



# Guide to Starting and Operating a Small Business

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Welcome to the Guide to Starting and Operating a Small Business:

Starting a business can be a complex and difficult process. This Guide is designed to ease a person's entry into the business world, outlining as clearly as possible many of the issues and questions facing prospective and existing entrepreneurs.

Information included in this guide is both general and Michigan-specific: Steps and process for starting a business; different forms of business organization; key elements of a business plan; complying with federal, state and local tax obligations; basics related to management, hiring, marketing, and more. Though this guide is not a substitute for legal or financial counsel, it is an information resource and quick reference designed to make the process of starting and operating a business in Michigan a little less overwhelming.

The information in this publication was accurate at time of publication, but it is subject to change due to revisions in law and administrative policies. Between published revisions, an online version is updated periodically if significant changes occur. The online PDF version can be accessed at:

[www.michiganbusiness.org/start-up/customers/#sbdc](http://www.michiganbusiness.org/start-up/customers/#sbdc)

In addition to this Guide, there are many other resources available for starting and operating a business in Michigan:

- Michigan Small Business Development Centers (MI-SBDCs)
- SCORE -- Counselors to America's Small Businesses
- Assistance and counseling are also available from local economic development organizations, trade associations, local chambers of commerce, schools, community colleges, universities and public libraries.

The Michigan Small Business Development Center (Michigan SBDC) provides counseling, business education, information based planning and technology commercialization to new and existing businesses throughout Michigan's 83 counties from 10 regional centers across the state.

The Michigan SBDC state headquarters is located at the Seidman College of Business, Grand Valley State University in Grand Rapids, Michigan. SBDC regional offices across the state include locations in Detroit, Lansing, Traverse City, Bay City, and other locales. For the complete list of locations, or for entrepreneurs and small business owners interested in the services of their nearest MI-SBDC, visit [www.SBDCmichigan.org](http://www.SBDCmichigan.org) or call 616.331.7480.

Sincerely,

Keith Brophy  
State Director  
Michigan Small Business Development Center

## PERSONAL ASSESSMENT

### **Are You Ready to Start a Business? – A short personal assessment tool.**

Being your own boss is wonderfully exciting, but isn't for everyone. Anyone considering starting a business needs first to consider if they are suited for it, personally and professionally.

There is no right or wrong answer to each of these questions. This is a self-evaluation to help you think through critical aspects of your personal and business readiness to be self-employed. It is designed to help you assess your reasons and qualifications for going into business, to help you set personal and business goals, consider if this is the right time to start a business, if you have the freedom, flexibility and resources to start a business, to consider your health and stamina, and how you will balance family and business.

Suggestion: It is recommended that you bring a completed version of this self-assessment to your first MI-SBDC counseling session. It will provide a profile of you and your readiness and help your counselor become acquainted with you.

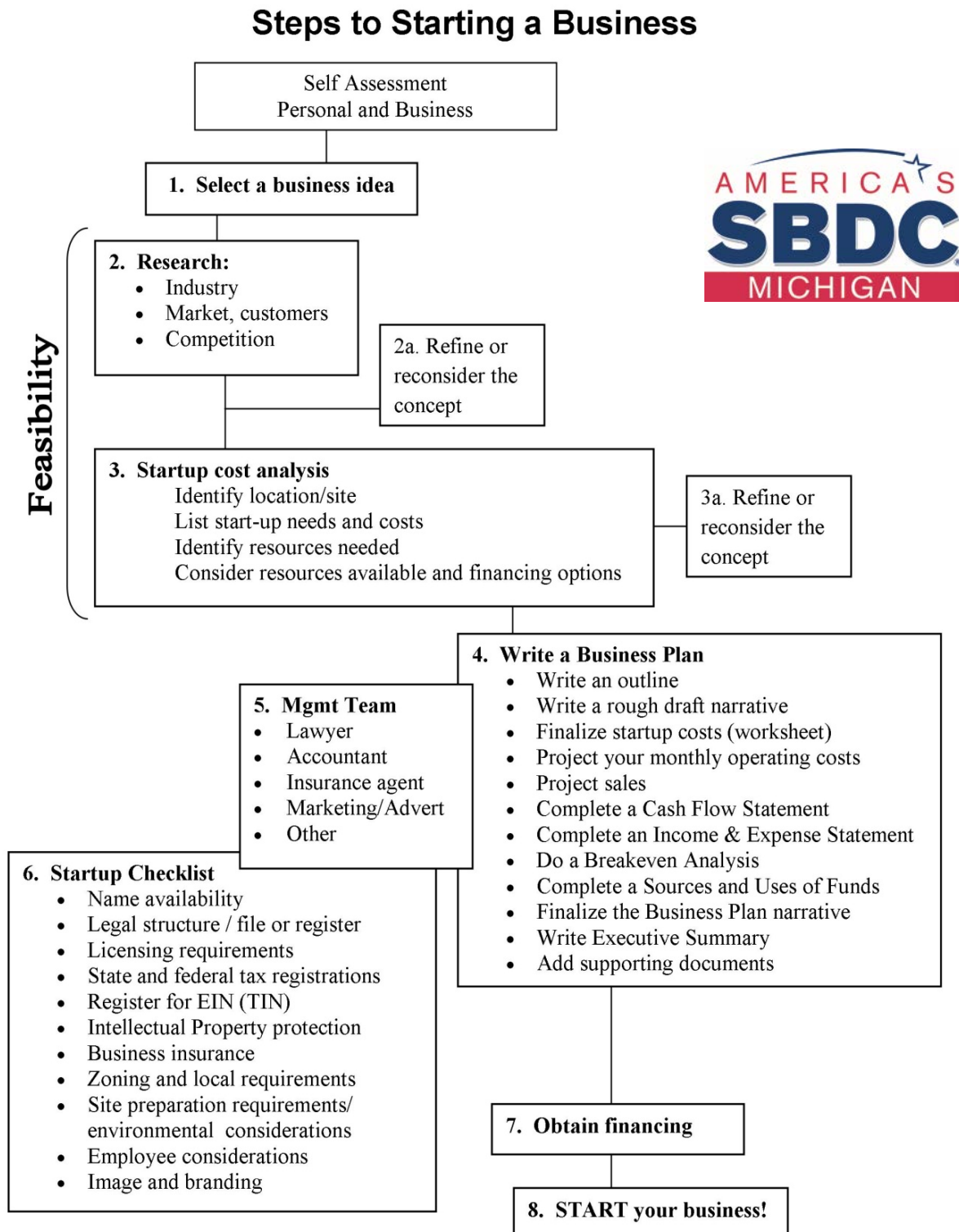
To self-assess, ask yourself the following questions and answer as honestly and in as much detail as possible.

### **SELF ASSESSMENT: Are You Ready To Be In Business?**

1. Why do I want to start a business? OR Why am I in business?
2. Specifically, what kind of business do I want to start (or am I in)?
3. Why do I believe I can make this type of business work?
4. Why do I believe this type of business is sustainable?
5. What education, skill or experience do I have in this industry?
6. What is my true purpose and/or the **goal I hope to accomplish with this business?**
7. What is the **financial goal** I am seeking to achieve?
8. If I will need financing, do I have the resources and credit worthiness necessary to be eligible?  
[High credit score plus assets, collateral and good financial history.]
9. What are my strengths?
10. What are my weaknesses?
11. What is my physical, mental and emotional health and stamina?
12. What knowledge and skills do I have to start and control the day-to-day operations of a business?
13. Do I know and understand the technology necessary to be competitive in this business?
14. Do I have good judgment in people and ideas?
15. What sacrifices and **risks** am I willing to take to be successful?
16. What will it take for me to balance personal life and business demands?

# STEPS TO STARTING A SMALL BUSINESS

*"What do I need to do and what comes first?"* That's the question most often asked by people considering starting a business. There is a logical sequence of actions and a process for starting a business. MI-SBDC has created a "checklist" of that process: "Steps to Starting a Business" charts the tasks in recommended order to help you stay on track, manage the various steps, and give you the confidence of knowing you have considered all the essential elements. An explanation of each step follows the chart.



# STEPS TO STARTING A BUSINESS (CONTINUED)

## 1. Select a business idea.

Step #1 is deciding on what type of business you want to start. Many people choose to start a business around something they know and are passionate about. The first question every would-be business owner needs to ask about his/her product or service idea: ***“What PROBLEM does it SOLVE or what NEED does it FILL?”*** There are many reasons why consumers make purchase decisions, but the primary one is need. Market research will help you answer this question.

## 2. Market Research (Feasibility)


Market research is the first and most important task you need to accomplish BEFORE you start your business, to determine if your idea is *feasible*, which according to Webster's Dictionary means “capable of being done; suitable.” Market research is the gathering of facts and figures to make an informed decision about the market potential for your business, about the prospects for success and the direction your business will take – both at the start and periodically as you continue on your business journey.

**A. Type of Research Needed:** The following describes the type of research needed using the example of a pizza parlor, which is part of the fast food industry:

- **Industry** is the BIG PICTURE of what's happening in the “total world” of your particular type of business. Look for answers to questions like: *What's happening in the fast food industry these days – how many pizzas get sold in the US or Michigan each year, are there increased sales, specialty pizzas, healthier alternatives, changes in sizes or packaging, more or less pizza parlors in and out of business, etc? What's the BIG PICTURE in the pizza world?*
- **Market** is population of consumers or businesses that buy your particular product or service – you can generally define them by a common set of characteristics. **Market segments** are groups within that population that you can define by even more specific set or sets of characteristics. Questions to answer could include: *Who and how many folks are buying fast food in the area or location I'm considering? How often do they buy? Can I group and identify them based on any common characteristics such as age or ethnicity?*
- **Customers** are the individual people or businesses that will buy your product or service. A good exercise is to define your ideal customer and work backwards – where there's one you can find another just like it, then another, and so on. *How many households exist in my geographic area? How many of these eat pizza, and how often? How much pizza are these prospective customers likely to purchase in a year?* (Customers x frequency x price = market potential.)
- **Competition** is any business that sells a product or service that is exactly like what you want to do (DIRECT) or that may be similar to or an alternative to your product or service (INDIRECT). *Where are other pizza shops? What are they like? What and where are other fast food, and/or grocery store food options? Why would these prospective customers buy your pizza (and not the other choices)? Is there an unmet need, am I offering something totally unique, are they dissatisfied with other choices?*

### B. How and where to do research (secondary)

- **Local Library.** The best source of information is still the library. Many have business librarians and/or space dedicated to business reference materials. Look for information in sources and references related to your particular type of business, such as periodicals, trade journals, newspapers, industry association and other reference books. Some of the books in which you might find information include:

- Directory of Trade Associations
  - Trade Journals and Industry Publications
  - Encyclopedia of American Industries
  - Standard and Poor's Industry Surveys
  - IBIS World Industry Market Research
  - Encyclopedia of Global Industries
  - Standard Industrial Classification Manual (statistics)
  - Economic Census, i.e., Census of Retail Trade, Census of Wholesale Trade, or Census of Selected Services
  - Other governmental statistic sources published by federal, state, and local agencies
  - RMA (Risk Management Association) Annual Statement Studies
- 
- Many libraries also have subscriptions to online market research tools that your librarian will be able to access for/with you. Or the librarian can assist you in how to locate information through the **Michigan Electronic Library** at **[www.mel.org](http://www.mel.org)** Library, which provides all Michigan residents with free access to online research tools, full-text articles, books, and more.
    - From the home page, select the "Business" button to see a long list of research tools and business information resources such as data generators "Business Decision" and "Demographics Now: Business and People" as well as the Encyclopedia of American Industries.
    - These research resources are available to you 24/7. It may take a little effort for you to learn how to use them on your own but they will be very valuable for periodically checking on marketplace conditions as well as for developing target marketing campaigns.
  - **Internet.** To get the most out of internet searches and make the best use of your time, it is important to define your search terms/strings as precisely as possible. The following are suggestions for more effective and efficient internet searches:
    - Make a list of all the keywords and strings of keywords associated with your type of business.
    - As you search, keep track of which key words or strings of key words you used so you don't end up duplicating the search at a later time.
    - Save time by visually scanning the search results to see if a result site contains potentially significant information. If it does, print out the materials for later reading and highlighting of relevant facts and the URL so you can find your way back to the site if you need to, and also to be able to cite the source in your business plan.
    - Valuable websites for checking on competitors:
      - **[www.mel.org](http://www.mel.org)** *DemographicsNow: Business and People*
      - **[www.yellowpages.com](http://www.yellowpages.com)**
      - **[www.thomasregister.com](http://www.thomasregister.com)**
      - **[www.hoovers.com](http://www.hoovers.com)**
      - **[www.zapdata.com](http://www.zapdata.com)**
  - **Talk to people in the industry.** Gain some valuable insights on opportunities and challenges by speaking to people who know it from the inside. Even better, you might find a mentor if you can connect with someone who owns a successful business like the one you want to start, preferably someone who won't be a direct competitor and is outside the geography of your intended service area.

### C. Other forms of research (primary)

- **Surveys.** Build and conduct your own survey or focus group to gather information from businesses or persons who might be potential customers.
- **Visit and “shop” the competition.** Observe your closest competitors from the perspective of a customer based on what matters most to customers related to purchasing this product or service. Compare their business model to yours: Strengths that you'll have to work hard to overcome; weak points that may be opportunities of which you could take advantage.
- **View similar businesses’ advertising and websites.** Study what they do, the image they present, the character of their marketing.
- **Talk to successful business owners.** You might find a mentor if you can connect with someone who owns a successful business like the one you want to start, preferably someone who won't be a direct competitor and is outside the geography of your intended service area.
- **Hired or paid research.** There are many companies that will conduct market research for a fee and can easily be found through the internet. If you find a modestly priced offering, keep in mind that high quality market research is very expensive. Keep in mind, too, that the information is free if you're willing to take the time and effort to search for it, as noted above.
- **College or university marketing students.** Many schools offering business courses, specifically in marketing, are looking for “real world” projects in which to involve their students. Check around your area for schools that offer marketing courses. Identify the professors teaching those courses and contact them directly. Timing may be an issue as they would have to plan your project into their course and it might take a term or two before that could happen.



### Additional Resource:

Market Research Information Checklist – pg. 7



## Market Research Information Checklist

Gather information for all the items that relate specifically to your type of business.

### Industry

- ☐ Associations related to my industry
- ☐ Size of industry
- ☐ Growth potential
- ☐ Historical trends (growth/decline)
- ☐ Seasonal or economic trends
- ☐ Other related industries
- ☐ Distribution channels
- ☐ Opportunities indicated
- ☐ Threats indicated
- ☐ Other

### Market

- ☐ Businesses (B2B) or consumers (B2C) or both
- ☐ Total number of potential buyers
- ☐ Segments – groups with similar attributes
- ☐ Segment with greatest need, demand
- ☐ Market trends – political, social, environmental

### Customer Profile – Consumers by segment

- ☐ Size of group
- ☐ Predominant gender
- ☐ Age
- ☐ Ethnicity
- ☐ Education level
- ☐ Occupation
- ☐ Income level
- ☐ Average amount of debt
- ☐ Home owner or renter
- ☐ Car owner
- ☐ Marital status
- ☐ Family status - # of children or not
- ☐ Pets – Type and number
- ☐ Media activity – magazines, newspapers, social media, television, radio, smart phone, other
- ☐ Purchase preferences – in person, internet, phone, catalog, other
- ☐ Product and/or service characteristics most highly valued by purchaser
- ☐ Payment preference – cash, credit
- ☐ Frequency of purchase

- ☐ Quantity of product/service purchased at each purchase
- ☐ Average dollars spent annually on this type of purchase
- ☐ Customer preferences and perceptions (quality, convenience, brand and image, exclusiveness, mass appeal....)

### Customer Profile – Businesses by segment

- ☐ Industries, markets, or segments
- ☐ Products or services
- ☐ Number of employees
- ☐ Length of time in business
- ☐ Geography, location
- ☐ Purchasing patterns – how much, how often
- ☐ Purchasing process
- ☐ Outsourcing
- ☐ Local, national, or international purchaser
- ☐ Economic factors that influence the market
- ☐ Government policies that influence the market

### Competition

- ☐ Direct competitors
- ☐ Indirect competitors
- ☐ Potential future competitors
- ☐ Annual sales and revenue
- ☐ Marketing and advertising methods and results
- ☐ Geography, location
- ☐ Distribution channels
- ☐ Outsources
- ☐ Sources for production, services, inventory, other

### Competition Comparison

- ☐ Strengths
- ☐ Weaknesses
- ☐ Opportunities to differentiate
- ☐ Other \_\_\_\_\_

### 3. Startup Cost/Financial Resources Analysis (Feasibility)



*The business you have in mind may not be the business model you can afford.*

One of the most common reasons businesses fail is “hitting a financial wall” either before opening or soon thereafter, as a result of one or more contributing factors such as:

- An insufficient estimate of the true cost of starting what you have in mind; finding out you need to spend more than you have to get it open or keep it going;
- An unrealistic expectation about resources you might tap into because you find out too late that there aren't any grants and startup loans are difficult to obtain;
- Or a misconception about how quickly you will start making money, meaning you might need sources of cash to keep a business afloat until it does start making money.

**You need a well-researched estimate of what it will cost to start the business you have in mind so you can match it to the reality of your available resources and/or your ability to get conventional financing.** This may lead to refining your idea to make your startup possible, based on your personal situation.

*The good news is that where there's a will there is a way!* Determining that you would not be able to pull together or be loan-eligible for that level of funding resources does not mean you won't be able to start the business.

- **It does mean you will have to rethink how you'll start.** The majority of businesses start by “bootstrapping” – starting with what you have at hand, perhaps working at it part time, building slowly but steadily. Every large business started as a small business, many of them building and growing one success or customer at a time.

The following page shows a summary of categories of common startup costs. Some of these may apply to your business and some may not but chances are there are some on the list you hadn't thought of.

For example: If you are relying on your business to pay your personal bills, you need to factor in living expenses for a moderate period of time until the business can afford to “pay you a wage.” Another example: One of the top reasons for business failures is not having enough cash to ride out the business ramp-up time. It's important to factor in cash to cover expenses until the business is projected to reach breakeven. In other words, if sales are not generating enough cash to cover all the bills and you have no other savings or loans to tap into, how will you pay the rent, or utilities, or.....?

## Startup Cost Analysis Summary

For each item on this list, there should be an accompanying list itemizing the detail.

### Land and Buildings

Purchase down payment or pre-paid lease	\$ _____
Closing costs	\$ _____
Remodeling/build out	\$ _____
Utility deposits	\$ _____
Other	\$ _____

### Equipment

Furniture	\$ _____
Fixtures	\$ _____
Production machinery/equipment	\$ _____
Computers/software	\$ _____
Telecommunication equipment	\$ _____
Cash registers/POS systems	\$ _____
Vehicles	\$ _____
Signs	\$ _____
Shipping and installation	\$ _____
Other	\$ _____

### Materials and Supplies

Starting inventory	\$ _____
Production materials/components	\$ _____
Office supplies	\$ _____

### Marketing, Image and Branding

Marketing and design consultants/planning	\$ _____
Advertising	\$ _____
Promotional items/activities	\$ _____
Other	\$ _____

### Operations Fees and Expenses

Professional fees (accountant, lawyer, etc.)	\$ _____
Patent/trademark fees	\$ _____
Insurance (Health, Life, Fire, Liability, other)	\$ _____
Licenses and permits	\$ _____
Trade association memberships	\$ _____

### Personal Living Expenses

From last paycheck to opening day	\$ _____
3-6 months after opening day	\$ _____
Moving expenses	\$ _____

### Cash Reserve/Contingency/Working Capital

Opening expenses	\$ _____
Wages/salaries	\$ _____
Other	\$ _____

<b>TOTAL</b>	<b>\$ _____</b>
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## Sources of Financing / Startup Resources

Once you know the cost to start your business, there are resource and finance issues to consider:

- How much do you need to start and where will it come from? Your savings? Selling your car? Asking your friends or family? Some of the more common forms of personal financial resources are:
  - Savings
  - Home Equity
  - Cash Value of Life Insurance
  - Credit Cards
  - Retirement Plans
  - Keeping your day job
  - Working part time as you build your business

- **GRANTS:** Are you hoping for a grant? We've all seen the infomercials, websites, advertising, or received robo-phone calls, telling us there is "millions in free money." The myth of "free money" has been around for decades, and clever scammers are only too happy to sell you a book or offer to write a grant – for a very hefty fee without delivering anything that provides you with the results you sought. The fact is that the U. S. government does have grant programs but generally speaking, virtually all grant money flows to local governments, state agencies, and nonprofits. If you still want to look for grants, you can search at [www.grants.gov](http://www.grants.gov). The following is excerpted from [www.sba.gov](http://www.sba.gov):

*"SBA does not provide grants for starting and expanding a business. Government grants are funded by your 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. Some business grants are available through state and local programs, nonprofit organizations and other groups. 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 a loan."*

- **LOANS:** Are you hoping to get a loan? Traditional and non-traditional lenders have criteria on which they qualify or reject business loan requests. The following are key lender considerations:
  - **CHARACTER:** What is your credit history and score? Lenders are looking for reliable borrowers who have demonstrated responsibility and have a high credit score (700 and above) over a period of at least 3-5 years.
  - **CASH:** Lenders expect you to have "skin in the game" and be able to put up 20-30% of the total startup cost either as cash or cash plus equity investment.
  - **COLLATERAL:** Lenders generally expect you to pledge assets against the loan that have a net value greater than the loan amount. Keep in mind that purchase value isn't resale value and banks discount the value of even brand new equipment to what they think they could get if they have to sell it to satisfy the debt.
  - **SBA Loans:** The SBA does not directly make loans but does have a variety of loan guarantee and/or support programs available through commercial lenders and Certified Development Financial Institutions (CDFI's). For more information visit [www.sba.gov](http://www.sba.gov).
- **ON-LINE BROKERS/DEALERS:** Web sites that provide a platform for submitting your loan request documents/application for financing consideration by conventional lenders or investors.
  - <https://exchange.co.com/>
  - [www.lendingclub.com/public/how-peer-lending-works.action](http://www.lendingclub.com/public/how-peer-lending-works.action)
  - [www.ondeckcapital.com/](http://www.ondeckcapital.com/)
  - [www.fundable.com/](http://www.fundable.com/)
  - <http://fundablefast.com/home.html>

- **LINC (Leveraging Information and Networks to access Capital).** An SBA initiative matchmaking service to help entrepreneurs get a date with a lender.
  - <https://www.sba.gov/tools/linc>
- **CROWD FUNDING:** Crowd funding is a relatively new form of raising funds to support ideas or projects by contributions or loans from individuals or interested parties through a networked and publicly observable platform. It is being used in support of a wide variety of activities from artists and journalists, political campaigns, charitable purposes, invention development, entrepreneurship, to scientific research and more. Various platforms offering this type of funding can be searched on the internet. Because it is relatively new, the state and federal rules governing these kinds of solicitations and securities are still evolving, so it is strongly recommended to seek professional advice before engaging in crowd funding.

Equity crowd funding (ownership based), is still a complex work-in-progress with SEC (Securities and Exchange Commission) rules not yet finalized. To facilitate Michigan equity crowd funding, the state legislature passed the “Michigan Invests Locally Exemption” (MILE), which allows small businesses to raise capital by reaching out to Michigan residents to invest in their companies. There are many regulations governing this type of funding and serious consequences for violations of either the Federal or State regulations.

Anyone considering crowd funding should thoroughly research the advantages and disadvantages, and consult an attorney and/or accounting/finance professional who is knowledgeable and experienced in crowd funding. It is extremely important to consult with a securities attorney for guidance before deciding on or entering into equity crowd funding.

*For more detailed information on this and other forms of financing, see the section “Financing a Business” beginning on page 39.*

### Decision Point – Is it Feasible?

Once you’ve gathered and reviewed your market research and financial information, you can make knowledge-based decisions: To go forward as you intended or to modify your plan.



- Weigh the facts and make decisions based on what you KNOW, not “think” or “feel”.
- Is there a need in the marketplace for your product or service?
- Can you generate enough sales to achieve your personal and business goals?
- Can you justify the investment and risk?
- What is your value proposition?

After research and informed consideration, most entrepreneurs adjust their original concept in some way, and quite often a smaller scale startup is the option chosen. Always be prepared for the possibility that expenses will be more than you projected, or that sales will develop more slowly than you expected.

***NOTE: Once you have made the decision to proceed, Steps 4, 5 and 6 will happen somewhat simultaneously, though they are numbered according to a recommended sequence.***

## 4. Write a Business Plan

In spite of the fact that one of the major reasons for business failures is lack of planning, just mentioning the task of “writing a business plan” makes many aspiring (and existing) entrepreneurs cringe. There’s no question it does take time and commitment for research, organizing information, evaluating, and writing down your actionable plan.

So why should every entrepreneur go to the trouble of creating a written business plan?



1. If you’re looking for financing or investment, lenders and investors require a written plan. A completed business plan provides the information needed, and communicates your ideas to others, as the basis of a financial proposal. A decision on whether to extend financing, investment, or credit will be based on all the information in the business plan, not just the financials.
2. But the most important reason is YOU! It’s not enough to “have it all in your head” since ideas and thoughts aren’t a plan – what’s in your head is ideas, and they are like clouds that change form from minute to minute. The process of putting a business plan together, including the information-gathering, thought and analysis, and activity of writing out the information you’ve discovered along with your ideas and measurable goals forces you to see the business project in its entirety, including its strengths and shortcomings.
3. Writing your business plan is a virtual simulation. Before you invest a chunk of money, it allows you to get to know the economic environment, test the financial scenarios, identify and locate your markets, figure out the what/how/when/why of operations and management, and more. It allows you to consider and adjust, to pinpoint needs or opportunities. Writing a business plan can reduce your risk and increase your chances for success!
4. Once launched, your written business plan is a management tool: It provides benchmarks and milestones you can use to measure your success; it is also a tool to remind management of the business goals as well as communicate them to employees as a means to keep everyone heading in the same direction.

### Business Plan Overview

- Cover Page
- Table of Contents
- Executive Summary
- **Section 1 -- Company Introduction**
- **Section 2 – Market Analysis/Marketing and Sales**
- **Section 3 -- Management and Operations**
- **Section 4 – Financials**
- Appendix

Most everyone needs help in putting a business plan together. There are several well-written brochures and books available at libraries and bookstores for guidance. Most large accounting firms have manuals available. Various legal and financial consultants are listed in the Yellow Pages and online.

For more assistance or for a schedule of workshops or seminars on business planning, visit [www.SBDCMichigan.org](http://www.SBDCMichigan.org).

# Business Plan Outline

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## 1. COMPANY INTRODUCTION

Introduce and describe your company. How/why was your company formed? How long has your company been in operation? Where is the company located and what is its legal entity?

*You may want to highlight the following elements within this section:*

- *Overview of company history/capabilities*
- *Location and hours, legal entity*
- *Product or service description, present state of development (if applicable)*
- *Mission and vision*
- *Intellectual property status (patents, copyrights, etc., if applicable)*
- *Commercialization strategies (brief summary, if appropriate)*
- *SWOT analysis (your strengths; weaknesses; how you will overcome those weaknesses)*

## 2. MARKET ANALYSIS/MARKETING AND SALES

### **Industry Analysis**

Paint a picture of what is happening in your specific industry overall so you can plan how to take advantage of market opportunities. Similarly, industry awareness will help you determine if your sales projections are realistic. For example, is the industry large enough to support another supplier; how fast is your industry growing (sales \$, number of customers, profits); are there some segments growing faster than others?

*You may want to highlight the following elements within this section:*

- *Current industry size, status, and trends (to understand how to position your company for market opportunities and to identify areas of growth or decline)*
- *New products or services in the industry*
- *Trade associations that support your product/service (potentially a great resource of industry and market information)*
- *Opportunities and threats affecting the industry (and how you will capitalize on the opportunities and handle the threats)*

### **Market Analysis**

Provide a good description of your market (all who might buy your product or service), then group them into primary and secondary markets. Your primary market is the group that is likely to buy the largest quantity of your product, or that is likely to buy more of your most profitable product. Secondary market includes those customers who will buy, but probably not at the same volume level as your primary target. Next you should estimate how large your target markets are (number of potential customers, how much are they likely to spend in a given year). Then, predict how fast your target markets will grow. Be realistic. Even if every customer loves your product, they all have limits on their ability to spend.

*You may want to highlight the following elements within this section:*

- *Market size and trends*
- *Quantify available markets (number of potential customers, how much are they likely to spend in a given year)*
- *Predicted annual growth rate of markets*
- *Define your primary and secondary markets*

### **Customers**

It is important for a company to know exactly who they are targeting with their products/services, where the customers are located, why they are interested in the product/service, and when/how/why they will purchase the product/service. Describe your ideal customer in terms of their attributes or demographics

(age, gender and income or business type, size and location) so that your selling approach will make sense to them.

*You may want to highlight the following elements within this section:*

- *Description of target market (who is your ideal customer?)*
- *Geographic area for target market (within 60 mile radius? nationwide?)*
- *Problem that company is solving for the market (what do they need?)*
- *Buying behavior (how often, how many products?)*
- *Decision making process (how much lead time, is it a group decision?)*

### **Competition**

Who is your competition? Competitors include other suppliers who provide similar products (direct competitors) as well as those who provide a product in the same general category (indirect competitors). For example, a retail video rental store competes with other video rental companies, and also with other forms of entertainment such as movie theatres, HBO, etc.) How much of the market do your competitors hold? Who has the largest share of the market and what are their strengths and weaknesses? What is your competitive advantage against the competition?

*You may want to highlight the following elements within this section:*

- *Indirect & direct competitors? Who are they and where are they?*
- *Competition analysis (what they do, how they do it, their strengths and weaknesses, how you might differentiate)*
- *Market share held by competitors (or annual sales volume)*

### **Marketing/Sales Plan**

Your Marketing and Sales Plan needs to focus on the key characteristics of your target customers, their demographics and buying behavior, and their attitudes about your product. Why will a customer buy from you and not a competitor?

Set realistic sales goals that recognize the size of your industry, the size of your target market, how strong your competitors may be, and your ability to produce the product. Understanding your customers will also help you determine your sales force and distribution plans. Does your product require a direct sales approach? Will customers feel comfortable ordering online? Do customers need to see the product before purchasing? How many contacts will they need before agreeing to purchase?

Once you know your sales targets, you can plan your communications strategy around how many prospects you need to reach. Customers need to be aware of your company; and they have to want your product, have the ability to purchase it, and be satisfied with their purchase so that they will purchase again and also spread your name to others. Your advertising needs to include the media (such as print ads, radio, direct mail, billboards, events, publicity) that best reach your target market. And you will need to get the word out on a regular basis, so draft your communications plan onto a calendar, with regular communications activities throughout the year.

Often, partnering with a company that provides a complementary product can open the door to a broad base of potential customers. (For example, a Subway Shop may open next to a gas station.)

Pricing is an important part of your marketing mix. Estimate sales at various price levels. Investigate your target customers' expectations about price in addition to what your costs are.

*You may want to highlight the following elements within this section:*

- *Marketing and sales objectives*
- *Current customer profile (if applicable)*
- *Potential customers feature/benefit analysis (what are they looking for or do they need?)*
- *Potential teaming partners (who they are, why selected, if appropriate)*
- *Pricing: price points, margins and levels of profitability at various levels of sales*
- *Sales plan (methods and process, sales expectations for sales people, distribution channels, margins for intermediaries, customer service and warranties)*



- *Advertising: Year 1 detailed marketing communications plan including implementation plan; Year 2-5 general plan, marketing budget/costs, assumptions. See page 47 for an example of a Marketing Action Plan (schedule, timeline, and budget).*

### 3. MANAGEMENT AND OPERATIONS

Your Management and Operations section needs to focus on how the business will be run: The management team and the experience and skill they bring to the business as well as how you will manage the company, who will be responsible for running the day-to-day operation as well as the steps and processes necessary to get the work of your business done. Even the best and brightest entrepreneurs cannot do everything. Identify key work areas that will ensure customer satisfaction and company growth and make sure staff understands their responsibilities. This ranges from how the telephone should be answered to what is your return policy; from how do we reach more customers, to what is the most cost effective level of inventory? Note: Documented processes (job descriptions, training plan, activity steps, etc.) will help you develop consistency and quality in production, sales, delivery, and follow-up customer care.

#### **Human Resources Plan**

Who is on your management team? How many staff members will you hire and in which roles? How much money will you spend? What are your goals for staffing? Estimate the costs and benefits of full-time, part-time and contract employees. How will new employees be trained? Critical areas include Operations, Sales, and Finance, and each function needs to be defined. How will decisions be made? Where are your greatest strengths? What skill areas and team members need to be added?

*You may want to highlight the following elements within this section:*

- *Management team*
- *Organizational structure (chart)*
- *Staffing objectives (job duties and basic work schedules – this may include outsourced roles)*
- *Board of Directors, Advisory Board (if appropriate)*

#### **Operations Plan**

*You may want to highlight the following elements within this section:*

- *Basics on how work will be processed*
- *Use of subcontractors for work activity*
- *Quality control*
- *Facility needs (site and/or floor plan are helpful visuals)*
- *Manufacturing needs (equipment, work flow)*

#### **Research and Development Plan (if applicable)**

Plan for your company's future and growth. Whether you will be developing new products or expanding to additional locations, a growth plan is important. What are your goals and plans in this area? What obstacles do you foresee while trying to achieve your objectives? Will you require additional financing to obtain your research and development objectives?

*You may want to highlight the following elements within this section:*

- *Research and Development objectives*
- *Milestones and contingency plans*
- *Difficulties and risks and how to overcome them*
- *Special budget needs*

### 4. FINANCIALS

In a narrative as well as charted, identify the financial goals and plans for your company. What do you need and how will you obtain it? What is your company's financial history? Start by estimating your monthly costs, both fixed and variable. That total tells you at a minimum what you need to generate in

revenue – and then you can work backwards and calculate how many products you'd need to sell, or how many hours of service you'd need to complete, to at least break even (income = expenses).

*The following elements should be included in this section:*

- *Assumption page* - A list of your explanations for the numbers in the financial projection. An uninformed reader should be able to understand how the figures being presented were derived.
- *Cash flow projections* - This will compare the money coming in to the money going out on a month-by-month basis. Can you pay your monthly bills?
- *2-5 years profit & loss statements* – Different than cash flow, a P&L includes some different categories and will show you and a potential lender if your company is projected to grow or is growing financially and according to your targeted goals.
- *Start-up or growth capital needed* – An itemized or categorized list of how the money borrowed/invested will be spent.
- *Financing needed and equity/debt options* - Ask for what you have assumed in the financial projection. For example, if the projection assumes a \$50,000 at 7.0% for 10 years, that is what you ask for.
- *Alternative scenarios option* – You may want to present a "best case" and "worst case" scenario.
- *Terms and conditions of any previous financing* – Include information on any existing debt and equity arrangements.
- *Commercialization/strategy (if applicable)*. Some business plans take an idea or invention from conception to the market place. One needs to address those issues as the timeframe for such a project is usually very long.
- *Exit strategy* - How is the money going to be extracted from the business? Do you plan to sell the business? Will your children inherit it?

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## APPENDIX

*Supporting documents related to content you have referenced in your plan, which you or another reader may wish to refer to for more detail or verification, may include the following:*

- *Principal's resumes and/or list of owners with over 20% of the stock*
- *Personal income tax forms if required*
- *Letters of recommendation, purchase orders, other*
- *Site/floor plans*
- *Contracts*

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**And now that the plan is complete....**

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**Cover Page** (Allow one full page in actual document)

*Every business plan needs a cover page. The cover should show the following information (fill in for your business):*

Company Name

Address

City, State Zip

Web Site Address

Company Owner's Name

Email Address

Phone Number / Fax Number

Company Logo (if available)

Date

---

Organization name and address the business plan is submitted to (*leave blank if you don't know yet*)

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## **Table of Contents** (Allow one full page in actual document)

*Come back to this section and fill in the page numbers when the business plan is complete.*

<b>Table of Contents:</b>	<b>Page Number</b>
Executive Summary	xx
Company Introduction	xx
Marketing and Sales	xx
Industry Analysis	
Market Analysis	
Customers	
Competition	
Marketing/Sales Plan	
Management and Operations	xx
Human Resources Plan	
Operations Plan	
Research & Development Plan	
Financials	xx
Financial narrative	
Assumptions	
Sources and Uses of Funds	
Cash flow projections	
Appendix	xx

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## **EXECUTIVE SUMMARY**

*The Executive Summary section provides an overview of the Business Plan, highlighting the primary ideas from each of the business plan components. Also, include in this section the purpose for writing the plan, i.e., "to obtain financing."*

*Even though this section comes first in the business plan, it is written after all of the other sections have been completed, as a one or two page summary of the highlights. The order in which the highlights are presented depends on the audience that will be reading it. For example, if the plan will be read by an investor, it might be best to lead off with strong financial highlights.*

- *Company Introduction*
- *Industry Analysis*
- *Customers*
- *Market Analysis*
- *Competition*
- *Marketing/Sales Plan*
- *Human Resources Plan*
- *Operations*
- *R&D Plan (if appropriate)*
- *Financials*

## 5. Develop Your Business Management Team

As noted in a previous section, many people choose to start a business around something they know how or love to do. That technical skill or specific knowledge/experience becomes the centerpiece of the business, the product or the service offered. However, a strong, operational business framework is critical to producing and delivering your product or service. Consider your knowledge and experience gaps and anticipate and plan for how you will cover those gaps and manage all the important business functions. Who do you know that might help you in the early stages, and where do you need to incorporate specialized assistance? Some of the areas to consider are:

- Financial management -- accountant or bookkeeper
- Legal advice -- attorney
- Risk management -- insurance agent
- Site or facilities -- realtor and/or local economic development organization
- Marketing and advertising -- specialized consultants (graphic design, web development, marketing)
- Human resources -- staffing service/consultant
- Technology and computer systems -- IT services consultant

## 6. Complete the Startup Checklist

The following tasks are related to forming and finalizing the business entity itself. These tasks may be completed at any time in the startup process, and many people form a business entity, file for an EIN, and make other registrations as a first step. But the recommended sequence is first to determine IF there is a market opportunity for the business (feasibility) before establishing and registering an entity that might need to be “undone” if it is determined not to be feasible.

### **Name and Legal Structure**

To learn more about the advantages and disadvantages of various legal structures refer to the chapter entitled Ways to Legally Structure a Business and Registering A Business Name starting on page 20. The decision of what legal structure to select may be very complicated, therefore, it is recommended that you consult an attorney and/or tax professional before deciding which structure is best for you.

### **Licensing**

The State of Michigan does not have a generic business license, and legal entity registration is not a license. Licenses are required for certain vocations or occupations that may be conducted within a business. Local governments may also require business licenses. See pages 25-26 for more on licenses.

### **State and Federal Tax Registration**

Businesses operating in Michigan may visit [www.michigan.gov/business](http://www.michigan.gov/business), Michigan Business One Stop website, a portal for new and existing businesses to access services for doing business in our great state -- from information about licensing and permits, to tax registration and unemployment insurance. See pages 28-30 for more details.

### **Employer Identification Number (EIN) – Taxpayer Identification Number**

Generally, an EIN is required by the IRS if: 1) The business will have employees; and/or 2) the business operates as a corporation or partnership. See page 28 for more details.

### **Intellectual Property (IP) – Patent, Trademark, Servicemark, Copyright**

A patent is a grant of a property right to the inventor, issued by the United States Patent and Trademark Office. A trademark is the “brand name” by which products are identified by a particular manufacturer or distributor. A trademark is a word, phrase, symbol or device, or any combination other than a trade name adopted and used to identify products and to distinguish them from similar products made or sold by others. A service mark is similar to a trademark and is used to identify and distinguish between services sold or advertised by a person from similar services of others. A copyright enables its owner to exclude others from reproducing certain kinds of works. See pages 26-27 for more details.

### **Business Insurance**

Contact an insurance agent to determine the types of insurance the business should purchase. Shop around. Insurance rates and types of coverage vary greatly among insurance carriers. See page 48 for more details.

### **Zoning and Local Requirements**

It is important for startup and expanding businesses to make sure that the planned location or occupied facility is in compliance with all the local laws and regulations. Although Michigan does not have a generic business license, check with your local governmental units (cities, townships, villages, etc.) as they may require businesses to be licensed. See page 26 for more details.

### **Employee Considerations**

If employees are hired, there are responsibilities at both the state and federal government levels, see pages 33-38 for more details.

### **Purchasing an Existing Business**

If you are considering purchasing a business, it is important to understand what you are getting into by requiring detailed information from the seller regarding its business operations and finances. As the purchaser of even a portion of a business, you may be responsible for the previous owner's liabilities, regardless of any contractual language to the contrary. Make sure that the seller of the business provides you with proof that there are no hidden liabilities. In addition, the seller of the business should obtain Form 5156, Request for Tax Clearance Application online at [www.michigan.gov/taxclearance](http://www.michigan.gov/taxclearance) to request a tax clearance from Michigan Department of Treasury. For further questions you may contact Michigan Department of Treasury/Tax Clearance at 517.636.5260. (It would be wise to obtain a copy of this Tax Clearance Request letter from the seller prior to the closing date or signing any purchase agreements.)

### **Image and Branding**

A very critical aspect of business marketing is the message, verbally and visually, that you use to identify your business and attract customers. Plan it carefully and consider its staying power. Much of the value of a business accrues from the recognition of the "brand" and reputation you achieve. For more details and guidance on marketing, see the chapter entitled Marketing Your Business starting on page 44.

## **7. Obtain Financing (if applicable)**

If traditional lending is your financing path, begin visits to lenders just as soon as the business plan is completed, before a site lease or purchase agreement is signed. Your MI-SBDC office will provide information on lenders in your area. For more information on financing, see the section "Financing a Business," page 39.

## **8. START your Business!**

***Congratulations!*** Your planning, persistence and determination have paid off. **Now the journey and real hard work begins.** Don't hesitate to contact your closest MI-SBDC office for ongoing assistance.

# WAYS TO LEGALLY STRUCTURE A BUSINESS AND REGISTERING A BUSINESS NAME

## Choosing a Legal Structure for Your Business

When starting a new business, one of the first decisions you must make is what legal structure you should choose for your business. Your choices are sole proprietorship, partnership, corporation or LLC. Which structure you choose will depend on the type of business you run. The major factors to consider include:

- The potential risks and liabilities of your business
- Income taxes
- Investment needs
- The formalities and expenses involved in establishing the business structure

Below is a review of the most common legal structures for businesses and some of the advantages and disadvantages of each. The decision of which legal structure to select may be very complicated, therefore, it is recommended that you consult an attorney and/or tax professional before deciding which structure is best for you. For more information on filing documents for a limited partnership, corporation or Limited Liability Company please go to [www.michigan.gov/corporations](http://www.michigan.gov/corporations) or call 517.241.6470.

### Sole Proprietorship or Sole Proprietor DBA

A sole proprietorship is a business structure with one owner. A majority of small businesses in the United States are sole proprietorships because it is the easiest to set up and maintain. If you do nothing to choose a legal structure you will default to a sole proprietorship because there is no paperwork to file. However, if you plan to operate the business under a name that is not your personal name, then you must file for an assumed name "DBA" (doing business as...) certificate with the county clerk of the county where your business is located.

There is no legal separation between the business and the owner in a sole proprietorship. This means that as a sole proprietor you will have unlimited responsibility for the liabilities and debts of the business. For instance, if the business cannot pay money owed to a vendor, that vendor may sue you individually. It also means that any income or losses of the business are accounted for on your personal tax return.

#### Advantages:

- Easy and inexpensive to establish
- Profits are taxed only once at the owner's rate

#### Disadvantages:

- Owner has unlimited personal liability for business debts
- Ownership is limited to one person

*The decision of what legal structure to select may be very complicated. Therefore, it is recommended that you consult an attorney and/or tax professional before deciding which structure is best for you.*

### Partnerships

There are two types of partnerships: General Partnerships and Limited Partnerships. A general partnership is similar to a sole proprietorship except that it has two or more owners. Like a sole proprietorship it is easy to set up and maintain. There is no paperwork to file unless you are operating the business under a name that is different from the personal names of the owners in which case you only need to file a "DBA" (doing business as...) certificate with the county where the business is located. It is also highly recommended that the partners create a partnership agreement that addresses roles, responsibilities and contingencies, in order to avoid disagreement and conflict between the partners. In a general partnership the owners have unlimited liability for the debts of the business. This means that even though the partners share the profits equally, each partner is 100% responsible for any debts of the business.

A limited partnership has one or more general partners and one or more limited partners. The general partner(s) control and operate the business and are 100% liable for any debts of the business. The limited partner(s) do not participate in the operation of the business and their personal liability is limited to their contribution to the partnership. Typically a limited partner is an investor.

In order to form a limited partnership in Michigan, you must file a certificate of limited partnership with the Michigan Department of Licensing and Regulatory Affairs (LARA). If a limited partnership does not follow statutory requirements it will be treated as a general partnership so you should consult with an attorney before creating a limited partnership.

**Advantages:**

- General partnerships are easy and inexpensive to establish
- Each partner's share of profits are only taxed once
- Allows for ownership by more than one individual

**Disadvantages:**

- General partners have unlimited personal liability for business debts
- Partnership is legally responsible for the business acts of each partner
- General partner's interest in the business can only be sold or transferred by consent of all partners

*The decision of what legal structure to select may be very complicated. Therefore, it is recommended that you consult an attorney and/or tax professional before deciding which structure is best for you.*

### **Limited Liability Company**

A limited liability company (LLC) business entity was created to combine the advantages offered by both partnerships (page 20) and corporations (page 22). An LLC provides the members (owners) of the business limited liability protection like shareholders in a corporation combined with the simpler operation and tax advantages of a partnership.

Although Michigan does not require an operating agreement to be filed in order to form an LLC, executing one is highly advisable. Particularly in a multi-member LLC, it's the basis on which you establish consistency and understanding about how meetings are conducted, how the company will be managed and decisions made, duties of members, what contributions are required from members, how profits and losses will be calculated, limitations of liability and protection of members, and how members might be added, terminated or exit.

An LLC is created by filing Articles of Organization with Michigan Department of Licensing and Regulatory Affairs (LARA) along with the appropriate filing fee. Like a corporation, an LLC will be responsible for paying an annual fee with LARA to continue its existence.

**Advantages:**

- Limited liability for business debts
- Taxed as a partnership so there is no double taxation
- Easier to establish and maintain than a corporation

**Disadvantages:**

- More complex start-up requirements than partnerships or sole proprietorships
- Members are not permitted to pay themselves wages but may take money out only by a profit distribution
- Every member must pay taxes his his/her share of the profits and is not exempt from self-employment taxes

*The decision of what legal structure to select may be very complicated. Therefore, it is recommended that you consult an attorney and/or tax professional before deciding which structure is best for you.*

### **L3C**

A low-profit limited liability company (L3C) is a new legal form of business entity established pursuant to law of the state. Michigan is one of just a few states that have amended their general limited liability company law to create this hybrid of a nonprofit and for-profit organization with the purpose of encouraging private and/or philanthropic investment in businesses designed to provide social benefit. An

L3C is a for-profit company with a charitable mission first and a profit concern second. L3C encourages investments in socially beneficial for-profit businesses by simplifying compliance with the IRS rules for program-related investment, which is a type of investment that private foundations are allowed to make.

As with an LLC, although Michigan does not require an operating agreement to be filed in order to form an L3C, executing one is highly advisable. It is the basis on which you establish consistency and understanding about how meetings are conducted, how the company will be managed and decisions made, duties of members, what contributions are required from members, how profits and losses will be calculated, limitations of liability and protection of members, and how members might be added, terminated or exit.

An L3C is created by filing Articles of Organization with the Michigan Department of Licensing and Regulatory Affairs (LARA) along with the appropriate filing fee. ***The words "low-profit limited liability company" or the abbreviation "L.3.C." or "l.3.c." must be included in the name of the new entity (Article I of the form) and the "all purpose" clause in Article II of the form crossed- or whited out.*** Michigan law also requires that the definition of L3C business purpose include specific language so it is highly recommended one consult with an attorney if considering filing this legal entity.

Like a corporation or an LLC, an L3C will be responsible for paying an annual fee with DELEG to continue its existence.

**Advantages:**

- All the benefits of LLC structure
- Qualification as PRI (Program Related Investment), facilitating foundation investments
- Not subject to nonprofit regulation
- Branding and marketing opportunities

**Disadvantages:**

- PRI investments are rare and considered risky, with potential excise tax liability to the foundation
- So new that there are many unresolved questions about how rules and regulations will be interpreted and/or applied

*The decision of what legal structure to select may be very complicated. Therefore, it is recommended that you consult an attorney and/or tax professional before deciding which structure is best for you.*

## **Corporations**

A corporation is considered a separate legal entity with its own rights, privileges and liabilities separate from its members. Therefore, its shareholders or stockholders (owners) are not personally responsible for the debts of the business. Usually a corporation has more than one shareholder but it can be 100% owned by one person. Shareholders elect a Board of Directors that oversees major policies and decisions, and the directors hire officers to run the company on a day-to-day basis. A corporation can sue and be sued, enter into contracts and own property.

A corporation is more expensive and complex to establish than the other business structures. It is created by filing Articles of Incorporation with Michigan Department of Licensing and Regulatory Affairs (LARA) along with the appropriate fee. The corporation will also be responsible for paying an annual fee with LARA to continue its existence. Once established, a corporation must abide by corporate formalities required by statute to retain corporate status; therefore, corporations are more complex to operate than sole proprietorships and partnerships.

The corporation itself pays taxes at special corporate tax rates on the profits it earns and retains. Corporations distribute earnings to shareholders (owners) as dividends and the shareholders are taxed on this income. Therefore, it is said that corporate earnings are subject to "double taxation" when they are passed through as stockholder dividends.



Corporations are categorized as “C” corporations. However, after creating your “C” corporation, you might file an election with the IRS to be treated as a subchapter “S” corporation for tax purposes. In order for a corporation to elect to be a subchapter S corporation it must meet certain eligibility requirements including but not limited to having 100 or less shareholders. Subchapter S corporations are formed for tax purposes because generally a subchapter S corporation does not pay taxes on the earnings of the business but instead the income is passed through to the individual shareholders and reported on their income tax returns. This eliminates the corporate “double taxation” described above.

**Advantages:**

- Easier to raise capital through sale of stock
- Limited liability for business debts – shareholders only risk their investment
- Easy to transfer ownership
- Can elect Subchapter S status with the IRS

**Disadvantages:**

- Costly to set up and maintain
- Corporate formalities are complex but must be strictly followed to maintain corporate status and limited liability of shareholders
- Closely regulated by both federal and state government
- Double taxation if not eligible for or fail to elect Subchapter S status with the IRS

*The decision of what legal structure to select may be very complicated. Therefore, it is recommended that you consult an attorney and/or tax professional before deciding which structure is best for you.*

### **Professional Service Corporation**

A professional service corporation or “PC” is a corporation formed for the purpose of engaging in certain licensed professions (sometimes referred to as “learned professions”) such as law, medicine and architecture. All shareholders of the corporation must be licensed professionals, so for example, if a law firm is a PC, all shareholders of the PC must be licensed attorneys. A PC is created by filing Articles of Incorporation with the Michigan Department of Licensing and Regulatory Affairs (LARA) along with the appropriate fee. The corporation will also be responsible for paying an annual fee with LARA to continue its existence as well as provide a list of shareholders and attest that all are licensed professionals.

*The decision of what legal structure to select may be very complicated. Therefore, it is recommended that you consult an attorney and/or tax professional before deciding which structure is best for you.*

## **Selecting and Registering a Business Name**

In general, an individual is always entitled to use their personal name for their business. If you choose a name that is not your personal name, you must choose a name that is not already being used by another business. It is important to do a search for the name on the internet and at the website for the US Patent and Trademark Office [www.uspto.gov](http://www.uspto.gov) to try to determine that the name is not already in use and/or registered as a protection against duplication. If your name is an integral part of your business or you plan to invest significant money in marketing materials you should consult with an attorney with an expertise in intellectual property law prior to choosing and registering your name. For more information on protecting your business name, see page 26, “Patents, Trade and Service Marks.”

In Michigan, a business name is registered at the time the business structure/entity is formed. A sole proprietorship or partnership using the name(s) of the owner(s) is not required to do anything to register their business name. If the sole proprietorship or partnership is assuming a different name they must file a “DBA” (doing business as...) certificate with county clerk of the county in which the business is located.

A corporation registers its name when filing its Articles of Incorporation and an LLC registers its name when filing its Articles of Organization with the Corporations Division of the Department of Licensing and Regulatory Affairs ([www.michigan.gov/corporations](http://www.michigan.gov/corporations).) It is recommended that you conduct a state name

availability search prior to filing your paperwork. This search can be done online at **[www.michigan.gov/entitysearch](http://www.michigan.gov/entitysearch)**

It is important to note that just because the State of Michigan allows you to register your business name, it does not mean you have absolute rights and ownership of that name. Therefore, if you have any questions or concerns about choosing a name for your business you should consult an attorney.

Also, a corporation or LLC may choose to operate the business under a name different than the LLC or corporation, or it may choose to operate multiple businesses through the one business. For corporations or LLC's filed at the state, this form of "DBA" ("doing business as") is not the same as one filed with the county. The corporation or LLC must file a Certificate of Assumed Name for each name used by the business, which can be done through the Corporations Division of LARA **[www.michigan.gov/corporations](http://www.michigan.gov/corporations)**

## LICENSES, PERMITS AND OTHER REGULATIONS

The State of Michigan does not have a generic business license. Several occupations and industries/services are required to be licensed by the State of Michigan. Depending on the specific type of business or manufacturing operation, some type of certification, license or permit may be required. Access the State License Search site for licensed occupations information (search) online at: [www.michigan.gov/statelicensesearch](http://www.michigan.gov/statelicensesearch)

***Local licensing, permits and/or regulations may be different than state.*** Be sure to check with your county, city, village, or township clerk to determine if any local licenses or registrations are required and to obtain the necessary forms.

### ENVIRONMENTAL CONSIDERATIONS

Small businesses operate in an increasingly complex legal environment. Concerns about consumer protection and environmental preservation have received increased attention in recent years. As these concerns are brought forth to be enacted into laws and regulations, it is often translated into a maze of paperwork and restrictions for many business owners. The *good* news is that government provides a wide-range of assistance to businesses. One key to surviving the “regulatory jungle” is to be aware of the legal and business environment in which your business operates. No one is expected to become a legal expert but you should know which laws affect your business.

A business involved in activities that have the potential to impact the environment (such as land clearing and construction) or operating processes that generate air emissions and waste (such as coating lines, boilers, and cleaning metal parts with solvent) may need permits, licenses, or other authorizations from the Michigan Department of Environmental Quality (MDEQ).

Contact the MDEQ at 800.662.9278 or online at [www.michigan.gov/deq](http://www.michigan.gov/deq). The MDEQ regulates business activities that involve:

- The release of air emissions
- Solid waste disposal/processing
- Storage, hauling and disposal of hazardous waste
- Major alterations to the landscape
- Building near waterways or wetlands

The Department of Natural Resources also has some permitting and licensing programs related to use of, and approvals for the use and sale of environmental resources. You can learn more from their Citizen Resource guide found at:

[www.michigan.gov/documents/dnr/DNR\\_customer\\_service\\_guide\\_407568\\_7.pdf](http://www.michigan.gov/documents/dnr/DNR_customer_service_guide_407568_7.pdf)

#### Other Resources

Free technical assistance, consultation, and guidance are available from the Environmental Assistance Program (EAP) by calling 800.662.9278 or online at: [www.michigan.gov/deq](http://www.michigan.gov/deq). Click on “Programs” and under “Programs by Division” you’ll find listings for “Office of Environmental Assistance.”

The Michigan Guide to Environmental, Health and Safety Regulations: A general and informational reference that provides an overview of the regulatory programs that apply to many businesses – not just manufacturers. Online copies are available at [www.michigan.gov/ehsguide](http://www.michigan.gov/ehsguide)

The DEQ Permit Information Checklist: An easy to use checklist for determining if your project requires any type of environmental permit is available online at [www.michigan.gov/deqpermits](http://www.michigan.gov/deqpermits)

The possibility of environmental contamination should be considered when looking at the lease or purchase of an existing building or property for conducting business. In Michigan, a Baseline Environmental Assessment (BEA) allows people to purchase or begin operating at a facility without being

held liable for existing or previous contamination. An information document on BEA and Due Care is available at [www.michigan.gov/documents/deq/deq-rrd-bea-citizenguide\\_253033\\_7.pdf](http://www.michigan.gov/documents/deq/deq-rrd-bea-citizenguide_253033_7.pdf)

Business owners should also check with county and local authorities about whether local permits and licensing may be required. Even though the costs of adhering to the regulations can be burdensome for a business owner, the cost of non-compliance, including fines, penalties, and even business closure, can be much greater.

## **ZONING AND BUILDING CODES AND ORDINANCES**

It is important for startups and expanding businesses to make sure that the occupied facility is in compliance with all the local laws and regulations. Contact the city assessor, township or village clerk to assure compliance with all the local zoning codes.

Contact the local building inspector to assure compliance with regulations affecting construction (e.g., building, electrical, mechanical and plumbing codes, rules about construction, alterations, demolitions, occupancy, and use of buildings).

A home-based business is subject to many of the same local laws and regulations. Check with your local unit of government to determine if any special permits are required. Certain products cannot be produced in the home. Most states outlaw the home production of fireworks, drugs, poisons, explosives, sanitary or medical products and toys. Strict rules apply to the processing of food/drinks and the manufacturing of clothing.

Be aware of city, county and village zoning regulations. If the business operates in violation of the local government's laws and regulations, you could be fined or closed down. For information about the laws and regulations at the city, county, township or village level contact your local government agency.

## **BARRIER FREE DESIGN**

A special part of the building code, Barrier Free Design, has been public policy in Michigan since 1966. In 1992, the Americans with Disabilities Act (ADA) mandated federal requirements concerning barrier free design. These regulations are intended to ensure that public facilities and facilities used by the public are accessible to and usable by all citizens. No exceptions to the state requirements can be made by a local unit of government or a state department, agency or person, except the Barrier Free Design Board. A person requesting an exception must demonstrate "compelling need" as defined in section 5a of 1966 Public Act (PA)1, MCL 125.1355a. For additional information, visit the Department of Licensing and Regulatory Affairs (LARA), Bureau of Construction Codes website at [www.michigan.gov/bcc](http://www.michigan.gov/bcc) or contact the Plan Review Division at 517.241.9328.

## **PATENTS, TRADE AND SERVICE MARKS**

According to the U.S. Patent and Trademark office, a patent for an invention is the grant of a property right to the inventor, issued by the United States Patent and Trademark Office. Generally, the right conferred by the patent grant is "the right to exclude others from making, using, offering for sale, or selling" the invention in the United States or "importing" the invention into the United States for a period of time, typically 20 years. For information and details on patenting, visit [www.uspto.gov](http://www.uspto.gov).

A trademark is a word, phrase, symbol or design; or a combination of words, phrases, symbols or designs, that identifies and distinguishes the source of the goods of one party from those of others. A service mark is the same as a trademark, except that it identifies and distinguishes the source of a service rather than a product.

All marks do not need to be registered but registration has advantages including a notice to the public of the registrant's claim of ownership of the mark, a legal presumption of ownership, and the exclusive right to use the mark as set forth in the registration.

- The superscript symbol TM (<sup>TM</sup>) is used to provide notice of a claim of rights in an unregistered trademark, which means it does not guarantee protection under trademark laws.

- The symbol SM functions similarly to the TM symbol for an unregistered service mark, also without a guarantee of protection under trademark laws.
- The ® symbol should be used only in connection with registered marks. Use of ® with any unregistered trademark could result in fraud claims or other problems enforcing trademark rights.

Registration of a mark used in Michigan gives the owner of the mark certain limited legal protection. Contact the Department of Energy, Labor & Economic Growth, Bureau of Commercial Services, Corporation Division at 517.241.6470. There is a registration fee. For use throughout the United States, trademarks and service marks may also be registered with the United States Patent and Trademark Office, (USPTO), USPTO Contact Center, Post Office Box 1450, Alexandria, VA 22313-1450 or by telephone at 800.786.9199 or available online at **[www.uspto.gov](http://www.uspto.gov)**

## **COPYRIGHTS**

A copyright enables its owner to exclude others from reproducing certain works, such as books, musical compositions, technical drawings and computer programs. Copyright notice is the symbol © (the letter C inside a circle) or "Copyright", followed by the year of the first publication of the work and the name of the copyright holder. The copyright notice for sound recordings of musical or other audio works is a sound recording copyright symbol Ⓒ (the letter P inside a circle. Similarly, the phrase "All rights reserved" may also be used to assert copyright. A copyright may be registered by filing an application with the Library of Congress, U.S. Copyright Office, 101 Independence Avenue SE, Washington, D.C. 20559-6000; Phone 202.707.3000, or online at **[www.copyright.gov](http://www.copyright.gov)**

## BUSINESS TAXES

Understanding your tax obligations and preparing taxes can be confusing and complicated. If returns are neglected or filed improperly, penalties and excess payments may be levied. This chapter provides an overview to guide you on filing and paying the appropriate taxes. Consult with a tax advisor or an accountant to help you understand your obligations and/or prepare your returns.

### EMPLOYER IDENTIFICATION NUMBER (EIN)

An EIN identifies the business for federal and state tax purposes. Many financial institutions will not open a commercial banking account under an assumed (“doing business as” – DBA) name without the EIN. Sole proprietorships without employees are not required to have an EIN and may use the owner’s social security number for tax purposes, but a sole proprietor without employees may apply for and receive an EIN as an alternative to using a social security number. Using a social security number could increase the chances of identity theft.

An EIN must be obtained if the business pays wages to one or more employees whether set up as a partnership, a corporation for profit or nonprofit, a limited liability company, a trust or estate, or a sole proprietorship. NOTE: If an owner of a corporation provides services to the corporation, the owner is an employee of the corporation and subject to all employment taxes.

An EIN is required on any return, statement, or other document if you are an employer. Individuals who file Schedule C or I must use EINs when filing excise, employment, alcohol, tobacco or firearms returns. Important notes:

- If you become the new owner of an existing business, you cannot use the EIN of the previous owner.
- An existing business that adds, opens or acquires a new operation of similar type may use its current EIN for both the existing and new operations. However, a new establishment must obtain its own EIN if its line of business is different from the existing operation.

An EIN form (SS-4) can be obtained from the IRS online at [www.irs.gov](http://www.irs.gov) or call 800.829.4933. The application should be completed early enough to allow processing time for an EIN number to be issued.

### EMPLOYER TAXES

Any employer of one or more persons must withhold federal, state and possibly local income taxes from the wages paid to employees. Employers are also responsible for paying into the Social Security and Medicare systems as well as withholding a matched amount from the employee’s wages. State and federal unemployment insurance payments must be paid entirely by the employer and not from an employee’s wages. For detailed information about hiring employees and your obligations, refer to the chapter entitled Hiring Employees starting on page 33.

### SELF-EMPLOYMENT TAXES

Just as employers must withhold tax and report it to various government agencies, so must self-employed individuals, or those working for self-employers. You are considered self-employed if you operate a trade, business, or profession, either by yourself or as a partner. To learn more about your obligations, refer to the chapter entitled Being Self-Employed starting on page 31.

### PERSONAL INCOME TAX

As a sole proprietor or partner, the owner pays taxes on the income from the business on a personal income tax return with the state and federal governments. You will also file an additional schedule that identifies income and expenses of the business. Partners file a partnership return in addition to the personal income tax return that distributes profits and losses between the partners according to the partnership agreement. Corporations pay taxes on the business income at corporate tax rates. Shareholders and employees (including paid corporate officers) pay individual income tax on any salary and dividends received from the corporation.

Most businesses are also required to make "Estimated Tax" payments on a quarterly basis for Michigan income tax, federal income tax and self-employment tax. For more information about your tax obligations and the proper forms, contact the Michigan Department of Treasury at 517.373.3200 for state taxes and the IRS at 800.829.4933 or online at **www.irs.gov** for federal taxes.

## STATE BUSINESS TAXES

Michigan Business One Stop (One Stop) houses the e-Registration process for businesses, which is easy, secure, convenient and faster than registering by mail. It eliminates the need to mail in a "Registration for Business Taxes" (Form 518) and/or Unemployment Insurance Agency forms (UIA). At the One Stop you can register with the Unemployment Insurance Agency (UIA) for unemployment tax and with Michigan Treasury for the following Michigan business taxes:

- Corporate Income Tax
- Flow-Through Withholding
- International Fuel Tax Agreement (IFTA)
- Motor Fuel
- Sales
- Tobacco
- Use
- Withholding

One Stop also allows businesses to authorize others to access account information. A business can delegate access to account information to the appropriate staff or outside representative if desired. The Michigan Business One Stop website is located at **www.michigan.gov/business**, or you can call the Michigan Department of Treasury at 517.636.4660.

Michigan Treasury Online (MTO) provides registered businesses the ability to access, view and make changes to account specific information that Treasury has captured from their application. The MTO self-service tool is intended to improve taxpayers' convenience and efficiency when notifying Michigan Treasury of routine account changes. A registered business can now access its account information and submit account specific changes via MTO in lieu of sending a form. In 2015 taxpayers will also have the ability to file and pay their taxes using MTO. The new MTO self-service tool is easy to access, easy to navigate and is available 24/7, only through the Michigan Business One Stop website at **www.michigan.gov/business**

To get started, you will need to set up your User account through the Michigan Business One Stop web site. For more information, including helpful video tutorials, visit **www.michigan.gov/treasury/**

## SALES, USE AND WITHHOLDING TAXES

Anyone who engages in the retail sales of tangible personal property (defined as any good that one can possess or exchange) from a Michigan location needs a sales tax license. The Michigan sales tax is 6 percent of retail sales receipts (at time of publication). Local governments cannot levy sales tax in Michigan.

- When selling or leasing tangible personal property to a Michigan customer from an out-of-state location and when the business has no retail location in Michigan, one must register for use tax, which is also 6 percent (at time of publication).
- When liable for sales, use or withholding tax, the business should register for taxes at **www.michigan.gov/business**, the Michigan Business One Stop website; or by completing a Registration for Michigan Taxes (Form 518) that can be obtained by contacting the Michigan Department of Treasury at 517.636.4660.
- A business must also register with the Michigan Department of Treasury if a Michigan resident buys or rents tangible property from an out-of-state source or when selling telephone, telegraph or other leased wire communication services.
- Every business that employs one or more employees is required to withhold federal income tax under the Internal Revenue Code. Businesses must also withhold Michigan income tax from wages paid to employees in Michigan.

- Questions and answers about registering a business may also be accessed online at **[www.michigan.gov/businessstaxes](http://www.michigan.gov/businessstaxes)**. For further information about sales, use and withholding taxes, contact the Michigan Department of Treasury at 517.636.4660 or access the business tax information online.

### **MICHIGAN BUSINESS TAX**

The Michigan Business Tax (MBT) was signed into law and became effective in January 2008. The MBT was repealed effective 12/31/2011, except for a small number of tax payers that were engaged in specific tax credits as of that date.

### **CORPORATE INCOME TAX**

Since 1/1/2012, the primary business tax in Michigan is the Corporate Income Tax (CIT). The CIT is based on business income. A business that is taxed as a C Corporation for federal tax purposes, other than an insurance company or financial institution with Michigan gross receipts of \$350,000 or less, does not have to file a tax return or pay any tax.

An insurance company does not have a filing threshold regarding its liability to pay the tax on gross direct premiums written on Michigan property or risk. Likewise, a financial institution does not have a filing threshold regarding its liability to pay the franchise tax on its net capital.

For more information, please consult with a tax specialist or accountant.

### **MOTOR FUEL TAXES**

Motor fuel tax is levied on highway, marine, and aviation fuel. International Field Tax Agreement (IFTA)/Intrastate Motor Carriers should contact the Michigan Department of Treasury, Special Taxes Section at 517.636.4600 or online at **[www.michigan.gov/taxes](http://www.michigan.gov/taxes)**. Click on "Fuel and Tobacco Tax" for more information. For additional information, please refer to the Department of Energy, Labor & Economic Growth, Public Service Commission, Motor Carrier Division online at **[www.michigan.gov/mpsc](http://www.michigan.gov/mpsc)**, then click on "Motor Carrier".

### **LOCAL TAXES**

Local governments in Michigan levy property taxes. Recent reforms have cut business property taxes significantly. Since property tax rates vary by locality, it is important to consult your local city, township or village for specific information. The local treasurer's office can also provide information about other local taxes that may apply along with information about registration and payment requirements.



## BEING SELF-EMPLOYED

The majority of people who pay into Social Security work for someone else and their employer deducts Social Security taxes from their paycheck, matches that contribution, and sends wage reports and taxes to the Internal Revenue Service and Social Security. ***Self-employed people must fill out the forms and pay the taxes directly to the government.*** You are considered self-employed if you operate a trade, business, or profession either by yourself or as a partner, or report your earnings for Social Security when you file your federal income tax return. If your net earnings are \$400 or more in a year, you must report your earnings on Schedule SE.

### PAYING SOCIAL SECURITY AND MEDICARE TAXES

The FICA tax rate paid by both employer and withholding from employee, is the combination of social security tax rate of 6.2% and the Medicare tax rate of 1.45% for a total of 7.65% (at time of publication). For more specific information on self-employment taxes, you can download an SSA information document "If You are Self Employed" at [www.ssa.gov/pubs/EN-05-10022.pdf](http://www.ssa.gov/pubs/EN-05-10022.pdf)

The Social Security Administration (SSA) announced the 2015 wage base limit for the social security tax will be \$118,500. As in prior years, there is no limit to the wages subject to the Medicare tax.

For self-employed individuals, the social security wage limit in 2015 will also be \$118,500 and there is no limit on covered self-employment income that will be subject to the Medicare tax. The self-employment tax rate will be 15.3% (combined social security tax rate of 12.4% and Medicare tax rate of 2.9%) up to the social security wage base. As of 2015, as part of the Affordable Care Act, an extra 0.9% Medicare tax will be due on wages paid in excess of \$200,000 that must be withheld from employees' wages. Employers will not pay the extra tax. More information on this can be found in the downloadable document "If You are Self Employed" at [www.ssa.gov/pubs/EN-05-10022.pdf](http://www.ssa.gov/pubs/EN-05-10022.pdf)

For more detailed information on all taxes related to employment visit [www.irs.gov/pub/irs-pdf/p15.pdf](http://www.irs.gov/pub/irs-pdf/p15.pdf) to download a copy of "Employer's Tax Guide for Use in 2015." It is also strongly recommended to consult with a professional on all matters pertaining to business taxes as application of rules and credits can be complicated and subject to change.

Electronic Federal Tax Payment System (EFTPS). It is important to note that federal tax deposits must be made by electronic funds transfer generally using the Electronic Federal Tax Payment System (EFTPS), a free service provided by the Department of Treasury. Or you can arrange for electronic deposits through a third party such as your tax professional or financial institution though those services may have a fee. For more information or to enroll in EFTPS, visit [www.eftps.gov](http://www.eftps.gov) or call 800.555.4477 or 800.733.4829 (TDD).

### PATIENT PROTECTION AND AFFORDABLE CARE ACT

As noted above, the Patient Protection and Affordable Care Act (Affordable Care Act or ACA) requires an extra 0.9% Medicare tax due on wages paid in excess of \$200,000 to be withheld from employees' wages. Employers will not pay the extra tax. The 0.9 percent Additional Medicare Tax applies to an individual's wages that exceed a threshold amount based on the individual's filing status. The threshold amounts are: \$250,000 for married taxpayers who file jointly; \$125,000 for married taxpayers who file separately; and \$200,000 for all other taxpayers.

More information on this can be found at: [www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Questions-and-Answers-for-the-Additional-Medicare-Tax](http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Questions-and-Answers-for-the-Additional-Medicare-Tax)

### SOCIAL SECURITY EARNINGS CREDITS

You need earnings credits to qualify for Social Security benefits. Each year, people earn a certain number of "credits" based on wages and net self-employment earnings. People can earn up to four Social Security credits per year, and will need earn at least 40 credits in their lifetime in order to be eligible for retirement benefits. What this means, is that self-employed people who need additional credits for Social

Security purposes should file within the 3-year, 3-month, and 15-day time period. Self-employment earnings are self-reported using Schedule C (for non-farm businesses) or Schedule F (for self-employed farmers), which are included along with your Form 1040. All of your earnings covered by Social Security are used in figuring the amount of your Social Security benefit. So, it's important that you report all of your earnings up to the maximum as required by law.

## **FIGURING YOUR NET EARNINGS**

Net earnings for Social Security are your gross earnings from your trade or business, minus your allowable business deductions and depreciation. Some income does not count for Social Security and should not be included in figuring your net earnings:

- Dividends from shares of stock and interest on bonds, unless you receive them as a dealer in stocks and securities;
- Interest from loans, unless your business is lending money;
- Rentals from real estate, unless you are a real estate dealer or regularly provide services mostly for the convenience of the occupant; or
- Income received from a limited partnership.

### **Optional method**

- If your gross income from self-employment is between \$600 and \$2,400, you may report two-thirds of your gross or your actual net earnings; or
- If your gross income is \$2,400 (or more) and the actual net earnings are \$1,600 (or less), you may report either \$1,600 or your actual net earnings.
- Effective tax year 2008 and after, the maximum amount reportable using the optional method of reporting will be equal to the amount needed to get four work credits for a given year. For example, for tax year 2013, the maximum amount reportable using the optional method of reporting would be \$4,640 (\$1,160 x 4).

## **HOW TO REPORT EARNINGS**

As noted on the U.S. Social Security Administration web site, you must complete the following federal tax forms by April 15 following any year in which you have net earnings of \$400 or more:

- Form 1040 (U.S. Individual Income Tax Return)
- Schedule C (Profit or Loss from Business)
- Schedule F (Profit or Loss from Farming)
- Schedule SE (Self-Employment Tax)

These forms can be obtained from the IRS online at **[www.irs.gov](http://www.irs.gov)** as well as most banks and post offices. Send the tax return and schedules along with your self-employment tax to the IRS. Even if you do not owe any income tax, you must complete Form 1040 and Schedule SE to pay self-employment Social Security tax. This is true even if you already get Social Security benefits. IRS Publication 334, Tax Guide for Small Business, has more helpful information. You can find it at **[www.irs.gov](http://www.irs.gov)** or call 800.829.4933.

## **FAMILY BUSINESS ARRANGEMENTS**

Family members may operate a business together. A husband and a wife may be partners of a joint venture. If you operate a business together as partners, you should each report your share of the business profits as net earnings on separate self-employment returns (Schedule SE), even if you file a joint income tax return. The amount each of you should report depends upon your agreement.

## **MORE INFORMATION**

\*For more information about being self-employed, visit Social Security online at **[www.socialsecurity.gov](http://www.socialsecurity.gov)** or call them at 800.772.1213 or TTY 800.32.-0778. To speak with a representative, call between 7:00 a.m. and 7:00 p.m. any business day.

## HIRING EMPLOYEES

Employees add another layer of complexity to your business that requires careful consideration and planning. It is important to hire the right people, train them well, keep them happy so they will stay, and be aware of taxes and legal requirements. It is wise to consult an accountant and attorney before hiring employees to ensure that good record keeping systems are in place, all the necessary paperwork is completed and legal requirements are met. Hiring outside contractors or temporary help is also an option. However, be sure to satisfy IRS requirements for contractors.

### EMPLOYEES VS. CONTRACT LABOR

Individuals may provide services to a business as either an employee or a contractor. Whatever status an individual has as an employee affects the taxes, liability, benefit costs and many other areas of a business. The question of “employee vs. contractor” is a very critical issue and does not have a simple answer. There are many different tests the IRS may apply to determine whether an individual is an employee or contractor. Improperly classifying someone as a contractor whom the IRS considers an employee can result in substantial penalties. When using contractors instead of employees for your business, it is important that you consult with a competent tax advisor prior to making a decision. See Appendix A for more information.

### PLAN YOUR HIRING

Hiring and managing employees is complicated and expensive and should not be approached casually. Make sure your decision to hire employees fits in with your goals as outlined in the business plan.

- Prepare a written job description that indicates exactly what is expected of each employee.
- Interview several people and select the one with the best qualifications. The majority of employers consider attitude of potential employees as the number one trait in their hiring decision.
- It is a good idea to have a 30- or 90-day trial period before taking someone on permanently. The wrong employee can cause a great deal of damage to your business.

For tips on hiring and managing employees, visit the federal Small Business Administration's (SBA) online resource at [www.sba.gov](http://www.sba.gov). Use the search function to find information on this or any topic of choice.

### NEW HIRE REPORTING

A provision of the Federal Welfare Reform Act requires employers to report to the Michigan Department of Treasury basic information on all newly hired or rehired employees within 20 days of hiring. Employers may report electronically or by mail. Required information includes: the business name, address, and Federal Employer Identification Number; employee name, address and Social Security Number. For further information or to obtain forms, contact the Michigan New Hire Operations Center at 800.524.9846 or online at [www.mi-newhire.com](http://www.mi-newhire.com).

### PAYROLL TAXES

Any business with employees of any type must comply with federal and state payroll requirements. This is true even if you are the sole employee of a corporation that you own. It is critical that you understand the various deadlines and requirements, or that you use the services of someone who does. The major types of payroll taxes in Michigan are:

- Income Tax Withholding (federal, state, and, if applicable, local)
- Federal Social Security and Medicare Tax (FICA)
- Federal Unemployment Tax Act (FUTA)
- Michigan Unemployment Tax (UIA)

NOTE: If the business is a corporation, anyone who performs services for the corporation or receives compensation of any kind (including any “owners”) is considered an employee. This list of responsibilities may apply for a startup or existing business owner.

## INCOME TAX WITHHOLDING

Any employer of one or more persons must withhold federal and state income taxes from wages paid to employees. A city income tax may also apply. To find out if a city levies a tax, contact that particular city tax assessor or city treasurer.

Each employee should complete the following forms:

- Withholding Exemption Certificate (W-4) from the IRS at [www.irs.gov/pub/irs-pdf/fw4.pdf](http://www.irs.gov/pub/irs-pdf/fw4.pdf) or phone 800.829.4933
- MI-W4 from the Michigan Department of Treasury at [www.michigan.gov/documents/mw4f\\_76761\\_7.pdf](http://www.michigan.gov/documents/mw4f_76761_7.pdf) or phone 517.636.4660.

Based on the certificate's information provided by the employee, an employer withholds a certain amount of taxes from the employee's wages. You may be required to deposit the federal taxes collected. One must file quarterly returns with the IRS and file an annual reconciliation of the quarterly returns. If returns are neglected or filed improperly, penalties and excess payments may be levied. For more information about federal income tax withholding, contact the IRS at 800.829.4933 or online at [www.irs.gov](http://www.irs.gov).

In addition to federal income taxes, federal law also requires that employers withhold (and deposit) Social Security taxes from employees' wages. The employer must also pay an equal amount. The FICA tax rate paid by both employer and employee is the combination of social security tax rate of 6.2% and the Medicare tax rate of 1.45% for a total of 7.65% (at time of publication). Tax rates and maximum earnings subject to tax may vary from year-to-year, so employers should contact the IRS at [www.irs.gov](http://www.irs.gov) or phone 800.829.4933 for the latest information.

State filing requirements may vary based on the amount of state taxes withheld. An online copy of "Michigan Business Taxes: Registration Booklet" is available for download at [www.michigan.gov/documents/518\\_3620\\_7.pdf](http://www.michigan.gov/documents/518_3620_7.pdf). Prior to hiring employees, an employer must register for taxes at [www.michigan.gov/business](http://www.michigan.gov/business), the Michigan Business One Stop website, or offline by completing the paper Form 518, which is included as a fillable pdf in the downloadable booklet, or may be obtained by contacting the Michigan Department of Treasury at 517.636.4660. Employer will then be notified of filing deadlines and provided with necessary forms. An annual return is also required. Michigan's withholding tax tables are available from the Michigan Department of Treasury at 517.636.4660 or online at [www.michigan.gov/taxes](http://www.michigan.gov/taxes).

Contact the city treasurer to determine if a city income tax is applicable for the new employees. If the city does have an income tax, the city treasurer can provide the required registration forms and any information that is needed.

## PATIENT PROTECTION AND AFFORDABLE CARE ACT

The Patient Protection and Affordable Care Act (Affordable Care Act or ACA) enacted comprehensive health insurance reforms designed to ensure Americans have access to quality, affordable health insurance. The ACA law contains new benefits and responsibilities for employers that are dependent upon the employer's size and the applicable rules. If you have no employees, ACA does not apply to you.

Generally, an employer with fewer than 50 full-time employees or equivalents will be considered a small employer and is not required to provide health insurance coverage for employees, but can purchase affordable insurance through the Small Business Health Options Program (SHOP) and potentially qualify for a tax credit; employers with 50 or more full-time employees or equivalents will be considered a large employer and have responsibilities concerning how and what health insurance they offer to their full-time employees.

A summary of key provisions for businesses can be found on the SBA website:

- Self-employed at [www.sba.gov/content/self-employed](http://www.sba.gov/content/self-employed)
- Fewer than 25 employees at [www.sba.gov/content/employers-with-fewer-25-employees](http://www.sba.gov/content/employers-with-fewer-25-employees)

- Small employers – less than 50 employees at [www.sba.gov/content/employers-with-up-to-50-employees](http://www.sba.gov/content/employers-with-up-to-50-employees)
- Large employers -- 50 or more employees at [www.sba.gov/content/employers-with-50-or-more-employees](http://www.sba.gov/content/employers-with-50-or-more-employees)

More details on the Affordable Care Act (ACA) as it applies to “small” or “large” businesses can be found at [www.irs.gov/uac/Affordable-Care-Act-Tax-Provisions-for-Employers](http://www.irs.gov/uac/Affordable-Care-Act-Tax-Provisions-for-Employers). In addition, for enrollment information as well as how the Affordable Care Act may affect your business, visit [www.HealthCare.gov](http://www.HealthCare.gov).

## **FEDERAL UNEMPLOYMENT INSURANCE ACT**

The Federal Unemployment Insurance Act gives authority to the IRS to collect fees, and for the U.S. Department of Labor to pay administrative expenses, for operating the state unemployment systems. If you file an “Application for Employer Identification Number” (EIN) with the IRS and indicate that employees will be hired, the IRS will mail a packet of information that includes coupon forms for FUTA tax deposits and an Annual Report form. For more information about the FUTA tax, forms and deposit requirements, contact the IRS at 800.829.4933 or online at [www.irs.gov](http://www.irs.gov).

## **STATE UNEMPLOYMENT INSURANCE**

Unemployment Insurance protects workers who lose their jobs through no fault of their own. The funds used to pay workers who are covered under this type of insurance are accumulated from taxes on the wages of employees during their employment. Both state and federal unemployment taxes are paid by employers. No deductions can be made from an employee's wages to cover these taxes.

Any business that employs one or more persons in Michigan is considered a contributing employer and required to register with the Unemployment Insurance Agency (UIA). A contributing employer is required to file tax reports with the UIA at the end of each calendar quarter, and pays a state unemployment tax: Wage base is \$9,500 for 2015; contribution rates range from 0.06% to 10.3% for 2015; new employers use 2.7% in 2015; new construction employers use 8.2%. You can contact the UIA online at [www.michigan.gov/uia](http://www.michigan.gov/uia) or phone 313.456.2180, or 800.638.3994.

The UIA produces an Employer Handbook which contains a wealth of information about unemployment insurance, from the employer to the claimant. To download a copy of this handbook, go to [www.michigan.gov/documents/uia\\_UC1901\\_76146\\_7.pdf](http://www.michigan.gov/documents/uia_UC1901_76146_7.pdf) or phone 800.638.3994.

## **WORKERS' COMPENSATION**

All states require employers to carry insurance coverage for work-related illness and injury. Workers' Compensation insurance applies to all employers who regularly employ three or more workers at one time, or during the preceding 52 weeks have regularly employed at least one worker for 35 hours or more per week for 13 weeks or longer.

Workers' Compensation is the responsibility of an employer with benefits paid directly by an employer or through an insurance company on behalf of an employer.

The majority of employers in Michigan obtain Workers' Compensation through policies sold by commercial insurance companies. Self-insurance is an alternative for large companies that have been granted the privilege of paying Workers' Compensation benefits from general company operating funds. Companies with \$100,000 or more in an annual premium program frequently investigate the self-insurance approach as a possible coverage alternative.

The premium rates for Workers' Compensation insurance are competitively determined. Insurers use about 500 different rating classifications based on the type of business an employer operates. Since premium rates for a given classification vary widely among insurers, it pays to shop carefully. Insurers also have different merit and experience rating plans, schedule-rating plans, and premium discount tables, which can affect an employer's final premium cost.

Additional information and assistance is available at the Workers' Compensation Agency of the Department of Licensing and Regulatory Affairs at 888.396.5041 or online at [www.michigan.gov/wca](http://www.michigan.gov/wca).

## **TRAINING AND WORKING WITH EMPLOYEES**

Training employees is extremely important. You want well-qualified employees who properly and consistently represent your business, add value to your brand and image, maintain the quality you expect, and build customer good will. A well-defined company policy handbook plus job descriptions outlining duties, responsibilities, ethical standards, and criteria for success are important tools. To assure consistency and quality of work performed by employees, it is highly recommended to develop and document a training plan and/or invest in your employees by sending them to special training. Cross-training employees in areas other than those specifically defined in their individual job descriptions can also be very beneficial in small businesses.

To keep employees motivated and involved with the business, it is extremely important to develop and maintain effective strategies and methods of two-way communication. Many business owners find it beneficial to include employees in strategic, operational and process planning; and to work together to set individual goals that contribute to achieving overall business objectives.

Employers have a legal as well as an ethical obligation to provide a safe and equitable workplace. For more information contact the Department of Licensing and Regulatory Affairs, MIOsha, Bureau of Safety & Regulation, Consultation, Education and Training Division (CET) at 517.322.1809 or online at [www.michigan.gov/miosha](http://www.michigan.gov/miosha). Listed below is additional information about other programs.

## **REQUIRED WORKPLACE POSTERS**

Michigan employers are required to display certain posters in the workplace. Poster requirements are based on jurisdiction, depending on whether your business has requirements under federal or state jurisdiction.

For general information on safety posters, go to [www.michigan.gov/miosha](http://www.michigan.gov/miosha) and click on the "Quick Links" for MIOsha Workplace Posters. Or, an "Information for Employers" flyer, other publications and required workplace posters are available for download at no cost at [www6.dleg.state.mi.us/Parsers/safety\\_posters.asp](http://www6.dleg.state.mi.us/Parsers/safety_posters.asp) For a list of state and federal required posters, refer to Appendix B, which provides agency contact information.

## **DRUG-FREE WORKPLACE**

Employers need to be alert to issues involving employees' use of drugs and alcohol and its relationship to work. For additional information about programs to make the workplace drug and/or alcohol free, contact the Substance Abuse and Mental Health Services Administration (SAMHSA) at 800.967.5752 or online at [www.samhsa.gov](http://www.samhsa.gov).

## **HEALTH AND SAFETY STANDARDS**

Employers are required to comply with federal and state health and safety standards and laws throughout the Michigan Occupational Safety and Health Act (MIOsha). For a complete set of safety and health standards, contact the Michigan Department of Licensing and Regulatory Affairs, Michigan Occupational Safety and Health Administration, Box 30643, Lansing, Michigan, 48909-8143, at 517.322.1814 or online at [www.michigan.gov/miosha](http://www.michigan.gov/miosha).

## **IMMIGRATION LAW COMPLIANCE**

An employer must fill out an I-9 form for every employee hired. The form verifies that you have checked two approved forms of identification that prove the employee is legally authorized to work in the United States. Note: Keep all employee I-9s, and the accompanying documentation in a separate personnel file as the government may inspect these forms and you have a confidentiality obligation to your employees in not allowing anyone access to your employees' private personnel files and the confidential information they contain.

For further information and downloadable forms, visit the U. S. Citizenship and Immigration Services (INS) online at [www.uscis.gov/i-9](http://www.uscis.gov/i-9) or phone 800.375.5283 or 800.870.3676 for INS Forms Request.

Employers that have special personnel needs that cannot be met with U.S. workers may contact Michigan's Foreign Labor Certification Program online at [www.michigan.gov/documents/wda/Foreign\\_Labor\\_Certification\\_Office\\_438644\\_7.pdf](http://www.michigan.gov/documents/wda/Foreign_Labor_Certification_Office_438644_7.pdf)  
See also "Foreign Employee" section on page 38.

## **AMERICANS WITH DISABILITIES ACT (ADA)**

The Americans with Disabilities Act gives civil rights protections to individuals with disabilities similar to those provided to individuals on the basis of race, color, sex, national origin, age, and religion. It guarantees equal opportunity for individuals with disabilities in public accommodations, employment, transportation, state and local government services, and telecommunications. Employers are required to comply with the Americans with Disabilities Act. For publications and technical information about the Act, contact the U. S. Department of Justice at 800.514.0301 or online at [www.ada.gov](http://www.ada.gov).

## **MINIMUM WAGE**

Minimum wage and overtime standards are regulated by federal and state government. For federal information contact the U.S. Department of Labor at 211 W. Fort Street, Suite 1306, Detroit, Michigan, 48226, at 313.226.7447 or toll free 866.487.9243; or 800 Monroe Avenue, NW, Suite 315, Grand Rapids, Michigan 49505 at 616.456.2004 or toll free 866.487.9243; or online at [www.dol.gov/dol/topic/wages/minimumwage.htm](http://www.dol.gov/dol/topic/wages/minimumwage.htm)

For state information contact the Michigan Department of Licensing and Regulatory Affairs, Wage and Hour Program at [www.michigan.gov/wagehour](http://www.michigan.gov/wagehour) or 517.322.1825.

## **YOUTH EMPLOYMENT**

Employers hiring anyone under the age of 18 should be aware of restrictions on the type of work permitted, hours of work, and the need for a work permit. Contact the Michigan Department of Education, Office of Career & Technical Education, Box 30712, Lansing, MI 48909; or call 517.335.6041; or online at [www.michigan.gov/mde](http://www.michigan.gov/mde) and search "youth employment".

## **EQUAL EMPLOYMENT OPPORTUNITY**

For forms and information, contact the U.S. Equal Employment Opportunity Commission (EEOC) online at [www.eeoc.gov/](http://www.eeoc.gov/) or phone 800.669.4000 or 313.226.4600. For public information posters and literature, contact the Michigan Department of Civil Rights online at [www.michigan.gov/mdcr](http://www.michigan.gov/mdcr) or call 517.335.3165.

Any other information about enforcement or to make a complaint about EEOC, visit [www.eeoc.gov/](http://www.eeoc.gov/) or call 800.669.4000 or contact the Michigan Department of Civil Rights (FEPA) at 313.456.3700.

## **EMPLOYEE POLYGRAPH PROTECTION ACT**

To inquire about the Act, contact the U.S. Department of Labor, Wage and Hour Division:

- Detroit District Office, 211 W. Fort Street Room 517, Detroit, MI 48226-3237  
Phone: 313.226.7447 or 866.487.9243
- Grand Rapids Area Office, 800 Monroe Avenue, NW, Suite 315, Grand Rapids, MI 49503-1451,  
Phone: 616.456.2004 or 866.487.9243.

To obtain posters or for more information about poster requirements or other compliance assistance matters, you may contact the U.S. Department of Labor at 866.4.U.S.A.DOL or visit [www.dol.gov/osbp/sbrefa/poster/main.htm](http://www.dol.gov/osbp/sbrefa/poster/main.htm)

## **MICHIGAN EMPLOYMENT SECURITY ACT NOTICE TO EMPLOYEE**

Contact the Michigan Department of Licensing and Regulatory Affairs, Unemployment Insurance Agency, Customer Service Office, 7310 Woodward Avenue, Detroit, Michigan, 48202; phone 800.638.3994; or online at **[www.michigan.gov/uia](http://www.michigan.gov/uia)**, select "Publications", then click "Michigan Employment Security Act" for information about the Act.

## **FOREIGN EMPLOYEE**

The Immigration Reform and Control Act of 1986 not only makes hiring or recruiting "unauthorized aliens" illegal, but it also places the responsibility for enforcing the law on the employer. The law applies to ALL employers, regardless of business size.

Under the law, an employer is required to check the citizenship status of every employee and to have proper documentation for those employees with temporary residency. Contact the U. S. Citizenship and Immigration Services online at **[www.uscis.gov/](http://www.uscis.gov/)** or call 800.375.5283 for more information or 800.870.3676 to obtain forms.

Note: Many of the visas that authorize entrance to the United States do not authorize the holders of those visas to accept employment here. It is the employer's responsibility to ascertain whether employees are legally entitled to work. Consult an attorney who specializes in immigration matters or call the U. S. Citizenship and Immigration Services for assistance at 800.375.5283. Additional information may also be found at Michigan's Foreign Labor Certification Program online at **[http://michigan.gov/documents/wda/Foreign\\_Labor\\_Certification\\_Office\\_438644\\_7.pdf](http://michigan.gov/documents/wda/Foreign_Labor_Certification_Office_438644_7.pdf)**



## FINANCING A BUSINESS

There are several options available for obtaining money to start a new business or expand an existing one. All businesses must plan for money to pay start-up and/or operating expenses, including one's own salary. Most businesses begin with the owner's own capital or loans from friends and family. Some are successful in obtaining bank financing or using a government sponsored loan program.

### GRANTS

Although there is a lot of information on the internet and other media regarding grants, grant financing is highly unlikely. As noted previously in the section "Sources of Financing/Startup Resources" on page 10, the U. S. government does have grant programs but generally speaking, virtually all grant money flows to local governments, state agencies, and nonprofits. If you still want to look for grants, you can search at [www.grants.gov](http://www.grants.gov). The following is excerpted from [www.sba.gov](http://www.sba.gov):

*"SBA does not provide grants for starting and expanding a business. Government grants are funded by your 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. Some business grants are available through state and local programs, nonprofit organizations and other groups. 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 a loan."*

### FOUNDERS, FRIENDS, FAMILY

Many times the first to invest are those who know and trust the entrepreneur – friends, family and the entrepreneur himself/herself. Someone that doesn't know the entrepreneur is less likely to take risks with the company unless it has achieved extremely impressive milestones. Be aware, however, that friends and family can make the entrepreneur's life difficult if they aren't sophisticated in business. Any early stage friend or family investment has the potential to cause trouble when you raise angel or institutional capital, so be careful on how the deal is structured. It's usually best to keep it simple and put it in writing.

### CROWD FUNDING

Crowd funding (which includes some forms of micro lending) is a relatively new form of funding for entrepreneurship in which contributions or loans are made by individuals or interested parties through a networked and publicly observable platform. Crowd funding was signed into law in April 2012 through the JOBS Act, legislation that opens up the possibility of a pool of small investors while providing fewer restrictions related to securities laws that previously had been a barrier to this kind of funding.

Crowd funding is being used in support of a wide variety of activities, including entrepreneurship, artists and journalists, for political campaigns, charitable purposes, invention development, scientific research, and more. Various networked platforms for this type of funding can be searched out on the internet. Depending on the platform and the defined purpose and use of funds, crowd funding monies may be provided in the form of a loan or they may be donated funds. There are three forms of crowd funding:

1. Donation: Asking a crowd to donate to your project in exchange for something of value such as a CD, t-shirt, or other reward.
2. Debt: Asking a crowd to loan money to your business in exchange for financial return and/or interest paid in the future.
3. Equity: Asking a crowd to donate to your business in exchange for an ownership share of your business.

Although this form of funding is seen as an attractive alternative for acquiring funds for entrepreneurial ideas and ventures, there are still many unresolved issues on how rules governing solicitations and securities will be applied particularly related to equity crowd funding (selling amounts of equity to many investors), as that activity is governed by the Securities and Exchange Commission (SEC). Equity crowd funding remains a complex opportunity as SEC rules governing it are still evolving. To facilitate equity crowd funding in Michigan the state legislature passed the "Michigan Invests Locally Exemption" (MILE),

which allows small businesses to raise capital by reaching out to Michigan residents to invest in their companies. There are complicated state regulations governing this type of funding and substantial consequences for violations of either the federal or state regulations on equity crowd funding.

More information on crowd funding is available online in pdf format: The Crowd Funding Bible by Scott Steinberg at [www.crowdfundingguides.com/The%20Crowdfunding%20Bible.pdf](http://www.crowdfundingguides.com/The%20Crowdfunding%20Bible.pdf)

NOTE: Anyone considering crowd funding should thoroughly research the advantages and disadvantages, and consult an attorney and/or accounting/finance professional who is knowledgeable and experienced in crowd funding, both for help on what form is best for your business venture and for guidance on regulations and compliance.

While it may seem like an easy and available option, especially for startup capital, as crowd funding has grown more popular, there is growing competition for those dollars. In addition, it is important to note that crowd funding for businesses is through a “publicly observable platform” where it is required to disclose the idea for which the funding is sought, and expose the business to the risk of being copied and outpaced in development by better-financed competition.

## DEBT FINANCING

Financing with debt (loan or credit) sources is usually grouped into two basic categories: unsecured and secured.

Secured debt is a loan backed by a borrower's pledge of collateral to reduce the risk associated with lending. In the event of default, the collateral can be used to satisfy the debt. The primary sources of secured short-term financing for business borrowers are:

- Commercial banks and commercial finance companies
- Factoring accounts receivable -- A financial institution purchases “at a discount” the accounts receivables of a business, assumes the title and risk of those receivables, and in return provides that business with funds.
- U.S. Small Business Administration (SBA) “guaranteed” loan obtained through a private lending institution. (The SBA does not make direct loans.)

An unsecured loan is based on the borrower's credit-worthiness and doesn't include a pledge of collateral. Unsecured loans are bigger risks for lenders and typically have higher interest rates than secured loans.

Examples include:

- Funds borrowed from family members and/or friends.
- Personal credit cards, savings, stocks and bonds, and/or cash value of life insurance policies.
- A company's line of credit is a commitment from a bank to its regular creditworthy business customers to provide a stated maximum amount of short-term financing for a specified time period. The credit line is often granted with a compensating balance requirement, and the floating or variable rate method of interest payment is used.
- Trade credit is credit extended by one firm to another in conjunction with the sale of goods or services that are used in the normal course of business. For example, goods are purchased but payment can be delayed to the extent of the specified credit terms.
- Accruals are services provided for a business on a continuing basis but are not paid for at the time the services are rendered.

Once you have a complete business plan (required by commercial lenders), the first place to inquire about business financing is your local bank or credit union where you have banking history and possibly a personal relationship with bank staff. However, you are not limited to inquiring at a bank you use, nor only one bank. Sometimes it takes several lender presentations to find a loan relationship that works for you and the lender.

Another option for commercial lending is on-line brokers/dealers that provide a website platform for submitting your loan request documents/application for financing consideration by conventional lenders or investors.

- <https://exchange.co/>

- [www.lendingclub.com/public/how-peer-lending-works.action](http://www.lendingclub.com/public/how-peer-lending-works.action)
- [www.ondeckcapital.com/](http://www.ondeckcapital.com/)
- [www.fundable.com/](http://www.fundable.com/)
- <http://fundablefast.com/home.html>
- <https://www.sba.gov/tools/linc>

## EQUITY INVESTMENT

Equity investment is money invested that, unlike a loan, is not repaid to the investors in the normal course of business and represents an ownership stake in the business. Equity investment is best suited for high risk/high return opportunities for companies developing and marketing products or processes such as “game-changing” technologies or other high-demand items that are far superior to existing competition.

These opportunities have huge potential returns but also often carry high cost to develop and market along with high risk of “failure to launch”. To compensate for the risk, equity investors expect a large equity share and a return on investment often in the 6 -10 times range. Equity in a privately held company is not a liquid asset so before investors buy in they expect to know the company’s strategy to provide them an exit to “cash out” their investment. For many investors, the only acceptable exit strategy is for the business to be acquired – meaning they are expecting the entrepreneur to sell the company. Major drawbacks to equity investment are the large ownership share (control) and acquisition exit strategies.

There are various types of equity investors. It is important to properly prepare for and approach the right type for the company to make a strong first impression since they have many other deals from which to choose. Your local MI-SBDC office can help you prepare and identify appropriate investors. It is also very important to consult with an attorney throughout the investment process. Soliciting investment from someone who is not an accredited investor can get the entrepreneur and the company in serious trouble.

## ANGEL INVESTORS

An angel investor is anyone who wants to invest in your business, which is likely to include your family and friends. More typically, angel investors are defined as individuals with high net worth who invest their own money in emerging companies. They typically come together in formal groups to pool their funds and evaluate investment opportunities.

An angel investor is usually focused on helping the business succeed, rather than gaining profits. An angel investor can and should be a good partner by contributing expertise, industry contacts, and often leads on later rounds of financing. Angel investors are likely to request a rigorous, in-depth due diligence process with the companies they invest, and it is a crucial part of establishing the newly formed relationship. Examples of Angel Investor groups:

- Ann Arbor Angels: [www.annarborangels.org](http://www.annarborangels.org)
- Blue Water Angels: [www.bluewaterangels.com](http://www.bluewaterangels.com)
- Capital Community Angels: [www.ccangels.org](http://www.ccangels.org)
- Core Network: [www.core-network.org](http://www.core-network.org)
- First Angels: [www.southwestmichiganfirst.com/innovation/first\\_angels.cfm](http://www.southwestmichiganfirst.com/innovation/first_angels.cfm)
- Grand Angels: [www.grandangels.org](http://www.grandangels.org)
- Great Lakes Angels: [www.glangels.org](http://www.glangels.org)
- Northern Michigan Angels: [www.northernmichiganangels.com](http://www.northernmichiganangels.com)
- OU Incubator Angels: [www.oakland.edu/ouinc](http://www.oakland.edu/ouinc)

When presenting to angel investors it is essential to make a strong first impression because the network is closely connected and word of mouth (bad or good) will travel fast.

## **VENTURE CAPITAL**

Venture capital (VC) is money from various sources held in a formally managed fund used to supply capital associated with starting or expanding companies that show the potential for an extremely high return on investment. The fund's charter governs how the money must be invested, which makes it critical to select the appropriate VCs and properly prepare for a presentation.

This form of raising capital is popular among new companies or ventures with limited operating history that cannot raise funds by issuing debt. The drawback for entrepreneurs is that VC's demand a significant percentage of ownership and the ability to influence direction and decisions of the company. Examples of Venture Capital groups and websites:

- Michigan Venture Capital Association: [www.michiganvca.org](http://www.michiganvca.org)
- Michigan Growth Capital Symposium: [www.michingangcs.com](http://www.michingangcs.com)
- Venture Michigan Fund: [www.venturemichigan.com](http://www.venturemichigan.com)
- 21<sup>st</sup> Century Investment Fund: [www.michigan21stcenturyinvestmentfund.com](http://www.michigan21stcenturyinvestmentfund.com)

# MANAGING A BUSINESS

## PROFESSIONAL ASSISTANCE

The importance of professional assistance cannot be overstated. However, the cost incurred in hiring professional consultants often discourages business people from obtaining professional assistance, which can be a fatal business mistake. The expense of using skilled professional consultants is insignificant when compared to the costly after-effects of poorly prepared or incomplete documents or uninformed decisions. There is no substitute for professional services to keep a business operating within financial and legal parameters. There are professionals available to assist with every aspect of a business, and able to determine what will best serve specific business needs. Listed below is a "core group" of professionals most business people need.

## PROFESSIONAL SERVICE PROVIDED

Accountant	Bookkeeping, taxes, cash flow
Attorney	Legal form of business organization, contracts, agreements, general consultation
Banker	Loans, billing services, credit systems
Insurance Agent	Needs evaluation and packaging of insurance

## RECORDKEEPING

Accurate and complete records help you monitor the business and plan for the future based on factual financial knowledge rather than guesswork. There are a variety of records and recordkeeping systems a business can maintain and many computer systems are available at minimal costs. Trade associations can often provide guidelines or simple accounting methods tailored to a specific business or industry.

Professional accountants can be indispensable to a new or growing business. An accountant not only provides a record keeping service for a business but can also provide important advice on taxes, cash flow, credit and systems management and changes within the tax system.

Every business should have up-to-date records, which provide the following information:

- Accurate and thorough statements of sales and operating results, fixed and variable costs, profit or loss statements, inventory levels and credit and collection totals;
- Comparisons of current data with prior years' operating results and budget goals;
- Financial statements suitable for use by management or submission to prospective creditors and investors;
- Tax returns and reports to regulatory agencies; and
- Indicators of employee theft, material waste or recordkeeping errors.

Good recordkeeping allows you to create reports of current data so you can compare your status to your financial plan and overall business plan. It is essential to regularly review and compare; evaluate the reasons for differences, whether positive or negative; consider changes to business activity; and, if necessary, adjust the business and financial plan.

## MARKETING YOUR BUSINESS

The best product or service in the world will not guarantee success for your business. Potential customers need to be aware of your company; they have to want (need) your product; have the ability to purchase it; be satisfied with their purchase so that they will purchase again; and spread your name to others (helping to build your brand and reputation).

Simply defined, marketing is communicating the right message (appropriate & meaningful) to the right people (customer groups) at the right time (consistently and persistently) and in the best ways (channels used by customers). Developing and implementing a marketing/communication strategy is a necessary process for a successful business. It begins as you start your business and is critical throughout the life of your business, organized into a plan with activities scheduled on a calendar throughout the year (especially important for a seasonal product or business).

One often overlooked but very critical aspect of business marketing is the message you convey, verbally and visually, to identify your business and attract customers. Think and plan carefully what image you want your business to project. Much of the value a business accrues over time comes from the recognition of the “brand” and reputation you achieve.

Developing an effective marketing/communications strategy is a process:

- **Identify the Product or Service.** The key to your product or service identity is your “market niche”, not only in terms of the services provided, but in terms of needs fulfilled. For instance, a feature of residential lawn service is that it provides lawn cutting, fertilization, etc. The need this business fills and the benefit provided to the customer is convenience for homeowners who are short on time or proper equipment.
- **Identify Potential Customers.** A potential customer is one whose needs may be filled by your product/service and who may reasonably be expected to consider your business as a source of this product/service based on price, location and other factors. Everyone in the world is not a potential customer. Focus on an attainable and realistic portion (segments) of the market.
- **Identify Your Competitors.** A competitor is a business that delivers the same product or service (direct) or similar product or service (indirect) as your business. For instance, if you are providing guard services to warehouses, all other such guard service businesses within your competitive reach would be direct competition. However, alarm systems for warehouses could be an alternative to guard services, and businesses selling alarm systems would be indirect competition.
- **Understand Why Customers Buy Your Product or Service.** It is very important to understand the basis on which customers make buying decisions related to your type of product or service. A sample of some of those reasons might include price, quality, convenience, prestige.
- **Know Why Customers Will Choose Your Business.** Based on why customers buy a particular product or service, you must determine the nature of your competitive advantage. If your potential customers buy solely on the basis of price, are your prices the lowest? If not, how will you compete? Be thorough and careful in this analysis. Your potential customers probably have established buying patterns that do not include your business. You must give them sufficient reason to break these established patterns and buy from you if your business is to succeed.

- **Determine the Most Efficient Methods to Reach Buyers.** Once you determine why potential customers select your type of product or service, you are in a position to identify how they make their buying decisions. ***Your marketing and advertising has to be delivered in the media channels that best reach your target market.*** Do they typically buy because they've seen an advertisement on cable TV or because they have driven by your place of business? Is this type of product or service generally purchased on the recommendation of another individual or by "word of mouth" through social media? Knowing how your customers will "get the message" about your business will help you make good decisions about how to spend your marketing and advertising dollars for the most effective results.

- **Determine How You Are Going to Sell.** How you sell is just as important as what you sell. Develop a sales strategy and process that meets your customer preferences. Methods of selling might include direct sales (Face to face) / Sales force / Online / Retail / Distributors, and/or inside sales (Take orders via a call center).

A consistent and proven sales process includes the following steps:

- Prospect: Uncover potential customers with your communications tactics. Your communications should tell customers what you want them to do. i.e. "Go to our website to place your order."
- Present: State your value proposition: Why should customers buy from you?
- Follow up: Few customers buy at the first contact. Get to know them so that they will buy when you reach out to them again.

- **Determine Effective Delivery and Customer Service Methods.** Part of your planning is determining how to deliver your product or service in a timely, professional and customer-preferred way along with what you can do related to after-sale care and customer service that will build loyalty and trust and encourage the customer to eagerly return for additional purchases.
- **Develop your Marketing Plan and Action Timeline.** The "Marketing Guidelines" and sample "Marketing Action Plan/Calendar" that follow on pages 46-47 are good frameworks for building your marketing plan.

#### Marketing/Advertising Channels

- ✓ Radio, TV
- ✓ Trade Shows
- ✓ Newspapers, magazines
- ✓ Direct mail, newsletters
- ✓ e-Mail communications
- ✓ e-Newsletters
- ✓ Social media
- ✓ Billboards
- ✓ Building and vehicle signs
- ✓ Point-of-purchase displays
- ✓ Product samples
- ✓ Building signage
- ✓ Telemarketing
- ✓ Website
- ✓ Referral incentives
- ✓ Personal selling
- ✓ Print materials such as brochures, business cards, etc.

#### FREE publicity!

Be on the alert for opportunities for promoting your business that won't cost you anything but time.

- Local news outlets have reporters that cover various types of news. Identify and get to know who those content reporters are (emails and phones are usually in their website directories or associated with print bylines) and whenever your business achieves a milestone or hosts a special event, prepare and send a news release.
- News outlets, reporters and social media are opportunities for "content experts" to provide a quote on a news feature, or to write articles on specific content one time or as a regular news feature
- You might be a natural to teach a one-session or short-term training program offered through community education programs.
- Never underestimate the power of business to business networking and a consistent social media presence.

# Marketing Plan Guidelines

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## Key Elements of a Good Marketing Plan

### 1. Measurable Goals

- **What do you want to accomplish this year?**
  - Annual Sales
  - Net Income
  - Number of customers
  - Other ways to measure success?
  - What do you want to accomplish in 3-5 years?
  - Ongoing client database of repeat customers
  - Annual growth rate of xx%
  - Who is responsible for marketing/sales goals?
  - Who is responsible for marketing/sales implementation?

### 2. Market Analysis

- **Research your industry/environment**
  - How large is your industry?
  - How many prospective customers are there?
  - How do economic trends impact customer buying decisions?
  - What unique abilities do competitors possess?
- **Research your customers**
  - How do you define your ideal customer? (Who will buy most often?)
  - What is your target market? (Age, gender, income, geographic location?)
  - Who will buy your product? (Who is the decision maker?)
  - When will they buy your product? (Seasonally? 24/7?)
  - Where will they look for your product? Online? Retail store? Catalog?
  - From whom do they want to purchase your product? (Owner, Sales rep, Distributor, e-commerce site?)
- **Research your competitors**
  - Who are your direct competitors?
  - Who are your indirect competitors?
  - Evaluate direct and indirect competitor strengths and weaknesses in key areas (quality, customer service, price/value, location, convenience, speed, reliability)
  - Evaluate your own company – do a SWOT analysis. Compare yourself to your competitors. Take advantage of your strengths.
    - ✓ Strengths
    - ✓ Weaknesses
    - ✓ Opportunities
    - ✓ Threats

### 3. Marketing Strategy

- **Develop strategies that incorporate your goals, build on your strengths, and promote your unique competitive advantages.**
- **Build a marketing mix to best serve your target customers. Position your product in the customer's mind. Why should a customer buy from you and not your competitors?**
  - Product: Describe product from customer's point of view. What's in it for them? What are the benefits & features of your product?




- **Price:** Set prices to strategically accomplish business goals, while remaining sensitive to customer motivations.
  - ✓ Cost based: cover your expenses
  - ✓ Going rate: follow the market leader
  - ✓ Image pricing: your product is exclusive
  - ✓ Service pricing: your product is convenient
  - ✓ Slow entry: work toward building customer loyalty
  - ✓ Loss leaders: work on generating traffic by setting pricing low (by discounts off price you want to achieve)
- **Place:** Determine most effective way to get your product to customer
  - ✓ Shipping, electronic transfer, personal delivery, retail, etc.
- **Promotion:** Determine promotional tools based on what your target customers hear and see, such as internet, radio, TV, print, billboards, etc.
  - ✓ Publicity: News releases, success stories, organization memberships, community events.
  - ✓ Advertising: Electronic media (i.e., website, email, social media, radio, TV,) and print media (i.e., newspaper, magazine, brochure, direct mail, newsletters, letterhead, business cards).

#### 4. Implementation Schedule & Budget

- Create a timeline for when different methods of advertising and publicity will be used.
- Prepare cost estimates. What can you afford to do to achieve the results you want?
- Track results and make changes to improve results.

#### SAMPLE SCHEDULE & BUDGET

Marketing Action Plan for: _____															
Year: _____															
Tactic	Specific Activity/Vendor NOTES	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	TOTAL	
<b>Professional Assistance</b>														\$0.00	
Marketing/PR Consultants														\$0.00	
Advertising Agency														\$0.00	
Direct Mail Specialists														\$0.00	
Graphic design														\$0.00	
Web design														\$0.00	
<b>Printed Materials</b>														\$0.00	
Brochures														\$0.00	
Postcards														\$0.00	
Business cards														\$0.00	
<b>Website</b>														\$0.00	
Development														\$0.00	
Maintenance/Hosting														\$0.00	
Internet optimization services														\$0.00	
<b>Advertising</b>														\$0.00	
Social media boosts or online ads														\$0.00	
Magazine:														\$0.00	
Radio														\$0.00	
TV														\$0.00	
Other														\$0.00	
<b>Promotional Items</b>														\$0.00	
Pens														\$0.00	
Notepads														\$0.00	
														\$0.00	
<b>Trade Shows</b>														\$0.00	
Fees and Setup														\$0.00	
Travel and Lodging														\$0.00	
Exhibit Materials and Equipment														\$0.00	
<b>Networking and Memberships</b>														\$0.00	
Open house														\$0.00	
Meeting travel														\$0.00	
Entertainment														\$0.00	
<b>Other</b>														\$0.00	
<b>TOTAL</b>		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	

## **INSURANCE**

It is sensible for any business to purchase a number of basic types of insurance: Some insurance coverage is required by law, and other coverage simply makes good business sense. The insurances listed below are among the most commonly used and are merely a starting point for evaluating the needs of your own business. To learn more about the coverage that is best for your specific business, you can contact an insurance agent who writes business insurance, often referred to as “business lines.” You can also check into insurance programs offered by trade associations related to your type of business, as well as insurance programs that are beneficial to members through Chambers of Commerce.

Insurance is a very competitive business. Be sure to contact more than one source. Shop around to get the best coverage for the lowest price.

### **LIABILITY INSURANCE**

Businesses may incur various forms of liability in conducting normal activities. One of the most common types of liability is product liability, which may be incurred when a customer suffers harm (broadly defined) when using the product. There are many other types of liability related to specific industries. Liability law is constantly changing. An analysis of your liability insurance needs by a competent professional is vital in determining an adequate and appropriate level of protection for your business.

### **PROPERTY**

There are many different types of property insurance and levels of coverage available. It is important to determine the property value to insure for the continuation of your business and the level of insurance if you should need to replace or rebuild. You must also understand the terms of the insurance, including any limitations or waivers of coverage.

### **WORKERS’ COMPENSATION**

Most employers are required to provide Workers’ Compensation coverage for their employees. This coverage applies to injuries incurred by workers in the course of their job duties. A Workers’ Compensation policy is purchased from a private insurance company and is required by law. For further information, see “Workers’ Compensation” section on page 35 or visit [www.michigan.gov/wca](http://www.michigan.gov/wca).

### **BUSINESS INTERRUPTION**

While property insurance may pay enough to replace damaged or destroyed equipment or buildings, how will you pay costs such as taxes, utilities and other continuing expenses during the period between when the damage occurs and when the property is replaced? Business interruption (or “business income”) insurance can provide sufficient funds to pay your fixed expenses during a period of time when your business is not operational.

### **“KEY MAN”**

If you (and/or any other individual) are so critical to the operation of your business that it cannot continue in the event of your illness or death, you should consider “key man” insurance. Banks or government loan programs frequently require this type of insurance. It can also be used to provide continuity in operations during a period of ownership transition caused by death or incapacitation of an owner or other “key” employees.

### **AUTOMOBILE**

It is obvious that a vehicle owned by your business should be insured for both liability and replacement purposes. What is less obvious is that you may need special insurance (called “non-owned automobile coverage”) if you use your personal vehicle on company business. This policy covers the business for any damage that may result for such usage.

**OFFICER AND DIRECTOR**

Under certain circumstances, officers and directors of a corporation may become personally liable for their actions on behalf of the company. An "officer and director" insurance policy covers this liability.

**HOME OFFICE**

If you are establishing an office in your home, it is a good idea to contact your homeowner's insurance company to update your policy to include coverage for office equipment. This coverage is not automatically included in a standard homeowner's policy.

## SELLING TO GOVERNMENT

Obtaining government contracts can be a key to expanding and diversifying the marketing and income potential of any business. Government agencies at all levels contract for goods and services. However, it is a generally accepted practice that, to be eligible for government contracts, a business needs to have been in business at least 2 years to have history that demonstrates performance capability.

### **PROCUREMENT TECHNICAL ASSISTANCE CENTERS (PTACS), MEDC PROCUREMENT OFFICES, & GOVERNMENT CONTRACT SUPPORT**

The Michigan Economic Development Corporation (MEDC) provides support to PTACs and MEDC Procurement Offices located throughout the state. This network of locally based offices provides government contracting assistance. Skilled professionals assist businesses to successfully bid for federal, state and local government contracts. The federal government is a major buyer of goods and services, spending more than \$400-800 billion annually.

To find the PTAC or MEDC Procurement Office nearest to your business, visit [www.ptacsofmichigan.org/](http://www.ptacsofmichigan.org/) Procurement support includes, but is not limited to:

- Orientation to the procurement system
- Training seminars and conferences
- Bid match for government solicitations
- Contracting opportunities
- Subcontracting opportunities
- Government specifications
- Bid history and contract award results
- Bid package assistance
- Linking local companies to federal and state government agencies

Michigan Defense Center is the arm within MEDC that strategically connects defense buyers and prime contractors with Michigan's capable supply chain. With the goal of creating Michigan jobs by bringing more defense contracts to Michigan, the MDC aggressively seeks and identifies Michigan companies to create and compete in supply chains, leveraging their unique abilities to meet defense goals. PTACs and MEDC Procurement Offices are the front line to the Michigan Defense Center. For more information or to register with the Michigan Defense Center, visit <http://michigandefensecenter.com/>

Becoming a State of Michigan Contractor: The Michigan Department of Management and Budget (DMB) competitively bids all solicitations, and Michigan businesses are encouraged to participate in the state contracting process. DMB and MEDC work closely to provide valuable tools and training for Michigan businesses that want to become state contractors.

- To become a State of Michigan contractor, visit the "Buy4Michigan" website at [www.buy4michigan.com/](http://www.buy4michigan.com/) The site will provide access to registration, current bid opportunities, upcoming contracting seminars and contact information for state purchasing personnel.
- To be a State of Michigan contractor, one also needs to register with Contract & Payment Express (C&PE) online at [www.cpexpress.state.mi.us](http://www.cpexpress.state.mi.us). *It is strongly recommended that you view the C&PE Pre-Registration Overview Training first to understand the process.*
- Note that pre-vendor qualification is required for printing, natural gas, and food vendors. Additional information can be obtained by calling the Department of Management and Budget directly at 517.373.1004.

# PROCUREMENT TECHNICAL ASSISTANCE CENTERS



## PTACs of MICHIGAN, Inc.

Your first step to government contracting... and more!



**1. Northwest Michigan PTAC—  
Upper Peninsula Satellite Office  
Don Makowski**

2831 N. Lincoln Rd.  
Escanaba, MI 49829  
906.789.0558, ext. 244  
906.789.1904 fax

E-mail: donmakowski@networksnorthwest.org

**2. Northwest Michigan PTAC  
Anne Helbig, Deb Donovan & Cathy Fairbanks**

1209 South Garfield Avenue, Ste. C  
Traverse City, MI 49686  
231.929.5036 Anne  
231.929.5076 Deb  
231.922.3739 Cathy  
231.922.3737 fax

E-mail: annehelbig@networksnorthwest.org  
ddonovan@networksnorthwest.org  
cathyfairbanks@networksnorthwest.org

**3. N.E. Michigan Consortium  
Denise Hoffmeyer & Tammy Moore**

P.O. Box 711  
Onaway, MI 49765  
989.733.8540  
989.733.8069 fax

E-mail: hoffmeyerd@nemcworks.org  
mooret@nemcworks.org

**4. Muskegon Area First PTAC  
Pamela Vanderlaan-Poort, Shelia Polacco,  
Justin Arnold & Sheila Kreason**

380 West Western Avenue, Ste. 202  
Muskegon, MI 49440  
231.722.7700 Pamela  
231.724.3187 Shelia  
616.405.3137 Justin  
231.286.6391 Sheila  
231.728.7251 fax

E-mail: ppoort@muskegonareafirst.org  
spolacco@muskegonareafirst.org  
jarnold@muskegonareafirst.org  
skreason@muskegonareafirst.org

**5. Saginaw Future Inc.  
Delena Spates-Allen & Sarah Straight**

515 North Washington, Ste. 300  
Saginaw, MI 48607  
989.754.8222 x232 Delena  
989.754.8222 x233 Sarah  
989.754.1715 fax

E-mail: dsallen@saginawfuture.com  
sstraight@saginawfuture.com

**6. Flint & Genesee Chamber of Commerce  
Stacy Betts, Andy Hayes & Chelsea Schutz**

519 S. Saginaw Street, Ste. 200  
Flint, MI 48502  
810.600.1432 Stacy  
810.600.1438 Andy  
810.600.1437 Chelsea  
810.600.1461 fax

E-mail: sbetts@flintandgenesee.org  
ahayes@flintandgenesee.org  
cschutz@flintandgenesee.org

**7. Lansing Area Satellite Office  
Kim Langenberg**

500 E. Michigan Avenue  
Lansing, MI 48912

517.853.6445 Kim  
517.575.5350 Fax

E-mail: klangenberg@lansingchamber.org

**8. SW Michigan Procurement  
Technical Assistance Center  
Jan Campbell, Kim Bourner & Jill Gernaat**

222 S. Westnedge Ave.  
Kalamazoo, MI 49007

269.385.0470 Jan  
269.385.0472 Kim  
269.385.0452 Jill

E-mail: campbell@upjohn.org  
bourner@upjohn.org  
germaat@upjohn.org

**9. PTAC of South Central Michigan  
Pennie Southwell & Jeanne Day-LaBo**

One Jackson Square, Ste. 1100  
Jackson, MI 49201

517.788.4680 Pennie  
517.788.4279 Jeanne  
517.782.0061 fax

E-mail: pennie@enterprisegroup.org  
jdaylabo@enterprisegroup.org

**10. (A) Schoolcraft College PTAC  
Jann Deane, Meghan Rybarczyk,  
Alexander Masters & Debbie Cebulski**

18600 Haggerty Road  
Livonia, MI 48152

734.462.4438

734.462.4673 fax

E-mail: ptac@schoolcraft.edu

**10. (B) Macomb Regional PTAC  
Beth Cryderman-Moss, Mark Ignash,  
Kathleen Stockman, Dorine Vanderzyppe  
& Mark Birkmeier**

7900 Tank Avenue  
Warren, MI 48092

586.498.4122

586.498.4165 fax

E-mail: cryderman-moss@macomb.edu  
ignashm@macomb.edu  
stockmank@macomb.edu  
vanderzyppe@macomb.edu  
birkmeiermg@macomb.edu

**10. (C) Wayne State University  
Abby L. Cheatham & Michael Kelly**

5057 Woodward Avenue, Suite 3101  
Detroit, MI 48202

313.577.0132 Abby  
313.577.2241 Michael  
313.577.4354 fax

E-mail: a.l.cheatham@wayne.edu  
michael.kelly@wayne.edu

**10. (D) Downriver Community Conference  
James Millhinch**

15100 Northline Road  
Southgate, MI 48195

734-362-7007 James

734.281.6661 fax

E-mail: james.milhinch@dccwf.org

- 10. (A) Oakland County & NW Wayne County
- 10. (B) Macomb County
- 10. (C) City of Detroit (only)
- 10. (D) Downriver Communities & SE Wayne County

Livingston & Washtenaw Counties served by 10 A.

Monroe County served by 10 D.

**Michigan Defense Center  
Michigan Economic Development Corporation™**

300 N. Washington Square, 4th floor  
Lansing, MI 48913

Sean Carlson

Lansing Office 517.373.6302

Macomb Office 517.930.5070

Dustin Frigy 810.965.1300

E-mail: frigy@micigan.org

Aaron Johnson 616.427.2590

John Bedz 734.751.3989

Jennifer Tisdale 517.599.2892

Joseph McCulloch 517.599.1487

## NOW WHAT?

You've taken the time to read this information and probably learned a lot about starting, running, and/or growing a business, but where should you go from here?

- Take the time to prepare a comprehensive business plan
- Think about what you want to achieve with your business.
- What are your goals and how do you intend to meet them?
- What will you need to get started, i.e., tax advice, financing, management assistance, legal advice?
- Then use your business plan as your "road map" to starting and operating, and/or as a tool for providing a clear picture of your business model when you meet with a banker, lawyer, accountant, or marketing professional.

And don't hesitate to contact your local MI-SBDC (see Appendix C), or other resources listed.

Helping you get your business off to a good start is our number one priority.

## APPENDIX A

### EMPLOYEE OR INDEPENDENT CONTRACTOR?

**How do we determine if an individual is an employee or Independent Contractor?** To make this determination we must examine the relationship of the worker and the business. The main focus of this examination is control and independence. This usually falls into three categories:

- Behavioral Control
- Financial Control
- Type of Relationship

#### **Behavioral Control: Does the business have the right to direct and control how the worker does the task for which they are hired?**

What is the level of instruction that the business gives the worker? The more defined these instructions are, the more likely the worker is an employee. These instructions could include, but are not limited to:

- When and where to do the work
- What tools or equipment to use
- What workers to hire or assist with work
- Where to purchase supplies and services
- What work must be performed by a specified individual
- What order or sequence to follow

Even if no instruction is given, sufficient behavioral control may exist if the employer has the right to control how the work results are achieved. The key is whether or not the business has retained the right to control the details of a worker's performance.

Does the business provide any training to the worker? Normally an employee is trained to perform services in a particular manner. Independent contractors ordinarily use their own methods.

#### **Financial Control: Does the business have the right to control the business aspects of the worker's job?**

- Does the worker have unreimbursed expenses? Independent contractors are more likely to have unreimbursed expenses than employees.
- Does the worker incur fixed ongoing costs regardless of whether the work is currently being done? Yes to this question indicates the worker is an independent contractor.
- Does the worker have a significant investment in the facilities he or she uses in performing services for someone else? If yes, then the worker is normally an independent contractor. However, the lack of a significant investment in facilities does not automatically mean the worker is an employee.
- Does the worker make his or her services available to other businesses? This is a clear indication of independent contractor status. Often times an independent contractor will advertise, maintain a viable business location and make themselves available to other businesses.
- Is the worker paid a regular wage? An employee is generally guaranteed a regular wage amount for a set period of time - hourly, weekly, monthly, etc. An independent contractor may be paid based on a per job basis, or can also be paid by the hour.
- Can the worker incur a profit or loss? An independent contractor can make a profit or loss on the work/job.

#### **Type of Relationship: What is the relationship between the business and the worker?**

- Is there a written contract between the business and the worker that describes the relationship intended between the two parties?
- Does the business provide the worker with employee-type benefits, such as insurance, a pension plan, vacation and/or sick pay? If so, the worker has the characteristic of an employee.

## APPENDIX A (CONTINUED)

### EMPLOYEE OR INDEPENDENT CONTRACTOR

- What is the permanency of the relationship? If the worker is given the expectation that the relationship will continue indefinitely rather than for a specific project or period, then it is more likely that the intent was to establish an employer/employee relationship.
- Are the services performed by the worker a key aspect of the regular business of the company? If the services provided by the worker are considered a key aspect of the business' regular activities, it is more likely that the business will have the right to direct and control his or her activities. The ability to direct and control the activity is a characteristic of an employer/employee relationship.

Generally there is an employer/employee relationship when the person for whom services are performed has the right to control and direct the individual who performs the services, not only as to the result to be accomplished but also as to the details and means by which the result is accomplished. In this connection, it is not necessary that the employer actually direct or control the manner in which the services are performed; it is sufficient if the employer has the right to do so. The Internal Revenue Service developed 20 factors to assist the taxpayer in determining if a worker is an employee or Independent Contractor.

**A "Yes" answer for the following questions indicates that the worker is an employee:**

1. Does the business provide instructions to the worker about when, where and how he or she is to perform the work?
2. Does the business provide training to the worker?
3. Are the services provided by the worker integrated into the business' operations?
4. Must the services be rendered personally by the worker?
5. Does the business hire, supervise and pay assistance to the worker?
6. Is there a continuing relationship between the business and the worker?
7. Does the business set the work hours and schedule?
8. Does the worker devote substantially full-time to the work of the business?
9. Is the work performed on the business' premises?
10. Is the worker required to perform the services in an order or sequence set by the business?
11. Is the worker required to submit oral or written reports to the business?
12. Is the worker paid by the hour, week or month?
13. Does the business have the right to discharge the worker at will?
14. Can the worker terminate his or her relationship with the business any time he or she wishes without incurring liability to the business?
15. Does the business pay the traveling expenses of the worker?

**A "Yes" answer for the following questions indicates that the worker is an Independent Contractor:**

16. Does the worker furnish significant tools, materials and equipment?
17. Does the worker have a significant investment in the facilities?
18. Can the worker realize a profit or loss as a result of his or her services?
19. Does the worker provide services for more than one firm at a time?
20. Does the worker make his or her services available to the general public?

The determination of whether or not the worker is an employee or independent contractor is the responsibility of the business. If the Internal Revenue Service challenges the classification made by the business, the burden of proof is on the taxpayer (business). If requested, the IRS will make a determination of whether a worker is an employee or independent contractor. This request is done by filing Form SS-8, "Determination of Employee Work Status for Purposes of Federal Employment Taxes and Income Tax Withholding" available at [www.irs.gov](http://www.irs.gov)



## APPENDIX B

### REQUIRED WORKPLACE POSTERS

Michigan employers are required to display certain posters in the workplace. Poster requirements are based on jurisdiction. To determine whether your business has requirements under federal or state jurisdiction, please contact the agencies listed below and in the matrix for federal posters that follows. You may obtain the appropriate posters at no cost from the agencies, usually through online download.

The following is a list of Michigan required workplace posters, their purpose and where they can be obtained:

#### MICHIGAN REQUIRED WORKPLACE POSTERS

<b>ANNUAL SUMMARY OF INJURIES AND ILLNESSES FORM 300</b> 517.322.1848 <a href="http://www.michigan.gov/lara">www.michigan.gov/lara</a> Click on MIOSHA , then “Publications, Posters, Forms & Media” MIOSHA Log 300 Forms can be accessed at: <a href="http://www.michigan.gov/lara/0,4601,7-154-61256_11407_30453-174563--,00.html">www.michigan.gov/lara/0,4601,7-154-61256_11407_30453-174563--,00.html</a>	Often overlooked but very important is the requirement that employers must record and/or report information about every work-related injury or illness that involves loss of consciousness, restricted work activity or job transfer, days away from work, or medical treatment beyond first aid.
<b>MICHIGAN EMPLOYMENT SECURITY ACT NOTICE TO EMPLOYEES</b> 855.484.2636 <a href="http://www.michigan.gov/uia">www.michigan.gov/uia</a>	This poster informs employees that unemployment benefits are payable to eligible workers through the Unemployment Insurance Agency (UIA).
<b>MICHIGAN LAW PROHIBITS DISCRIMINATION</b> 517.335.3165 <a href="http://www.michigan.gov/mdcr">www.michigan.gov/mdcr</a>	Notice for employees about rules protecting them against discrimination in the workplace.
<b>MICHIGAN SAFETY AND HEALTH PROJECTION ON THE JOB – MICHIGAN RIGHT TO KNOW LAWS</b> 517.322.1809 <a href="http://www.michigan.gov/lara">www.michigan.gov/lara</a> Click on MIOSHA , then “Publications, Posters, Forms & Media”	Employers must make this poster available for employees in a readily accessible manner for hazardous chemicals in their workplace.
<b>MATERIAL SAFETY DATA SHEETS (MSDS)</b> 517.322.1809 <a href="http://www.michigan.gov/lara/0,4601,7-154-61256_11407_30453-174563--,00.html">www.michigan.gov/lara/0,4601,7-154-61256_11407_30453-174563--,00.html</a>	Employers must identify and catalog information about hazardous chemicals in their workplace, providing notice to employees about the location of the MSDS catalog (SDS Location Poster) and a log or new or revised MSDS (New or Revised SDS Poster).
<b>MICHIGAN WAGE LAW OF 1964 PA 154</b> 517.322.1825 <a href="http://www.michigan.gov/lara">www.michigan.gov/lara</a> Click on MIOSHA, then “Wage and Hour Division”	Michigan Minimum Wage Law posters are required if you are not covered by the Federal Fair Labor Standards Act, or if federal minimum wage would result in a minimum lower than state. See also federal minimum wage poster information in “Minimum Wage” on page 37.
<b>MICHIGAN WHISTLEBLOWERS PROTECTION ACT – 469 OF 1980</b> <a href="http://www.michigan.gov/lara">www.michigan.gov/lara</a> Click on MIOSHA , then “Publications, Posters, Forms & Media”	Section 15.368 states that an employer shall post notices and use other appropriate means to keep his or her employees informed of their protections and obligations under the act.

## APPENDIX B (CONTINUED)

### REQUIRED WORKPLACE POSTERS

#### FEDERAL REQUIRED WORKPLACE POSTERS

<b>JOB SAFETY AND HEALTH PROTECTION</b> 202.693.1888 <a href="http://www.osha.gov/Publications/poster.html">www.osha.gov/Publications/poster.html</a>	Private employers engaged in a business affecting commerce. Does not apply to federal, state or political subdivisions of states.
<b>EQUAL EMPLOYMENT OPPORTUNITY IS THE LAW</b> 800.397.6251 <a href="http://www.dol.gov/ofccp/regs/compliance/posters/ofccpost.htm">www.dol.gov/ofccp/regs/compliance/posters/ofccpost.htm</a>	Entities holding federal contracts or subcontracts or federally assisted construction contracts of \$10,000 or more; financial institutions which are issuing and paying agents for U.S. savings bonds and savings notes; depositories of federal funds or entities having government bills of lading.
<b>FAIR LABOR STANDARDS ACT (FLSA) Minimum Wage Poster</b> 866.487.9243 <a href="http://www.dol.gov/whd/regs/compliance/posters/flsa.htm">www.dol.gov/whd/regs/compliance/posters/flsa.htm</a>	Every private, federal, state and local government employer employing any employee subject to the Fair Labor Standards Act, 29 USC 211, 29 CFR 516.4 posting of notices.
<b>AMERICANS WITH DISABILITIES: Employee Right for Workers with Disabilities/Special Minimum Wage Poster</b> 866.487.9243 <a href="http://www.dol.gov/whd/regs/compliance/posters/disab.htm">www.dol.gov/whd/regs/compliance/posters/disab.htm</a>	Every employer having workers employed under special minimum wage certificates authorized by section 14(c) of the Fair Labor Standards Act.
<b>YOUR RIGHTS UNDER THE FAMILY AND MEDICAL LEAVE ACT</b> 866.487.9243 <a href="http://www.dol.gov/whd/regs/compliance/posters/fmla.htm">www.dol.gov/whd/regs/compliance/posters/fmla.htm</a>	Public agencies (including state, local, and federal employers), public and private elementary and secondary schools, as well as private sector employers who employ 50 or more employees in 20 or more work weeks and who are engaged in commerce or in any industry or activity affecting commerce, including joint employers and successors of covered employers.
<b>EMPLOYEE RIGHTS UNDER THE NATIONAL LABOR RELATIONS ACT</b> 202.273.0064 <a href="http://www.dol.gov/olms/regs/compliance/employeerightsposter11x17_final.pdf">http://www.dol.gov/olms/regs/compliance/employeerightsposter11x17_final.pdf</a>	Most private sector employers will be required to post a notice advising employees of their rights under the National Labor Relations Act.
<b>UNIFORMED SERVICES EMPLOYMENT AND REEMPLOYMENT RIGHTS ACT</b> 866.487.2365 <a href="http://www.dol.gov/vets/programs/userra/poster.htm">www.dol.gov/vets/programs/userra/poster.htm</a>	The full text of the notice must be provided by each employer to persons entitled to rights and benefits under Uniformed Services Employment and Reemployment Rights Act (USERRA).
<b>EMPLOYEE POLYGRAPH PROTECTION ACT</b> 866.487.9243 <a href="http://www.dol.gov/whd/regs/compliance/posters/eppa.htm">www.dol.gov/whd/regs/compliance/posters/eppa.htm</a>	Any employer engaged in or affecting commerce or in the production of goods for commerce. Does not apply to federal, state and local governments, or to circumstances covered by the national defense and security exemption.
Note that other posters may be required for specific types of businesses or employment circumstances, i.e., migrant workers, federal contracting, and more. For more information, visit the United States Department of Labor website: <a href="http://www.dol.gov/oasam/boc/osdbu/sbrefa/poster/matrix.htm">www.dol.gov/oasam/boc/osdbu/sbrefa/poster/matrix.htm</a>	

## APPENDIX C

### SMALL BUSINESS DEVELOPMENT CENTERS (MI-SBDC)

Michigan SBDCs are small business management assistance and training centers located throughout the state to assist people interested in starting a business as well as existing businesses with less than 500 employees.

The MI-SBDCs provide no-cost business management consulting and low-cost training to Michigan's small business community. On a daily basis, certified counselors assist businesses in handling cash flow problems, developing sound accounting practices, producing marketing materials, packaging loan proposals, addressing personnel issues, and referring clients to experts who partner with the MI-SBDC network.

These consultants include CPAs, loan counselors, attorneys and marketing specialists. Firms interested in exporting, research and development, strategic growth, manufacturing, and technology transfer may receive specialized assistance from the MI-SBDCs.

SBDCs also link resources of federal and local governments with community colleges, universities, and the private sector to produce practical solutions to business problems.

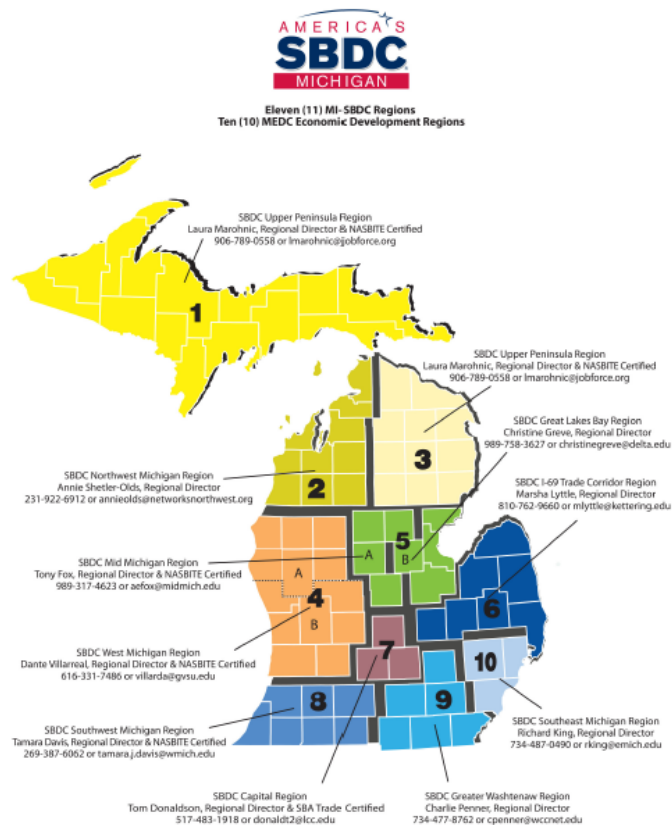
For more information, contact the Michigan MI-SBDCs online at [www.SBDCMichigan.org](http://www.SBDCMichigan.org) or call your regional office for information about one of the many satellite locations nearest you.

Region & Phone #	Counties Served	Host Institution
Upper Peninsula 906.789.0558	Alger, Baraga, Chippewa, Delta, Dickinson, Gogebic, Houghton, Iron, Keweenaw, Luce, Mackinac, Marquette, Menominee, Ontonagon, and Schoolcraft	Michigan Works!
Northwest 231.922.3780	Antrim, Benzie, Charlevoix, Emmet, Grand Traverse, Kalkaska, Leelanau, Manistee, Missaukee, and Wexford	Networks Northwest
Northeast 800.562.4808 Ext. 237	Alcona, Alpena, Cheboygan, Crawford, Iosco, Montmorency, Ogemaw, Oscoda, Otsego, Presque Isle, and Roscommon	Michigan Works!
Mid-Michigan 989.317.4623	Clare, Gladwin, Gratiot, and Isabella	Mid-Michigan Community College
Great Lakes Bay 989.686.9597	Arenac, Bay, Midland, and Saginaw	Delta College Corporate Services
I-69 Trade Corridor 810.762.9660	Genesee, Huron, Lapeer, Sanilac, Shiawassee, St. Clair, and Tuscola	Kettering University

## APPENDIX C (CONTINUED)

### SMALL BUSINESS DEVELOPMENT CENTERS (MI-SBDC)

Region & Phone #	Counties Served	Host Institution
West Michigan 616.331.7370	Allegan, Barry, Ionia, Kent, Lake Mason, Mecosta, Montcalm, Muskegon, Newaygo Oceana, Osceola, and Ottawa	Grand Valley State University
Capital 517.483.1921	Clinton, Eaton, and Ingham	Lansing Community College
Southeast 734.487.0355	Macomb, Oakland, and Wayne	Eastern Michigan University
Southwest 269.387.6004	Berrien, Branch, Calhoun Cass, Kalamazoo, St. Joseph, and Van Buren	Western Michigan University
Greater Washtenaw 734.547.9170	Hillsdale, Jackson, Lenawee, Livingston, Monroe, and Washtenaw	Washtenaw Community College



## APPENDIX D

### BUSINESS RESOURCE CENTERS (BRC) - STATEWIDE

The Business Resource Centers offer:

- One-stop locations where current and future small business owners can receive business assistance and advice.
- Extensive small business reference library of hard copy books and publications.

<u>Host</u>	<u>Location</u>	<u>Telephone</u>
Adrian Library .....	Adrian .....	517.265-2265
Michigan Works! .....	Adrian .....	517.265.5627
Washtenaw Community College .....	Ann Arbor .....	734.973.3379
Michigan Works! .....	Bay City .....	989.667.0500
Brighton District Library .....	Brighton .....	810.229.6571
Canton Public Library .....	Canton .....	734.397.0999
Michigan Works! .....	Caspian .....	906.265.0532
Chelsea District Library .....	Chelsea .....	734.475.8732
Pere Marquette District Library .....	Clare .....	989.317.4623
Dearborn Public Library .....	Dearborn .....	313.943.2330
Kettering University .....	Flint .....	810.762.9660
Michigan Works! .....	Gladwin .....	989.317.4623
Genesee District Library .....	Grand Blanc .....	810.694.5310
Montcalm CC M-TEC .....	Greenville .....	989.317.4623
MMCC M-TEC Building .....	Harrison .....	989.317.4623
Cromine District Library .....	Hartland .....	810.632.5200
Michigan Works! .....	Hillsdale .....	517.437.3381
Howell Carnegie District Library .....	Howell .....	517.546.0720
Michigan Works! .....	Ironwood .....	906.932.4059
Michigan Works! .....	Jackson .....	517.841.5627
Michigan Works! .....	Lanse .....	906.523.1072
Delta Township District Library .....	Lansing .....	517.321.4014
Michigan Works! .....	Midland .....	989.631.3073
Ellis Library .....	Monroe .....	734.241.5277
MMCC Morey Tech Center .....	Mt. Pleasant .....	989.317.4623
Novi Public Library .....	Novi .....	248.349.0720
Michigan Works! .....	Ontonagon .....	906.884.4753
Plymouth District Library .....	Plymouth Township .....	734.453.0750
Portage District Library .....	Portage .....	269.329.4544
Michigan Works! .....	Saginaw .....	989.752.3145
West Shore Community College .....	Scottsville .....	989.317.4623
Michigan Works! .....	Standish .....	989.846.2111
Lincoln Township Public Library .....	Stevensville .....	269.429.9575
Michigan Works! .....	Traverse City .....	231.922.3780
Delta College Library .....	University City .....	989.686.9016
Ypsilanti District Library .....	Ypsilanti .....	734.482.4410

## APPENDIX E

### MI-SBDC BUSINESS EDUCATION

Take advantage of varied and continuously updated learning opportunities for entrepreneurs provided by MI-SBDC.

Whether ONLINE or at a local SBDC office, trainings presented by experienced professionals are designed to help you start and grow your business.

Select from and register for seminars and workshops on a wide range of topics at various dates and locations statewide **[www.SBDCMichigan.org/training](http://www.SBDCMichigan.org/training)**.

- Starting a Business
- Business Plan
- Financial and Accounting
- Customer Relations
- Government Contracting
- Internet and Social Media
- Legal
- Management
- Marketing and Sales
- Succession Planning
- More current topics



## APPENDIX F

### INDEX OF STATE AND FEDERAL GOVERNMENT WEB SITES

#### STATE GOVERNMENT

**Michigan Economic Development Corporation (MEDC)** – Pure Michigan Business Connect is a public/private initiative developed by MEDC that includes: 1) B2B Network for connecting buyers to suppliers of Michigan goods and services; 2) Supplier Summits and Partner Searches to organize dedicated buyer-supplier matchmaking summits; 3) Business Services program in which Michigan business professionals (accountants, attorneys, marketing specialists, web developers, etc.) have pledged pro bono and discounted hours of services to entrepreneurs; 4) and the Economic Gardening® program, offering powerful resources to second-stage companies for assistance in launching them into the next stage of growth at no additional cost to those who qualify.

Web site: [www.michiganbusiness.org/grow/pure-michigan-business-connect/](http://www.michiganbusiness.org/grow/pure-michigan-business-connect/)

**Michigan Department of Civil Rights** – Information on compliance with Civil Rights laws.

Web site: [www.michigan.gov/mdcr](http://www.michigan.gov/mdcr)

**Michigan Department of Licensing and Regulatory Affairs** – Information, forms, and publications related to health, safety, economic/cultural well-being.

Web site: [www.michigan.gov/lara](http://www.michigan.gov/lara)

**Consultation Education & Training (CET)** – Information about training programs to provide a safe and equitable workplace for employees. Heading: Consultation Education & Training.

Web site: [www.michigan.gov/miosha](http://www.michigan.gov/miosha)

**Corporation Division** - Forms for filing as a corporation (Articles of Incorporation), limited partnership or limited liability company (Articles of Organization), and registrations of trademarks & service marks. Registrations for limited liability partnerships (LLPs).

Web site: [www.michigan.gov/corporations](http://www.michigan.gov/corporations)

**Office of Occupational Safety & Health Administration (MIOSHA)** - Information about safety and health standards and access to required workplace posters including Michigan Safety & Health Protection on the job, and Right to Know Material Safety Data Sheets. Heading: General Industry Safety & Health.

Web site: [www.michigan.gov/miosha](http://www.michigan.gov/miosha)

**Workers' Compensation** - Information about the Workers' Disability Compensation Act of 1969, Act 317 of 1969, an Overview of Workers' Compensation in Michigan, and the pamphlet – A Summary of Your Rights and Responsibilities under Workers' Disability Compensation. Heading: Publications.

Web site: [www.michigan.gov/wca](http://www.michigan.gov/wca)

**Michigan Department of Technology, Management & Budget** - Access to information about doing business with the State of Michigan and the Vendor Registration Form.

Web site: [www.michigan.gov/buymichiganfirst](http://www.michigan.gov/buymichiganfirst)

**Michigan Department of Treasury** - Forms to register for Michigan business taxes, i.e. Sales, Use & Withholding and Single Business Tax.

Web site: [www.michigan.gov/taxes](http://www.michigan.gov/taxes)

**Michigan Works** – A public-private partnership between Michigan Department of Energy, Labor & Economic Growth and Michigan Works which serves Michigan's employers and workers where job openings can be posted.

Web site: [www.michiganworks.org/](http://www.michiganworks.org/)

## APPENDIX F (CONTINUED)

### INDEX OF STATE AND FEDERAL GOVERNMENT WEB SITES

**Michigan New Hire Operations Center** – Michigan Employer Guide to New Hire Reporting along with the New Hire Reporting Form.

Web site: [www.mi-newhire.com](http://www.mi-newhire.com)

**Michigan Unemployment Insurance Agency** – Information on unemployment insurance services.

Web site: [www.michigan.gov/uia](http://www.michigan.gov/uia)

#### FEDERAL GOVERNMENT

**Internal Revenue Service** – Information, forms, and publications regarding business and personal taxes. Web site: [www.irs.gov](http://www.irs.gov)

**Social Security Administration** - Information about the Social Security Administration, their services to employers (including a guide to wage reporting for employers), and information about being self-employed. Web site: [www.ssa.gov](http://www.ssa.gov)

Department of Labor – Summary of federally required workplace posters

Web site: [www.dol.gov/oasam/programs/osdbu/sbrefa/poster/matrix.htm](http://www.dol.gov/oasam/programs/osdbu/sbrefa/poster/matrix.htm)

**U. S. Patent and Trademark Office** – Registration forms for trademarks and service marks.

Web site: [www.uspto.gov](http://www.uspto.gov)

**www.freepatentsonline.com** – Provides fast, easy-to-use access to millions of patents and patent applications.

**U. S. Copyright Office** – Information, forms, and publications regarding United States Copyright laws.

Web site: [www.copyright.gov](http://www.copyright.gov)

**Small Business Administration (SBA)** – Information about the services and programs available through the SBA.

Web site: [www.sba.gov](http://www.sba.gov)

Michigan District Office: [www.sba.gov/mi](http://www.sba.gov/mi)

#### OTHER ORGANIZATIONS:

**Michigan Small Development Centers (MI-SBDC's)** – Information about the services provided by the SBDCs, and a list of the Regional and Satellite Centers.

Web site: [www.SBDCMichigan.org](http://www.SBDCMichigan.org)

**SCORE, Counselors to America's Small Businesses** - Information about SCORE, a listing of regional chapters, and a schedule of available workshops.

Web site: [www.score.org](http://www.score.org)



## **APPENDIX G**

### **ABOUT THE SMALL BUSINESS ADMINISTRATION (SBA)**

#### **U.S. Small Business Administration (SBA)**

Michigan District Office  
477 Michigan Avenue, Room 515, McNamara Building  
Detroit, Michigan 48226  
Phone: 313.226.6075  
Fax: 313.226.4769  
Web site: [www.sba.gov](http://www.sba.gov)  
Michigan web site: [www.sba.gov/mi](http://www.sba.gov/mi)

The U.S. SBA helps people get into business and stay successful. The agency accomplishes this mission by providing new and existing small businesses with loan guarantees, management counseling and training, and assistance in obtaining government contracts. The SBA also acts as an advocate for small business interests.

#### **WHAT IS A SMALL BUSINESS?**

##### **FOR PROFIT BUSINESS**

SBA defines a small business concern as one that is independently owned and operated, is organized for profit, and is not dominant in its field. Depending on the industry, size standard eligibility is based on the average number of employees for the preceding twelve months or on sales volume averaged over a three-year period. Examples of SBA general size standards include the following:

- Manufacturing: Maximum number of employees may range from 500 to 1500, depending on the type of product manufactured;
- Wholesaling: Maximum number of employees may range from 100 to 500 depending on the particular product being provided;
- Services: Annual receipts may not exceed \$2.5 to \$21.5 million, depending on the particular service being provided;
- Retailing: Annual receipts may not exceed \$5.0 to \$21.0 million, depending on the particular product being provided;
- General and Heavy Construction: General construction annual receipts may not exceed \$13.5 to \$17 million, depending on the type of construction;
- Special Trade Construction: Annual receipts may not exceed \$7 million; and
- Agriculture: Annual receipts may not exceed \$0.5 to \$9.0 million, depending on the agricultural product.

SBA provides small business assistance in four major areas: Advocacy, procurement, business development, and financial assistance.

#### **ADVOCACY**

The SBA supports the cause and explains the role of small business in our society and economy, and advocates programs and policies that help small firms. SBA's Office of Advocacy maintains a hotline to assist callers with their small business questions at 800.827.5722.

#### **GOVERNMENT CONTRACTING**

SBA helps small businesses obtain a representative share of federal contracts through a variety of programs including assistance locating government contracts and prime subcontracts. Visit SBA's Office of Government Contracting online at [www.sba.gov](http://www.sba.gov) and click the "Contracting" tab.

## APPENDIX G (CONTINUED)

### ABOUT THE SMALL BUSINESS ADMINISTRATION (SBA)

SBA programs include:

- 8(a)-Minority Enterprise Development Program: a business development program for small businesses at least 51 percent owned, managed, and controlled by individual(s) who are socially and economically disadvantaged citizen of the United States. The firm must also meet SBA's size standards and must have been established for two years before applying.
- Small Disadvantaged Business Certification (SDB) Program: to qualify as an SDB, a firm must be owned and controlled by one or more individuals who are socially and economically disadvantaged. Under the new rule, before a small business concern can become eligible to receive benefit as an SDB, it must be certified as a SDB through a self-certification process that can be accessed online at **www.sba.gov** and click the "Contracting" tab.

### ENTREPRENEURIAL DEVELOPMENT

Through its resource partners, the SBA offers free, one-on-one counseling, and no/low cost training, conferences, and seminars. Major resource partners in Michigan include the following:

- Small Business Development Centers (SBDCs), established to help foster small business concerns by providing "one-stop" guidance, assistance, and counseling to small business owners. There are 11 regional centers and many satellite and affiliate centers in Michigan. To find the location closest to you, please call 616.331.7480 or toll free 877.873.4567 or refer to Appendix C.
- SCORE, Counselors to America's Small Businesses: This non-profit organization is comprised of working and retired business executives and business owners who share their management and technical expertise with small business owners. To locate the SCORE office closest to you, please visit their web site at **www.score.org**.
- U.S. Export Assistance Centers (USEACs): A cooperative effort between the SBA, U.S. Department of Commerce and Export-Import Bank to provide free trade counseling and advise on all facets of the export process. There are four USEACs in Michigan: Detroit 313.872.6794, Pontiac 248.975.9600, Grand Rapids 616.458.3564, and Ypsilanti 734.487.0259. Website: **www.sba.gov/content/us-exports-assistance-centers**
- Women's Business Centers (WBCs): SBA funded microenterprise organizations created to help women become self-sufficient through self-employment. Each center provides a wide range of services customized for female entrepreneurs starting or growing a business. While assistance may vary between WBCs, typically each provides basic programs such as economic literacy training and business planning, to more specialized topics such as government contracting and certification. SBA also maintains an On-Line Women's Business Center full of information compiled from WBCs across the country on topics such as financing and accounting, marketing, management, technology and procurement. For a list of Women's Business Centers by state, visit **www.sba.gov/tools/local-assistance/wbc**
- Central Contractor Registration (CCR): CCR is an electronic gateway of procurement information for and about small businesses. It is a search engine for contracting offers, a marketing tool for small firms and a "link" to procurement opportunities and important information. Visit **www.sba.gov** and click on the Contracting tab. For more information and assistance related to government contracting, contact your nearest PTAC as shown on page 51.

## APPENDIX G (CONTINUED)

### ABOUT THE SMALL BUSINESS ADMINISTRATION (SBA)

#### ON-LINE CLASSROOM

SBA's Small Business Learning Center - [www.sba.gov/services/training/index.html](http://www.sba.gov/services/training/index.html) provides a series of online courses available 24/7 that provide everything you need to know to succeed in the new internet economy. You'll learn how to market effectively on the Web, implement e-commerce and how to participate in the internet economy! The course content is divided into brief modules viewable in any order you choose. You'll get answers to questions most business owners like you want to ask about e-business.

- Click on the Training tab for a complete list of available online small business trainings in the areas of Starting a Business, Managing a Business, Financing, Marketing, and Government Contracting.
- Online Women's Business Center -- How to Market Your Business Online. This site is full of tested advice compiled from the experienced business counselors of the Women Business Centers nationwide. There is a special marketing section devoted to the Internet. There are numerous articles with advice on choosing a web production company, selling online, promoting your web page, and more. <https://www.sba.gov/content/best-practices-advertising-and-marketing-internet>



**Helping Your Business Succeed**

[www.SBDCMichigan.org](http://www.SBDCMichigan.org)  
616-331-7480

U.S. Small Business Administration



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