

"An inner quality that many entrepreneurs say helps them survive is optimism." ~ Jean Chatzky

There is no way to eliminate all the risks associated with starting a small business, but it is possible to improve one's chances of success with good planning, preparation and insight. The resources listed in this section are a good starting point for any entrepreneur and will provide assistance and guidance in all aspects of forming, starting and expanding a small business. Individuals reentering society after a term of incarceration should be wary about starting a small business as 56% of new businesses fail within 4 years of operation. (1)

WRITING A BUSINESS PLAN

Entrepreneurs should think about what type of business they want to start and after deciding on a particular business, the next step should be to develop a business plan. A business plan should be thought of as a roadmap with milestones for the business. A business plan usually begins as a pre-assessment tool to determine profitability and market share, and then expands into an in-business assessment tool to determine success, obtain financing and determine repayment ability, among other factors.

Creating a comprehensive business plan can be a long process, and should be taken seriously as it is often times your first impression on a potential investor or collaborator. In general, a good business plan contains:

- Introduction
- Marketing
- Financial Management
- Operations
- Concluding Statement

A business plan is a flexible document that should change as businesses grow and adapt to reflect the changing business environment.

Additional Resources:

MasterCard International, *Business Planning Tools*

<http://www.mastercardbusiness.com/apmea/en/smallbiz/businessplanning/businessplanning.html>

FORMS OF BUSINESS

The most common forms of business are the sole proprietorship, partnership, and corporation. When beginning a business, entrepreneurs must decide which form of business to use. Legal and tax considerations enter heavily into these decisions.

SOLE PROPRIETORSHIP

A sole proprietorship is an unincorporated business that is owned by one individual. It is the simplest form of business organization to start and maintain. The business has no existence apart from the owner. Its liabilities are personally tied to the owner. The owner undertakes the risks of the business for all assets owned, whether or not used in the business. Income and expenses of the business are included on the owners' personal tax return.

PARTNERSHIP

A partnership is the relationship existing between two or more persons who join to carry on a trade or business. Each person contributes money, property, labor, or skill, and expects to share in the profits and losses of the business.

A partnership must file an annual information return to report income, deductions, gains, losses, etc., from its operations, but it does not pay income tax. Instead, it "passes through" any profits or losses to its partners. Each partner includes his or her share of the partnership's items on his or her tax return.

1. Rob Hurtt, "Thinking Big For Your Small Business," *St. Louis Business Journal*, May 9, 2008



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CORPORATION

In forming a corporation, prospective shareholders exchange money, property, or both, for the corporation's capital stock. A corporation generally takes the same deductions as a sole proprietorship to figure its taxable income. A corporation can also take special deductions.

The profit of a corporation is taxed to the corporation when earned, and then taxed to the shareholders when distributed as dividends. However, shareholders cannot deduct any loss of the corporation.

S CORPORATION

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. Generally, an S corporation is exempt from federal income tax other than tax on certain capital gains and passive income. On their tax returns, the S corporation's shareholders include their share of the corporation's separately stated items of income, deduction, loss, and credit, and their share of non-separately stated income or loss.

LIMITED LIABILITY COMPANY

A limited liability company is an entity formed under state law by filing articles of organization as a limited liability company. None of the members filing articles of organization are personally liable for its debts. A limited liability company may be classified for federal income tax purposes as a partnership, a corporation, or an entity disregarded as an entity separate from its owner by applying Internal Revenue Service regulations.

ARTICLES OF INCORPORATION

The process of forming a corporation varies somewhat from state to state. The articles of incorporation are usually filed with the secretary of state's office in the state in which the company incorporates. The articles contain:

- The corporation's name.
- The names of the people who incorporated it.
- Its purpose.
- Its duration (usually perpetual).
- The number of shares that can be issued, their voting rights, and any other rights the shareholders have.
- The corporation's minimum capital.
- The address of the corporation's office.
- The name and address of the person responsible for the corporation's legal service.
- The names and addresses of the first directors.

In addition to the articles of incorporation, a corporation has bylaws. Bylaws describe how the firm is to be operated from both a legal and managerial perspective. The bylaws include:

- How, when, and where shareholders' and directors' meetings are held.
- Directors' authority.
- Duties and responsibilities of officers, and the length of their appointment.

Additional Resources:

U.S. Small Business Administration, *Record Keeping in a Small Business*
<http://publications.usa.gov/USAPubs.php?PubID=178>

BUSINESS IDENTIFICATION NUMBERS

Business owners must have a taxpayer identification number so the Internal Revenue Service can process relevant business tax returns. The two most common kinds of taxpayer identification numbers are the social security number and the employer identification number.

- A social security number is issued to individuals by the Social Security Administration.
- An employer identification number is issued to individuals (sole proprietors), partnerships, corporations, and other entities by the Internal Revenue Service.

Business owners must include their taxpayer identification number on all returns and other documents sent to the Internal Revenue Service. A taxpayer identification number may also be required by other persons who use it in the preparation of returns or other documents being sent to the Internal Revenue Service.

EMPLOYER IDENTIFICATION NUMBER

<http://www.irs.gov/businesses/small/article/0,,id-102767,00.html>

Employer Identification Numbers are used to identify the tax accounts of employers, certain sole proprietors, corporations, partnerships, estates, trusts, and other entities.

Business owners who don't already have an Employer Identification Number should get one if they:

1. Have employees,
2. Have a qualified retirement plan,
3. Operate their business as a corporation or partnership, or
4. File returns for:
 - a. Employment taxes, or
 - b. Excise taxes.

Applying for an Employer Identification Number can be done quickly and efficiently using the Internal Revenue Service's online application at <http://www.irs.gov/businesses/small>. Applications are also accepted over the telephone by calling 800.829.4933 between the hours of 7:00 am and 10:00 pm in the applicant's local time zone.

GENERAL BUSINESS DEVELOPMENT & FUNDING RESOURCES

U.S. SMALL BUSINESS ADMINISTRATION

<http://www.sba.gov>

Every year, the U.S. Small Business Administration and its nationwide network of resource partners help millions of potential and existing small business owners start, grow and succeed.

If you're just starting, the U.S. Small Business Administration and its resources can help you with loans and business management skills. If you're already in business, you can use the U.S. Small Business Administration's resources to help manage and expand your business, obtain government contracts, recover from disaster, find foreign markets, and make your voice heard in the federal government.

The U.S. Small Business Administration restricts the loan eligibility of firms where a principle, owner, officer, director, key employee or principle of an affiliated business are incarcerated, on parole or probation, or have been indicted for a felony or a crime of moral turpitude. However, this does not preclude ineligible individuals or businesses from receiving training or counseling through U.S. Small Business Administration sponsored or supported programs.

National Contact:

U.S. Small Business Administration
409 3rd Street, SW, Suite 7600
Washington, DC 20416
P: 800.827.5722

State Contact:

Please refer to [Appendix 14-A: U.S. Small Business Administration District & Branch Offices](#).

Additional Resources:

U.S. Small Business Administration, *SBA Small Business Advantage Brochure*
<http://publications.usa.gov/USAPubs.php?PubID=179>

U.S. SMALL BUSINESS ADMINISTRATION'S RESOURCE PARTNERS

<http://www.sba.gov/sba-direct>

In addition to district offices which serve every state and territory, the U.S. Small Business Administration works with a variety of local resource partners to meet the needs of small businesses everywhere. These professionals can help with writing a formal business plan, locating sources of financial assistance, managing and expanding a business, finding opportunities to sell goods or services to the government, and recovering from disaster.

SERVICE CORPS OF RETIRED EXECUTIVES

<http://www.score.org>

Service Corps of Retired Executives is a national network of nearly 14,000 entrepreneurs, business leaders and executives who volunteer as mentors to America's small businesses. The Service Corps of Retired Executives has helped more than 8.5 million entrepreneurs nationwide by leveraging decades of expertise from seasoned business professionals to help entrepreneurs start businesses, grow companies and create jobs in local communities.

With more than 370 offices throughout the country, Service Corps of Retired Executives matches entrepreneurs with a mentor whose personality, experience, and skills are a good fit for your business needs. Whether you are a start-up business or growing company, Service Corps of Retired Executives mentors can offer free and confidential advice. As members of your community, Service Corps of Retired Executives mentors understand local business licensing rules, economic conditions and lending standards. Service Corps of Retired Executives also offers local small business workshops at modest fees on popular topics such as increasing sales, managing cash flow and marketing your business.

You can count on Service Corps of Retired Executives as a trusted resource to offer in-depth mentoring, sound advice and guidance, and tools and resources that can help you succeed as a business owner. For 24/7 access to advice and online webinars on topics such as starting, growing, marketing and e-commerce for small business, visit Service Corps of Retired Executives online at <http://www.score.org> or call them at 800.624.0245.

National Contact:

Service Corps of Retired Executives
1175 Herndon Parkway, Suite 900
Herndon, VA 20170
P: 800.624.0245

SMALL BUSINESS DEVELOPMENT CENTERS

<http://www.sba.gov/sbdc>

The Small Business Development Center program has been vital to the U.S. Small Business Administration's entrepreneurial outreach for more than 30 years. It had become one of the largest professional small business management and technical assistance networks in the nation. With nearly 900 locations across the country, Small Business Development Center's offer free one-on-one expert business advice and low-cost training by qualified small business professionals to existing and future entrepreneurs.

The Small Business Development Center program includes special focus areas such as, green business technology, disaster recovery and preparedness, import and export assistance, veteran's assistance, electronic commerce, technology transfer and regulatory compliance.

Through federal grants, Small Business Development Center's in every state and territory provide the foundation for the economic growth of small businesses. These small businesses, in turn, advance local and regional economic development through the generation of business revenues, job creation and job retention. This return on investment is demonstrated by fiscal 2013 outcomes, where Small Business Development Center's:

- Assisted more than 13,000 entrepreneurs to start new businesses – an estimated 37 new business starts per day.
- Provided counseling services to over 107,000 emerging entrepreneurs and nearly 102,000 existing businesses.
- Provided training services to approximately 380,000 clients.

The efficacy of the Small Business Development Center program has been validated by a nationwide impact study. Of the clients surveyed, more than 80 percent reported that the business assistance they received from the Small Business Development Center counselor was worthwhile. Similarly, more than 50 percent reported that Small Business Development Center guidance was beneficial in making the decision to start a business. More than 40 percent of long-term clients, those receiving 5 hours or more of counseling, reported an increase in sales and 38 percent reported an increase in profit margins. For information regarding Small Business Development Center programs visit <http://www.sba.gov/sbdc>.

National Contact:

U.S. Small Business Administration
 Small Business Development Centers
 409 3rd Street, SW, Suite 7600
 Washington, DC 20416
 P: 800.827.5722

ONLINE TOOLS & TRAINING

U.S. SMALL BUSINESS ADMINISTRATION'S ONLINE TOOLS & TRAINING

<http://www.sba.gov/training>

The Small Business Administration's Small Business Training Network is a virtual campus complete with free online courses, workshops, podcasts, learning tools and business-readiness assessments.

Key features of the Small Business Training Network include:

- Training is available anytime and anywhere – all you need is a computer with internet access.
- More than 30 free online courses and workshops available.
- Templates and samples to get your business planning underway.
- Online, interactive assessment tools are featured and used to direct clients to appropriate training.

Course topics include a financial primer keyed around the U.S. Small Business Administration's loan-guarantee programs, a course on exporting, and courses for Veterans and women seeking federal contracting opportunities, as well as an online library of podcasts, business publications, templates and articles.

SMALL BUSINESS RESOURCE MAGAZINE

<http://www.sbaguides.com/magazine/download/>

The Small Business Resource Magazine is the most complete guide to starting and expanding a business. Entrepreneurs can find information on local regulations, government loans, training and assistance, and business advocacy.

Additional Resources:

U.S. Small Business Administration, *National Resource Magazine – English*
<http://www.sbaguides.com/pdf/english/national.pdf>

U.S. Small Business Administration, *National Resource Magazine – Spanish*
<http://www.sbaguides.com/wp-content/uploads/national-spanish.pdf>

GRANTS FOR SMALL BUSINESSES

The U.S. Small Business Administration does not provide grants for starting and expanding a business. Government grants are funded by tax dollars and, therefore, require very stringent compliance and reporting measures to ensure the money is well spent. As you can imagine, grants are not given away indiscriminately.

Grants from the federal government are authorized and appropriated through bills by Congress and signed by the President. The grant authority varies widely among agencies. The U.S. Small Business Administration has authority to make grants to nonprofit and educational organizations in many of its counseling and training programs, but does not have the authority to make grants to small businesses. The announcements for the counseling and training grants will appear on <http://www.grants.gov>. If Congress authorizes Specific Initiative Grants, organizations receiving such grants will receive individual notification.

Some business grants are available through state and local programs, nonprofit organizations and other groups. For example, some states provide grants for expanding child care centers; creating energy efficient technology; and developing marketing campaigns for tourism. These grants are not necessarily free money, and usually require the recipient to match funds or combine the grant with other forms of financing such as loans. The amount of the grant money available varies with each business and each grantor.

If you are not one of these specialized businesses, both federal and state government agencies provide financial assistance programs that help small business owners obtain loans and venture capital financing from commercial lenders.