditors are also interested in any collateral that you may have that could be used to ensure your loan, regardless of the stage of your business.

Prospective Financial Data
All businesses, whether startup or growing, will be required to supply prospective financial data. Most of the time, creditors will want to see what you expect your company to be able to do within the next five years. Each year's documents should include forecasted income statements, balance sheets, cash flow statements and capital expenditure budgets. For the first year, you should supply monthly or quarterly projections. After that, you can stretch it to quarterly and/or yearly projections for years two through five. Make sure that your projections match your funding requests. Creditors will be on the lookout for inconsistencies. It's much better if you catch mistakes before they do. If you have made assumptions in your projections, be sure to summarize what you have assumed. This way, the reader will not be left guessing. Finally, include a short analysis of your financial information. Include a ratio and trend analysis for all of your financial statements (both historical and prospective). Since pictures speak louder than words, you may want to add graphs of your trend analysis (especially if they are positive).

APPENDIX

The Appendix should be provided to readers on an as-needed basis. In other words, it should not be included with the main body of your business plan. Your plan is your communication tool and as such, it will be seen by a lot of people. Some of the information in the business section you will not want everyone to see, but specific individuals (such as creditors) may want access to this information to make lending decisions. Therefore, it is important to have the appendix within easy reach.

- Credit history (personal & business)
- Resumes of key managers
- Product pictures
- Letters of reference
- Details of market studies
- Relevant magazine articles or book references
- Licenses, permits or patents
- Legal documents
- Copies of leases
- Building permits
- Contracts
- List of business consultants, including attorney and accountant

Any copies of your business plan should be controlled. Keep a distribution record. This will allow you to update and maintain your business plan on an as-needed basis. Remember, too, that you should include a private placement disclaimer with your business plan if you plan to use it to raise capital.

HOW TO MAKE YOUR BUSINESS PLAN STAND OUT

One of the first steps to business planning is determining your target market and why they would want to buy from you. For example, is the market you serve the best one for your product or service? Are the benefits of dealing with your business clear and are they aligned with customer needs? If you're unsure about the answers to any of these questions, take a step back and revisit the foundation of your business plan.

Be Clear About What You Have to Offer

Ask yourself: Beyond basic products or services, what are you really selling? Consider this example: Your town probably has several restaurants all selling one fundamental product—food. But, each is targeted at a different need or clientele. One might be a drive-thru fast food restaurant, perhaps another sells pizza in a rustic Italian kitchen, and maybe there's a fine dining seafood restaurant that specializes in wood-grilled fare. All these restaurants sell meals, but they sell them to targeted clientele looking for the unique qualities each has to offer. What they are really selling is a combination of product, value, ambiance and brand experience. When starting a business, be sure to understand what makes your business unique. What needs does your product or service fulfill? What benefits and differentiators will help your business stand out from the crowd?

Don't Become a Jack-Of-All-Trades

It's important to clearly define what you're selling. You do not want to become a jack-of-all trades and master of none because this can have a negative impact on business growth. As a smaller business, it's often a better strategy to divide your products or services into manageable market niches. Small operations can then offer specialized goods and services that are attractive to a specific group of prospective buyers.

Identify Your Niche

Creating a niche for your business is essential to success. Often, business owners can identify a niche based on their own market knowledge, but it can also be helpful to conduct a market survey with potential customers to uncover untapped needs. During your research process, identify the following:

- Which areas your competitors are already well-established
- Which areas are being ignored by your competitors
- Potential opportunities for your business

CHOOSE YOUR BUSINESS STRUCTURE

The business structure you choose will have legal and tax implications. Learn about the different types of business structures and find the one best suited for your business.

SOLE PROPRIETORSHIP

A sole proprietorship is the simplest and most common structure chosen to start a business. It is an unincorporated business owned and run by one individual with no distinction between the business and you, the owner. You are entitled to all profits and are responsible for all your business's debts, losses and liabilities.

ADVANTAGES OF A SOLE PROPRIETORSHIP

- **Easy and inexpensive to form.** A sole proprietorship is the simplest and least expensive business structure to establish. Costs are minimal, with legal costs limited to obtaining the necessary license or permits.

- **Complete control.** Because you are the sole owner of the business, you have complete control over all decisions. You aren't required to consult with anyone else when you need to make decisions or want to make changes.

- **Easy tax preparation.** Your business is not taxed separately, so it's easy to fulfill the tax reporting requirements for a sole proprietorship. The tax rates are also the lowest of the business structures.

DISADVANTAGES OF A PROPRIETORSHIP

- **Unlimited personal liability.** Because there is no legal separation between you and your business, you can be held personally liable for the debts and obligations of the business. This risk extends to any liabilities incurred as a result of employee actions.

- **Hard to raise money.** Sole proprietors often face challenges when trying to raise money. Because you can't sell stock in the business, investors won't often invest. Banks are also hesitant to lend to a sole proprietorship because of a perceived lack of credibility when it comes to repayment if the business fails.

- **Heavy burden.** The flipside of complete control is the burden and pressure it can impose. You alone are ultimately responsible for the successes and failures of your business.

LIMITED LIABILITY COMPANY

A limited liability company (LLC) is a hybrid type of legal structure that provides the limited liability features of a corporation and the tax efficiencies and operational flexibility of a partnership. The "owners" of an LLC are referred to as "members." Depending on the state, the members can consist of a single individual (one owner), two or more individuals, corporations or other LLCs. Unlike shareholders in a corporation, LLCs are not taxed as a separate business entity. Instead, all profits and losses are "passed through" the business to each member of the LLC. LLC members report profits and losses on their personal federal tax returns, just like the owners of a partnership would.

ADVANTAGES OF AN LLC

- **Limited Liability.** Members are protected from personal liability for business decisions or actions of the LLC. This means that if the LLC incurs debt or is sued, members' personal assets are usually exempt. This is similar to the liability protections afforded to shareholders of a corporation. Keep in mind that limited liability means "limited" liability - members are not necessarily shielded from wrongful acts, including those of their employees.

- **Less Recordkeeping.** An LLC's operational ease is one of its greatest advantages. Compared to an S-Corporation, there is less registration paperwork and there are smaller start-up costs.

- **Sharing of Profits.** There are fewer restrictions on profit sharing within an LLC, as members distribute profits as they see fit. Members might contribute different proportions of capital and sweat equity. Consequently, it's up to the members themselves to decide who has earned what percentage of the profits or losses.

DISADVANTAGES OF AN LLC

- **Limited Life.** In many states, when a member leaves an LLC, the business is dissolved and the members must fulfill all remaining legal and business obligations to close the business. The remaining members can decide if they want to start a new LLC or part ways. However, you can include provisions in your operating agreement to prolong the life of the LLC if a member decides to leave the business.

- **Self-Employment Taxes.** Members of an LLC are considered self-employed and must pay the self-employment tax contributions towards Medicare and Social Security. The entire net income of the LLC is subject to this tax.

COOPERATIVE

A cooperative is a business or organization owned by and operated for the benefit of those using its services. Profits and earnings generated by the cooperative are distributed among the members, also known as user-owners. Usually, an elected board of directors and officers run the cooperative while regular members have voting power to control the direction of the cooperative. Members can become part of the cooperative by purchasing shares, though the amount of shares they hold does not affect the weight of their vote. Cooperatives are common in the healthcare, retail, agriculture, art and restaurant industries.

ADVANTAGES OF A COOPERATIVE

- **Less Taxation.** Similar to an LLC, cooperatives that are incorporated normally are not taxed on surplus earnings (or patronage dividends) refunded to members. Therefore, members of a cooperative are only taxed once on their income from the cooperative and not on both the individual and the cooperative level.

- **Funding Opportunities.** Depending on the type of cooperative you own or participate in, there are a variety of government-sponsored grant programs to help you start. For example, the U.S. Department of Agriculture (USDA) Rural Development program offers grants to those establishing and operating new and existing rural development cooperatives.

- **Reduce Costs and Improve Products and Services.** By leveraging their size, cooperatives can more easily obtain discounts on supplies and other materials and services. Suppliers are more likely to give better products and services because they are working with a customer of more substantial size. Consequently, the members of the cooperative can focus on improving products and services.

- **Perpetual Existence.** A cooperative structure brings less disruption and more continuity to the business. Unlike other business structures, members in a cooperative can routinely join or leave the business without causing dissolution.

- **Democratic Organization.** Democracy is a defining element of cooperatives. The democratic structure of a cooperative ensures that it serves its members' needs. The amount of a member's monetary investment in the cooperative does not affect the weight of each vote, so no member-owner can dominate the decision-making process. The "one member-one vote" philosophy particularly appeals to smaller investors because they have as much say in the organization as does a larger investor.

DISADVANTAGES OF A COOPERATIVE

- **Obtaining Capital through Investors.** Cooperatives may suffer from slower cash flow since a member's incentive to contribute depends on how much they use the cooperative's services and products. While the "one member-one vote" philosophy is appealing to small investors, larger investors may choose to invest their money elsewhere because a larger share investment in the cooperative does not translate to greater decision-making power.

- **Lack of Membership and Participation.** If members do not fully participate and perform their duties, whether it be voting or carrying out daily operations, then the business cannot operate at full capacity. If a lack of participation becomes an ongoing issue for a cooperative, it could risk losing members.

CORPORATION (C CORPORATION)

A corporation (sometimes referred to as a C corporation) is an independent legal entity owned by shareholders. This means that the corporation itself, not the shareholders that own it, is held legally liable for the actions and debts the business incurs. Corporations are more complex than other business structures because they tend to have costly administrative fees and complex tax and legal requirements. Because of these issues, corporations are generally suggested for established, larger companies with multiple employees. For businesses in that position, corporations offer the ability to sell ownership shares in the business through stock offerings. "Going public" through an initial public offering (IPO) is a major selling point in attracting investment capital and high quality employees.

ADVANTAGES OF A CORPORATION

- **Limited Liability.** When it comes to taking responsibility for business debts and actions of a corporation, shareholders' personal assets are protected. Shareholders can generally only be held accountable for their investment in stock of the company.

- **Ability to Generate Capital.** Corporations have an advantage when it comes to raising capital for their business - the ability to raise funds through the sale of stock.

- **Corporate Tax Treatment.** Corporations file taxes separately from their owners. Owners of a corporation only pay taxes on corporate profits paid to them in the form of salaries, bonuses and dividends, while any additional profits are awarded a corporate tax rate, which is usually lower than a personal income tax rate.

- **Attractive to Potential Employees.** Corporations are generally able to attract and hire high-quality and motivated employees because they offer competitive benefits and the potential for partial ownership through stock options.

DISADVANTAGES OF A CORPORATION

- **Time and Money.** Corporations are costly and time-consuming ventures to start and operate. Incorporating requires start-up, operating and tax costs that most other structures do not require.

- **Double Taxing.** In some cases, corporations are taxed twice - first, when the company makes a profit, and again when dividends are paid to shareholders.

- **Additional Paperwork.** Because corporations are highly regulated by federal, state, and in some cases local agencies, there are increased paperwork and recordkeeping burdens associated with this entity.

PARTNERSHIP

A partnership is a single business where two or more people share ownership. Each partner contributes to all aspects of the business, including money, property, labor or skill. In return, each partner shares in the profits and losses of the business. Because partnerships entail more than one person in the decision-making process, it's important to discuss a wide variety of issues up front and develop a legal partnership agreement. This agreement should document how future business decisions will be made, including how the partners will divide profits, resolve disputes, change ownership (bring in new partners or buy out current partners) and how to dissolve the partnership. Although partnership agreements are not legally required, they are strongly recommended and it is considered extremely risky to operate without one.

TYPES OF PARTNERSHIPS

There are three general types of partnership arrangements:

1. General Partnerships assume that profits, liability and management duties are divided equally among partners. If you opt for an unequal distribution, the percentages assigned to each partner must be documented in the partnership agreement.

2. Limited Partnerships (also known as a partnership with limited liability) are more complex than general partnerships. Limited partnerships allow partners to have limited liability as well as limited input with management decisions. These limits depend on the extent of each partner's investment percentage. Limited partnerships are attractive to investors of short-term projects.

3. Joint Ventures act as a general partnership, but for only a limited period of time or for a single project. Partners in a joint venture can be recognized as an ongoing partnership if they continue the venture, but they must file as such.

ADVANTAGES OF A PARTNERSHIP

- **Easy and Inexpensive.** Partnerships are generally an inexpensive and easily formed business structure. The majority of time spent starting a partnership often focuses on developing the partnership agreement.

- **Shared Financial Commitment.** In a partnership, each partner is equally invested in the success of the business. Partnerships have the advantage of pooling resources to obtain capital. This could be beneficial in terms of securing credit, or by simply doubling your seed money.

- **Complementary Skills.** A good partnership should reap the benefits of being able to utilize the strengths, resources and expertise of each partner.

- **Partnership Incentives for Employees.** Partnerships have an employment advantage over other entities if they offer employees the opportunity to become a partner. Partnership incentives often attract highly motivated and qualified employees.

DISADVANTAGES OF A PARTNERSHIP

- Joint and Individual Liability. Similar to sole proprietorships, partnerships retain full, shared liability among the owners. Partners are not only liable for their own actions, but also for the business debts and decisions made by other partners. In addition, the personal assets of all partners can be used to satisfy the partnership's debt.

- Disagreements Among Partners. With multiple partners, there are bound to be disagreements. Partners should consult each other on all decisions, make compromises and resolve disputes as amicably as possible.

- Shared Profits. Because partnerships are jointly owned, each partner must share the successes and profits of their business with the other partners. An unequal contribution of time, effort, or resources can cause discord among partners.

S CORPORATION

An S Corporation (sometimes referred to as an S Corp) is a special type of corporation created through an IRS tax election. An eligible domestic corporation can avoid double taxation (once to the corporation and again to the shareholders) by electing to be treated as an S Corporation. An S Corp is a corporation with the Subchapter S designation from the IRS. To be considered an S Corp, you must first charter a business as a corporation in the state where it is headquartered. According to the IRS, S corporations are "considered by law to be a unique entity, separate and apart from those who own it." This limits the financial liability for which you (the owner, or "shareholder") are responsible. Nevertheless, liability protection is limited - S Corps do not necessarily shield you from all litigation such as an employee's tort actions as a result of a workplace incident. What makes the S Corp different from a traditional corporation (C Corp) is that profits and losses can pass through to your personal tax return. Consequently, the business is not taxed itself. Only the shareholders are taxed. There is an important caveat, however, any shareholder who works for the company must pay him or herself "reasonable compensation." Basically, the shareholder must be paid fair market value, or the IRS might reclassify any additional corporate earnings as "wages."

COMBINING THE BENEFITS OF AN LLC WITH AN S CORP

There is always the possibility of requesting S Corp status for your LLC. Your attorney can advise you on the pros and cons. You'll have to make a special election with the IRS to have the LLC taxed as an S Corp using Form 2553. And, you must file it before the first two months and fifteen days of the beginning of the tax year in which the election is to take effect. The LLC remains a limited liability company from a legal standpoint, but for tax purposes, it's treated as an S Corp. Be sure to contact your state's income tax agency where you will file the election form to learn about tax requirements.

ADVANTAGES OF AN S CORPORATION

- **Tax Savings.** One of the best features of the S Corp is the tax savings for you and your business. While members of an LLC are subject to employment tax on the entire net income of the business, only the wages of the S Corp shareholder who is an employee are subject to employment tax. The remaining income is paid to the owner as a "distribution," which is taxed at a lower rate, if at all.

- **Business Expense Tax Credits.** Some expenses that shareholder/employees incur can be written off as business expenses. Nevertheless, if such an employee owns 2% or more shares, then benefits like health and life insurance are deemed taxable income.

- **Independent Life.** An S Corp designation also allows a business to have an independent life, separate from its shareholders. If a shareholder leaves the company, or sells his or her shares, the S Corp can continue doing business relatively undisturbed. Maintaining the business as a distinct corporate entity defines clear lines between the shareholders and the business that improve the protection of the shareholders.

DISADVANTAGES OF AN S CORPORATION

- **Stricter Operational Processes.** As a separate structure, S Corps require scheduled director and shareholder meetings, minutes from those meetings, adoption and updates to by-laws, stock transfers and records maintenance.

- **Shareholder Compensation Requirements.** A shareholder must receive reasonable compensation. The IRS takes notice of shareholder red flags like low salary/high distribution combinations, and may reclassify your distributions as wages. You could pay a higher employment tax because of an audit with these results.

CHOOSE AND REGISTER YOUR BUSINESS NAME

Choosing and registering your business name is a key step to legally operating your business and potentially obtaining financial aid from the government.

CHOOSE YOUR BUSINESS NAME

Choosing a business name is an important step in the business planning process. Not only should you pick a name that reflects your brand identity, but you also need to ensure it is properly registered and protected for the long term. You should also give a thought to whether it's web-ready. Is the domain name even available?

Factors to Consider When Naming Your Business

Many businesses start out as freelancers, solo operations, or partnerships. In these cases, it's easy to fall back on your own name as your business name. While there's nothing wrong with this, it does make it tougher to present a professional image and build brand awareness.

- How will your business name look? – On the web, as part of a logo, on social media.
- What connotations does it evoke? – Is your business name too corporate or not corporate enough? Does it reflect your business philosophy and culture? Does it appeal to your market?
- Is it unique? – Pick a business name that hasn't been claimed by others, online or offline. A quick web search and domain name search (more on this below) will alert you to any existing use.

Check for Trademarks

Trademark infringement can carry a high cost for your business. Before you pick a name, use the U.S. Patent and Trademark Office's trademark search tool to see if a similar name, or variations of it, is trademarked.

If You Intend to Incorporate

If you intend to incorporate your business, you'll need to contact your state filing office to check whether your intended business name has already been claimed and is in use. If you find a business operating under your proposed name, you may still be able to use it, provided your business and the existing business offer different goods/services or are located in different regions.

Pick a Name That is Web-Ready

In order to claim a website address or URL, your business name needs to be unique and available. It should also be rich in key words that reflect what your business does. To find out if your business name has been claimed online, do a simple web search to see if anyone is already using that name. Next, check whether a domain name (or web address) is available. You can do this using the WHOIS database of domain names. If it is available, be sure to claim it right away.

Claim Your Social Media Identity

It's a good idea to claim your social media name early in the naming process – even if you are not sure which sites you intend to use. A name for your Facebook page can be set up and changed, but you can only claim a vanity URL or custom URL once you've got 25 fans or "likes." This custom URL name must be unique, or un-claimed.

Register Your New Business Name

Registering your business name involves a process known as registering a "Doing Business As (DBA)" name or trade name. This process shouldn't be confused with incorporation and it doesn't provide trademark protection. Registering your "Doing Business As" name is simply the process of letting your state government know that you are doing business as a name other than your personal name or the legal name of your partnership or corporation. If you are operating under your own name, then you can skip the process.

Apply for Trademark Protection

A trademark protects words, names, symbols, and logos that distinguish goods and services. Your name is one of your most valuable business assets, so it's worth protecting. You can file for a trademark for less than $300.

REGISTER YOUR BUSINESS NAME

Naming your business is an important branding exercise, but if you choose to name your business as anything other than your own personal name then you'll need to register it with the appropriate authorities. This process is known as registering your "Doing Business As" (DBA) name.

What is a "Doing Business As" Name?

A fictitious name (or assumed name, trade name or DBA name) is a business name that is different from your personal name, the names of your partners or the officially registered name of your LLC or corporation. It's important to note that when you form a business, the legal name of the business defaults to the name of the person or entity that owns the business, unless you choose to rename it and register it as a DBA name. The legal name of your business is required on all government forms and applications, including your application for employer tax IDs, licenses and permits.

Do I Need a "Doing Business As" Name?

A DBA is needed in the following scenarios:

- Sole Proprietors or Partnerships – If you wish to start a business under anything other than your real name, you'll need to register a DBA so that you can do business as another name.

- Existing Corporations or LLCs – If your business is already set up and you want to do business under a name other than your existing corporation or LLC name, you will need to register a DBA.

Note: Not all states require the registering of fictitious business names or DBAs.

How to Register your "Doing Business As" Name

You must file with the County Assessor/Clerk/Recorder either by email, mail, in person or through a newspaper. The link to check if your name is available, file a new fictitious business name or refile in Riverside County, is: https://webselfservice.riversideacr.com/Web/action/ACTIONGROUP224S1. The fee is $66 for the first business name and $2 for each additional business name at the same property or same owner name.

REGISTER WITH STATE AGENCIES

Register Your Business With State Agencies Some business types require registration with your state government:

- A corporation
- A nonprofit organization
- A limited-liability company or partnership

If you establish your business as a sole proprietorship, you won't need to register your business at the state level. However, many states require sole proprietors to use their own name for the business name unless they formally file another name. This is known as you're Doing Business As (DBA) name, trade name or a fictitious name.

For more information on registering a DBA, visit: https://www.ftb.ca.gov/about-ftb/newsroom/tax-news/november-2019/guide-to-dbas.html

Changing Your Business Type

Your initial choice of a business type is not permanent. You can start out as a sole proprietorship, and if your business grows and your risk of personal liability increases, you can convert your business to an LLC. You will also need to file new documents with your state government, and depending on state and local laws, you may also need to obtain new business licenses.

OBTAIN BUSINESS LICENSES & PERMITS

To run your business legally, there are certain federal and state licenses and permits you will need to obtain. The nature of your business will determine what types of permits, licenses, and certificates you will need. Below are some examples.

Seller's Permit: If you intend to sell tangible goods, including retail and wholesale, you are required to obtain a Seller's Permit from the California Department of Tax and Fee Administration (CDTFA). A seller's permit is a state license that allows you to sell items at the wholesale or retail level and to issue resale certificates to suppliers. Issuing a resale certificate allows you to buy items you will sell in your business operations without paying amounts for tax to your suppliers. For more information on obtaining a Seller's Permit, visit: https://www.cdtfa.ca.gov/

Food Handler's Certificate: If you intend to produce or sell food, contact the County of Riverside Department of Environmental Health for all appropriate permits. For more information on obtaining a Food Handler's Certificate visit: https://www.rivcoeh.org/

FEDERAL LICENSES AND PERMITS

If your business is involved in activities supervised and regulated by a federal agency – such as selling alcohol, firearms, commercial fishing, etc. – then you may need to obtain a federal license or permit. Here is a brief list of business activities that require these forms and information on how to apply.

All relevant websites are found in the Appendix section of this guide. The following categories are listed:

Agriculture

Alcoholic Beverages

Aviation

Firearms, Ammunition and Explosives

Fish and Wildlife

Commercial Fisheries

Maritime Transportation

Mining and Drilling

Nuclear Energy

Radio and Television Broadcasting

Transportation and Logistics

LEARN ABOUT BUSINESS LAW AND REGULATIONS

As a small business owner, you are subject to some of the laws and regulations that apply to large corporations. These resources can help you understand which requirements do apply to your business.

ADVERTISING AND MARKETING LAW

Marketing and advertising your products or services effectively is key to the success of your business. However, all businesses have a legal responsibility to ensure that any advertising claims are truthful, not deceptive and that your marketing activities don't break the law. The Federal Trade Commission (FTC) oversees and regulates advertising and marketing law in the United States. These laws can potentially impact many areas of your business, including how you label your products, how you conduct email and telemarketing campaigns, any health and environmental claims you may make, as well as how you advertise to children.

EMPLOYMENT AND LABOR LAW

Hiring your first employee or building your business team brings with it a whole new area for compliance – employment and labor law. These laws cover everything from preventing discrimination and harassment in the workplace, workplace poster requirements, wage and hour laws and workers' compensation regulations. The U.S. Department of Labor oversees federal employment and labor law; however, individual states also have their own specific laws.

FINANCE LAW

Antitrust, bankruptcy and securities laws protect the financial interests of small businesses and individual investors. In this section, you will find an overview on these important laws and how to comply.

- **Antitrust Laws** –Antitrust laws promote vigorous competition and protect consumers from anticompetitive mergers and business practices.
- **Bankruptcy**
- **Securities Law** – If your business sells publicly traded securities, then you will need to comply with certain financial and reporting obligations. These include creating clear Securities and Exchange Commission (SEC) disclosure documents and complying with Sarbanes-Oxley.

INTELLECTUAL PROPERTY LAW

If you've got a great idea, logo, business name, or even an invention, you need to protect it. The steps involved in filing for patents, trademarks or copyrights are covered in this section, along with additional resources that can help you safeguard your intellectual properties, such as having employees or vendors sign non-disclosure agreements.

- **Applying for a Patent** – Learn more about how to apply for a patent through the U.S. Patent and Trademark Office (USPTO).
- **Registering a Trademark or Service Mark** – Find out how to file for trademark or service mark protection for your business name, symbols and logos.
- **Copyright Your Work** – Books, movies, digital works and musical recordings are all examples of copyrighted works.

ONLINE BUSINESS LAW

Collecting Sales Tax Online
If you run a business with a physical storefront, collecting sales tax is straightforward. You charge your customers the sales tax required by the jurisdiction where your business is located. For example, if you operate a retail store in Nashville, TN, you collect both state and local sales taxes from customers buying merchandise at your store.

When to Collect Sales Tax Online

If your business has a physical presence in a state, such as a store, office or warehouse, you must collect applicable state and local sales tax from your customers. If you do not have a presence in a particular state, you are not required to collect sales taxes. In legal terms, this physical presence is known as a "nexus." Each state defines nexus differently, but all agree that if you have a store or office of some sort, a nexus exists. If you are uncertain whether or not your business qualifies as a physical presence, contact your state's revenue agency. If you do not have a physical presence in a state, you are not required to collect sales taxes from customers in that state. This rule is based on a 1992 Supreme Court ruling in which the justices ruled that states cannot require mail-order businesses, and by extension, online retailers to collect sales tax unless they have a physical presence in the state.

State Exemptions

Determining which sales tax to charge can be a challenge. Many online retailers use online shopping-cart software services to handle their sales transactions. Several of these services are programmed to calculate sales tax rates for you.

International Online Sales

Selling your products online allows for immediate entry into the global marketplace. However, shipping your product overseas presents a few challenges if you have little experience with taxes, duties, customs laws and consumer protection issues involved with international commerce. If you are just getting started, the following resources will help you to understand legal and regulatory requirements when shipping overseas:

- **Export.gov** - E-Commerce Toolbox – This site brings together information and resources the U.S. Department of Commerce and other U.S. government agencies offer to U.S. businesses interested in using the Internet to export their products.
- **Electronic Commerce** – Selling Internationally - A Guide for Business: As members of the Organization for Economic Cooperation and Development, the United States and 28 other countries have signed on to guidelines that help protect consumer information on the Internet.

PRIVACY LAW

For many companies, collecting sensitive consumer and employee information is an essential part of doing business. It is your legal responsibility to take steps to properly secure or dispose of it. Financial data, personal information from children and material derived from credit reports may raise additional compliance considerations. In addition, you may have legal responsibilities to victims of identity theft. The Federal Trade Commission (FTC) regulates and oversees business privacy laws and policies that impact consumers. Check out the following guides for more information on how you can ensure you are compliant.

- **Protecting Consumer Privacy** – In general, your online and offline privacy policy is your company's pledge to your customers about how you will collect, use, share and protect the consumer data you collect from them. While not required by law, the FTC prohibits deceptive practices.
- **Protecting Children's Privacy Online** – The law sets out specific guidelines about the online collection of personal information from children under 13.
- **Using and Disposing of Consumer and Employee Credit Reports** – Does your business use consumer or credit reports to evaluate customers' creditworthiness? Do you consult reports when evaluating applications for jobs, leases and insurance?
- **Enforcing Data Security and Preventing Identity Theft** – If you keep sensitive personal information about customers or employees in your files, you are required to have a sound security plan in place to collect only what you need, keep it safe and dispose of it securely.
- **Safeguarding Sensitive Financial Data** – Do you offer your customers financial products or services, like loans, investment advice, or insurance?

ENVIRONMENTAL REGULATIONS

Environmental regulations can impact a business at any time. Whether you produce products that could potentially harm the environment, are engaged in agricultural farming, or need to dispose of pollutants or hazardous or non-hazardous waste – you must comply with the law. Businesses impacted by disasters such as flooding or fire, are also required to implement clean-up plans to avoid pollutants entering and damaging the ecosystem.

REGULATION OF FINANCIAL CONTRACTS

If you are conducting business transactions outside of your state, such as borrowing money, leasing equipment, establishing contracts and selling goods, you need to comply with the Uniform Commercial Code (UCC). UCC consists of uniform rules coordinating and simplifying the sale of goods and other commercial transactions throughout the United States. Commercial transactions often occur across state lines. Goods, for example, may be manufactured in one state, distributed in another and sold to a customer in a third state. Banking and credit transactions often occur between financial institutions in one state and customers in another state. For small businesses, UCC comes into effect when borrowing money from an out of state lender or negotiating a lien. Here is what you need to know:

- **Borrowing Money**: UCC Filing Statements – The Uniform Commercial Code or UCC, as it relates to lending, is a way for each state to have a consistent method of recording the security of a loan. When banks or SBA lenders make secured loans, or loans with collateral, they file a UCC-1 form with the state where the loan agreement is executed. This filing essentially makes the loan security, or collateral, a matter of public record. Without this filing, a lender could run into difficulties, laying claim to the collateral in case of default. Talk to your lender about the process of filing a UCC-1 form.

- **Securing Liens and the UCC** – If your business provides goods or services on credit, Article 9 of the UCC provides a means for you to secure payment from your debtor. If you are in the construction business, the equivalent law is called a construction lien.

You should consult an attorney on matters concerning UCC filings, liens and security agreements.

WORKPLACE SAFETY AND HEALTH LAW

As a small business owner, providing workers with a safe and healthy workplace is critical to the wellbeing of your employees and the success of your business – but it is also the law. Under the Occupational Safety and Health Act (OSHA), employers must provide a workplace free from recognized hazards that cause, or are likely to cause, death or serious physical harm to your employees. The following workplace safety and health resources from the U.S. Department of Labor's Occupational Safety and Health Administration will help you understand requirements that apply to your business and how to comply.

- **Find the Workplace Health and Safety Requirements that Apply to You** – Visit OSHA's website to pinpoint which OSHA requirements apply to your workplace and how you can comply.

- **Request an On-Site Consultation Service**

- **State-Specific Requirements** – Some states do operate their own job safety and health programs.

- **Training and Educational Programs** – Take advantage of a wide selection of training courses and educational programs offered by the Occupational Safety and Health Administration for employers.

FOREIGN WORKERS AND EMPLOYEE ELIGIBILITY

As you prepare to hire employees, be sure that you understand all laws and regulations about employee eligibility. In particular, the Immigration and Nationality Act (INA) governs immigration and citizenship in the United States. The INA is especially important to small business owners because it addresses employment eligibility, employment verification and non-discrimination.

Employee Eligibility Verification (I-9 Form)

Federal law requires you, as an employer, to verify an employee's eligibility to work in the United States. Within three days of hiring a new employee, you must complete an Employment Eligibility Verification Form, commonly referred to as an I-9 form. This requires examining acceptable forms of the employee's documentation to confirm his or her citizenship or eligibility to work in the United States. You can only request documentation specified on the I-9 form. Employers who ask for other types of documentation not listed on the I-9 form may be subject to discrimination lawsuits. You do not file the I-9 with the federal government. Rather, you are required to keep an I-9 form on file for three (3) years after the date of hire or one (1) year after the date the employee's employment ends, whichever is later. The U.S. Immigration and Customs Enforcement (ICE) agency conducts routine workplace audits to ensure that employers are properly completing and retaining I-9 forms, and that employee information on I-9 forms matches government records.

For complete information about using, understanding and keeping up to date with the Form I-9, visit I-9 Central. You can use information taken from the Form I-9 to verify electronically the employment eligibility of newly hired employees through E-Verify. To get started, register with E-Verify to virtually eliminate Social Security mismatch letters, improve the accuracy of wage and tax reporting, protect jobs for authorized workers and help maintain a legal workforce.

Hiring and Employment

- Labor Laws and Foreign Workers – www.dol.gov Foreign labor certification programs, administered in part by the U.S. Department of Labor, that permit U.S. employers to hire foreign workers, temporarily or permanently, to fill jobs essential to the U.S. economy. These programs are generally designed to ensure that allowing foreign workers into the United States on a permanent or temporary basis will not adversely affect the job opportunities, wages and working conditions of U.S. workers.

- **Foreign Labor Certification** – www.dol.gov/agencies/eta/foreign-labor Provides information on the foreign labor certification process and how employers can apply to bring foreign workers into the U.S. for employment.

- Visit www.doleta.gov – Describes the U.S. Department of Labor (DOL) certifications issued for permanent and temporary employment.

- **Wages Under Foreign Labor Certification** – The Immigration and Nationality Act (INA), which allows U.S. employers to hire foreign workers on a temporary or permanent basis to perform certain types of work. The U.S. Department of Labor's Employment and Training Administration generally certifies employers to obtain special visas to hire foreign workers when there are insufficient qualified U.S. workers available and willing to work at wages that meet or exceed the current wage paid for that occupation.

Fair Employment Practices (Non-Discrimination)

The INA includes provisions that protect U.S. citizens and certain work-authorized individuals from employment discrimination based on citizenship or immigration status. The INA protects all work-authorized individuals from national origin discrimination, unfair documentary practices relating to the employment eligibility verification process and from retaliation. The U.S. Department of Justice enforces the INA's non-discrimination provisions, and provides the following guidance to help small businesses understand these provisions:

- **Business Guide to Fair Employment** – Visit www.usdoj.gov Employer obligations under the Immigration Reform and Control Act of 1986, and the Immigration and Nationality Act's anti-discrimination provision.

- **Immigration-Related Unfair Employment Practices FAQs** – Information about anti-discrimination provisions in the INA, and the role of the Department of Justice's Office of Special Counsel for Immigration Related Unfair Employment Practices in enforcing anti-discrimination cases.

- **Verify the Employment Eligibility of Your Employees without Committing Unlawful Discrimination**

No-Match Letters

When you send an employee's W-2 form to the Social Security Administration (SSA), the employee's name and Social Security number are checked against SSA records. ICE will also verify the accuracy of information on I-9 forms. If either (or both) SSA or ICE cannot verify employee information, a no-match letter will be sent to you indicating that the employee's name or Social Security number did not match government records.

If you get a no-match letter for an employee, avoid taking immediate action against the employee. A no-match letter simply says the employee's information did not match government records, and is not necessarily an indication that the employee is ineligible to work in the U.S. In fact, firing an employee solely on the basis of a no-match letter may open you up to a discrimination lawsuit. At the same time, if you do not follow up on a no-match letter in a timely manner, you may be cited for knowingly employing an unauthorized worker, which is a violation of federal law.

So, how do you act on a no-match letter while protecting yourself from legal action from both an employee and the federal government? Current regulations do not provide procedures that help protect an employer from allegations that he knowingly employed unauthorized workers. However, the ICE has proposed new rules that specify "safe harbor" procedures that an employer should follow when receiving a no-match letter. These new rules do not necessarily protect the employer from allegations of discrimination.

FILING AND PAYING TAXES

IS IT A BUSINESS OR A HOBBY?

The Internal Revenue Service reminds taxpayers to follow appropriate guidelines when determining whether an activity is a business or a hobby, an activity not engaged in for profit. This is an explanation of the rules that determine if an activity qualifies as a business and what limitations apply if the activity is not a business. Incorrect deduction of hobby expenses account for a portion of the overstated adjustments, deductions, exemptions and credits that add up to $30 billion per year in unpaid taxes, according to IRS estimates. In general, taxpayers may deduct ordinary and necessary expenses for conducting a trade or business. An ordinary expense is an expense that is common and accepted in the taxpayer's trade or business. A necessary expense is one that is appropriate for the business. Generally, an activity qualifies as a business if it is carried on with the reasonable expectation of earning a profit. In order to make this determination, taxpayers should consider the following factors.

- Does the time and effort put into the activity indicate an intention to make a profit?
- Does the taxpayer depend on income from the activity?
- If there are losses, are they due to circumstances beyond the taxpayer's control or did they occur in the start-up phase of the business?
- Has the taxpayer changed methods of operation to improve profitability?
- Does the taxpayer or his/her advisors have the knowledge needed to carry on the activity as a successful business?
- Has the taxpayer made a profit in similar activities in the past?
- Does the activity make a profit in some years?
- Can the taxpayer expect to make a profit in the future from the appreciation of assets used in the activity?
-

The IRS presumes that an activity is carried on for profit if it makes a profit during at least three of the last five tax years, including the current year — at least two of the last seven years for activities that consist primarily of breeding, showing, training or racing horses. If an activity is not for profit, losses from that activity may not be used to offset other income. An activity produces a loss when related expenses exceed income. The limit on not-for-profit losses applies to individuals, partnerships, estates, trusts, and S Corporations. It does not apply to corporations other than S Corporations. Deductions for hobby activities are claimed as itemized deductions on Schedule A (Form 1040). These deductions must be taken in the following order and only to the extent stated in each of the three categories.

- Deductions that a taxpayer may take for personal as well as business activities, such as home mortgage interest and taxes, may be taken in full.
- Deductions that don't result in an adjustment to basis, such as advertising, insurance premiums and wages, may be taken next, to the extent gross income for the activity is more than the deductions from the first category.
- Business deductions that reduce the basis of property, such as depreciation and amortization, are taken last, but only to the extent gross income for the activity is more than the deductions taken in the first two categories.

Obtain Your Federal Business Tax ID

An Employer Identification Number (EIN) is also known as a Federal Tax Identification Number, and is used to identify a business entity. Generally, businesses need an EIN. You may apply for an EIN in various ways, and now you may apply online by visiting: www.irs.gov. You must check with your state to determine if you need a state number or charter.

Determine Your Federal Tax Obligations

When starting a business, you must decide what form of business entity to establish. Your form of business (e.g., sole proprietorship, partnership, LLC) determines which income tax return form you have to file. The federal government levies four basic types of business taxes. These are income taxes, self-employment taxes, taxes for employers, and excise taxes. To learn more about these taxes, visit the Internal Revenue Service's (IRS) Guide to Business Taxes.

State Income Taxes

Nearly every state levies a business or corporate income tax. Like federal taxes, your state tax requirement depends on the legal structure of your business. For example, if your business is an LLC, the LLC is taxed separately from the owners of the business, while sole proprietors report their personal and business income taxes using the same form used to report their business taxes.

Determine Your State Tax Obligations

In addition to business taxes required by the federal government, you will have to pay some state and local taxes. Each state and locality has its own tax laws. The links below provide access to key resources that will help you learn about your state tax obligations. Having knowledge of your state tax requirement can help you avoid problems and help your business save money. The most common types of tax requirements for small business are income taxes and employment taxes.

Income Taxes

Nearly every state levies a business or corporate income tax. Your tax requirement depends on the legal structure of your business. For example, if your business is a Limited Liability Company (LLC), the LLC gets taxed separately from the owners, while sole proprietors report their personal and business income taxes using the same form.

Employment Taxes

In addition to federal employment taxes, business owners with employees are also responsible for paying certain taxes required by the state. All states require payment of state workers' compensation insurance and unemployment insurance taxes. The following states/territories also require a business to pay for temporary disability insurance:

- California
- Hawaii
- New Jersey
- New York
- Rhode Island
- Puerto Rico

For more information on filling taxes in California, visit: https://www.ftb.ca.gov/

CHOOSE YOUR LOCATION AND EQUIPMENT

TIPS FOR CHOOSING YOUR BUSINESS LOCATION

Choosing a business location is perhaps the most important decision a small business owner or startup will make, so it requires precise planning and research. It involves looking at demographics, assessing your supply chain, scoping the competition, staying on budget, understanding state laws and taxes, and much more. Here are some tips to help you choose the right business location.

Determine Your Criteria

Most businesses choose a location that provides exposure to customers. Additionally, there are less obvious factors and needs to consider, for example:

- **Brand Image** – Is the location consistent with the image you want to maintain?
- **Competition** – Are the businesses around you complementary or competing?
- **Local Labor Market** – Does the area have potential employees? What will their commute be like?
- **Plan for Future Growth** – If you anticipate further growth, look for a building that has extra space should you need it.
- **Proximity to Suppliers** – They need to be able to find you easily as well.
- **Safety** – Consider the crime rate. Will employees feel safe alone in the building or walking to their vehicles?
- **Zoning Regulations** – These determine whether you can conduct your type of business in certain properties or locations. You can find out how property is zoned by contacting your local planning agency.

Evaluate Your Finances

Besides determining what you can afford, you will need to be aware of other financial considerations:

- **Hidden Costs** – Very few spaces are business ready. Include costs like renovation, decorating, IT system upgrades and so on.
- **Taxes** – What are the income and sales tax rates for your state? What about property taxes? Could you pay less in taxes by locating your business across a nearby state line?
- **Minimum Wage** – While the federal minimum wage is $7.25 per hour, many states have a higher minimum. View the Department of Labor's list of minimum wage rates by state.
- **Government Economic Incentives** – Your business location can determine whether you qualify for government economic business programs, such as state-specific small business loans and other financial incentives.

Is the Area Business Friendly?

Understanding laws and regulations imposed on businesses in a particular location is essential. As you look to grow your business, it can be advantageous to work with a small business specialist or counselor. Check what programs and support your state government and local community offer to small businesses. Many states offer online tools to help small business owners start up and succeed. Local community resources such as SBA Offices, Small Business Development Centers, Women's Business Centers and other government-funded programs specifically support small businesses.

The Bottom Line

Do your research. Talk to other business owners and potential co-tenants. Consult the small business community and utilize available resources, such as free government-provided demographic data, to help in your efforts.

BASIC ZONING LAWS

Local zoning ordinances and regulations are important considerations when choosing your business location. Zoning laws impact several critical business decisions such as purchasing property or making improvements to your existing property, so it is important to understand the laws before you commit to anything. Property is zoned into commercial and residential uses, so a commercial building cannot be built in a residential neighborhood and vice versa, unless there is a change in zoning ordinances. Other considerations also come into play such as how you intend to use your facility, the nature of any renovations and so on.

Finding out How Property is Zoned

You can find out how property is zoned by contacting your local planning agency. One way to determine your local planning agency is to perform an internet search using the name of your community or city, your state and the term "planning." Before getting too involved in a zoning issue, consider hiring a local land use attorney to help you through the process and ensure you are compliant.

HOME-BASED BUSINESS ZONING LAWS

Home-based business owners are subject to many of the laws and regulations that apply to other business owners. While home-based business zoning laws have loosened up heavily over the years, there are still some restrictions that you need to be aware of. Check with your local planning office if you are unsure whether any of the following restrictions apply to you:

Restrictions on Physical Changes to the Appearance of Your Home – Most zoning codes:

- Prohibit exterior physical changes to the home for the purposes of conducting business
- Prohibit outside business activities, storage, or displays
- Restrict or prohibit signage or commercial vehicles

Traffic Restrictions – Most zoning codes:

- Restrict the numbers of visitors to a home-based business
- Restrict the number of employees working in the home or prohibit employees altogether
- Restrict business parking or require that additional parking be provided

External Effects or Nuisances – Most zoning codes:

- Restrict or prohibit nuisance impacts (e.g., noise, odors, glare)
- Prohibit use or storage of hazardous materials

Business Activities – Many zoning codes prohibit certain types of businesses in residential areas.

LEASING COMMERCIAL SPACE

Leasing commercial office space is one of the largest expenses incurred by new and expanding businesses, so it is important to do your due diligence. Here are some tips for negotiating a commercial lease for your small business.

Lease Agreement

Lease term and rent are your first negotiation points. It is generally recommended that small businesses negotiate one- to two-year leases with the option to renew. You will also want to factor in rent increases over the term and renewal options so you are not charged with an unexpected rent increase without warning. Consider working with a broker to help you negotiate with the landlord. It is also important to consult a knowledgeable real estate lawyer; they can often recommend the right choice for you and protect your interests as you negotiate your lease through the broker.

Expenses

In addition to your monthly lease payment, find out what expenses you may incur beyond rent. Commercial real estate landlords often incorporate extra expenses into the lease such as maintenance fees, upkeep for shared facilities (Common Area Maintenance or CAM), etc. Other expenses to consider are utilities. These charges are usually the responsibility of the tenant, so find out how these are measured. Are they individually metered or apportioned by square footage? Ask to see these "hidden fees" and policies as well as examples of costs that are typically incurred by tenants.

Maintenance and Repair

While residential leasing often places the burden of maintenance and upkeep on the shoulders of the landlord, commercial leases are different. Commercial leases vary regarding maintenance and repair – some stipulate that the tenant is responsible for all property upkeep and repairs while others specify that the tenant is responsible for systems like air conditioning, plumbing, etc.

Read the Lease

Be sure to read over your lease in detail and hire an attorney who specializes in commercial real estate to walk you through the clauses and fine print.

Protect Your Business

To protect your investment and long-term business interests, it is worth investigating and negotiating some potential add-on clauses to your lease. These might include:

- **Sublease** – This builds in some flexibility, allowing you to sublet your space to another business.
- **Exclusivity clause** – Prevents the landlord from leasing other spaces on the property to a direct competitor of yours.
- **Co-tenancy** – If the property's anchor tenant closes business, a co-tenancy agreement can protect you from a potential loss of customers, allowing you to break the lease if the landlord does not replace the anchor tenant in a specified time period.

What if You Default?

Should you default on your lease payments, there are steps you can take during the lease negotiation process to protect yourself. Find out what the lease agreement states. Will you be locked out immediately? Will the landlord initiate eviction proceedings? Can you negotiate more time? Could you pay only the current month's rent instead of the remaining amount owed on the lease?

BUYING GOVERNMENT SURPLUS

You have your business, but now you need supplies. Purchasing surplus goods from the government is an easy and affordable way to equip your new and expanding business. From computers to cars to gently used medical equipment, just about anything you can think of that your business might need is sold by the government at or below cost, or fair market value.

A Small Business Guide to Government Auctions and Sales

When a federal or state agency has extra equipment, seized goods, or forecloses on a piece of property, the goods are either transferred to another government agency or sold to the public. These items are sold "as is" by auction or negotiated sale, either online, in-person or both. Online auctions work much the same way as other auction sites, such as eBay. You visit an agency's auction site, register your name and place your bid. Unlike most state governments, there is no single online auction web site in the federal government. Federal agencies responsible for disposing of excess government property, such as the General Services Administration (GSA) or Department of Defense (DOD), have their own auction sites. Federal law enforcement agencies also run auction sites for seized property.

LEASING BUSINESS EQUIPMENT

Looking to equip your new business? Whether you need computers, desks, machinery, or a vehicle, you want to make cost effective purchasing decisions. Why not consider leasing equipment instead of buying it? Here is some information to help you decide if leasing is right for you.

Benefits of Leasing Business Equipment

Aside from a reduced cash outlay, there are many benefits to leasing equipment:

- Leasing can save you the time and hassle involved in finding someone who will extend you credit for purchasing equipment.
- You can keep pace with emerging technology.
- Short-term leases give you the opportunity to evaluate whether the equipment fits your needs.
- Maintenance may be included in the lease, saving you additional costs.

- If you use the leased asset in your business, you may enjoy a potential tax advantage because your lease or rental payments are fully deductible.

Leasing also has its disadvantages. For example, the lifetime cost of the asset is generally going to be higher than if you purchased it. You are also giving up any ownership interest, which can be especially costly if you rely on the equipment and find at the end of the lease that the equipment is too expensive to purchase outright. You may also find that you lose the tax benefits of depreciation deductions.

Factors to Consider When Leasing Equipment

There are many variables to consider when making the decision to lease equipment. Here are a few considerations:

1. If you anticipate needing the equipment for the long-term and want to establish equity in it, try to negotiate a purchase option under which a portion of your lease payments is credited to the purchase price.
2. Doing your homework can help prevent undesirable legal repercussions. Consider asking a lawyer to look over a lease before signing.

RESOURCES

For additional information on Commercial spaces please read the "*Setting up Shop - A Commercial Space Readiness Guidebook*" by ICSC

SMALL BUSINESS DEVELOPMENT CENTERS

Inland Empire Small Business Development Center
3780 Market Street, Riverside, CA 92501
Phone: (951) 781-2345
https://ociesmallbusiness.org/inland-empire/

Coachella Valley Small Business Development Center
44-199 Monroe Street, Suite B, Indio, CA 92201
Phone: (760) 848-4096
https://ociesmallbusiness.org/coachella-valley/

UC Riverside EPIC Small Business Development Center
3403 10th Street, Suite 120, Riverside, CA 92501
Phone: (800) 616-7232
https://techpartnerships.ucr.edu/programs-services/entrepreneurship-support-epic/sbdc-excite-programs