

North Country Business Basics

Start-up information for the Small Business Entrepreneur



Helping Your Business Grow

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



Office Locations

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

Outreach Locations (by appointment):

Elizabethtown

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

Malone

OneWorkSource
158 Finney Blvd.
Malone, NY 12953

Keene Valley

Adirondack Nature Conservancy
8 Nature Way
Keene Valley, NY 12943

Ticonderoga

Ticonderoga Area Chamber of Commerce
94 Montcalm Street
Ticonderoga, NY 12883

Lake Placid

Regional Office of Sustainable Tourism
Lake Placid Convention Center
2608 Main Street
Lake Placid, NY 12946

North Creek

Gore Mountain Regional Chamber of Commerce
228 Main Street
North Creek, NY 12853

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

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



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Section 1: Starting Your Business

Analyzing the Feasibility of Your Business Idea

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

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

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

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

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



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

Section 1: Starting Your Business

Initial Cash Requirement for the New Business

Start-up Dollars Needed	Amount	Description
Advertising	_____	Promotion for opening the business
Beginning inventory	_____	Amount of inventory needed to open
Building construction	_____	Contractor estimates or construction costs
Cash	_____	Requirements for the cash register/working capital
Deposits	_____	Check with utility and telephone companies
Fixtures and equipment	_____	Use actual quotes
Installing fixtures/equipment/furnishings	_____	Use actual quotes
Insurance	_____	Quote from insurance agent
Lease payment	_____	Amount to be paid before opening
Licenses and permits	_____	Check with town, city, county or state offices
Professional fees	_____	Include CPA, attorney, engineer, etc.
Remodeling/Renovations	_____	The amount per contractor bid and/or construction costs
Rent	_____	Amount to be paid before opening
Services	_____	Any outside service
Signs	_____	The amount quoted for creation and installation
Supplies	_____	Office supplies, cleaning supplies, etc.
Unanticipated expenses	_____	Include a contingency amount for unexpected costs
TOTAL START-UP DOLLARS	_____	Total amount of costs before opening

REPEATING MONTHLY EXPENSES

Advertising	_____	
Bank service charges	_____	Account fees, costs of business checks, processing, etc.
Credit card fees	_____	Monthly service fees, Equipment rental, etc.
Delivery charges	_____	
Dues and subscriptions	_____	Chamber of commerce, magazines, associations, etc.
Health insurance	_____	Premiums, HSA contributions, etc.
Insurance*	_____	General liability, professional, commercial property, etc.
Inventory	_____	Amount for expanding and replenishing inventory
Lease payments*	_____	
Loan payments* (principal & interest)	_____	
Office expense	_____	Folders, ink, paper, pens, labels, envelopes, etc.
Payroll* (other than owner or manager)	_____	
Payroll taxes	_____	
Professional fees	_____	
Rent*	_____	
Repairs and maintenance	_____	
Salary of owner*	_____	
Supplies (cleaning, paper goods, etc.)	_____	
Telephone*	_____	
Utilities*	_____	
Miscellaneous	_____	
TOTAL REPEATING EXPENSES	_____	

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

STARTUP DOLLARS	_____	
+ ALLOWANCE FOR FIXED COSTS	_____	(Consider 3 Months of Core Fixed Costs—denoted with *)
TOTAL CASH NEEDED TO START-UP =	=====	

Section 2: What Form of Organization to Use

Four Types of Business Organizations

1) Sole Proprietorship

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

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

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

2) Partnership

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

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

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

Section 2: What Form of Organization to Use

3) "S" Corporations and "C" Corporations

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

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

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

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

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

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

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

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

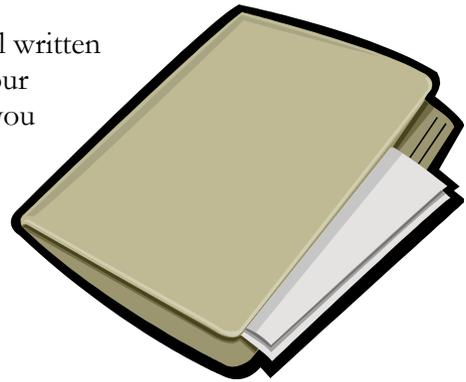
Section 3: Writing a Business Plan

Why Is a Business Plan Essential

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

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

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



Your business plan should be:

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

Section 3: Writing a Business Plan

Simple Business Plan Outline

Company Description: Give a brief history of the business. Answer the following basic questions:

- Company description (company name, type of business, location and brief company history)
- What is the product or service you intend to sell?
- How do you plan to deliver your product or service to your customers? (online, retail, wholesale, mobile, etc.)
- Why is there a need for this business in the marketplace?
- When did you start or expect to start?
- Legal status and ownership? (sole proprietor, partnership, corporation, LLC, etc.)

Product or Service: Describe in greater detail what specifically you are selling. Think of this as a *list* of all of your products and/or services. Be specific about how much you are going to charge and how much it costs you to provide these products or services (core business model; how you will make money?).

Market Analysis: Research your target market and identify who your customers are. Present *data* to prove there is sufficient demand to support the business you have proposed.

- **Target Market Size** (industry data, opportunities/threats, total market size, expected market shares, trends, etc.)
- **Target Customers**
 - Who will buy from you? (customer segments + demographics and psychographics)
 - What do they want? (describe the customer's needs you intend to fulfill)
 - Where are they located?
 - When will they buy your products or services?
 - Why will they buy from you?
 - What are your customer's expectations? (price, quality, service, delivery, and packaging)

Competition Analysis: Analyze the strengths and weaknesses of your major competitors and identify your competitive advantages and disadvantages.

Goals & Objectives: Goals are destinations - *where you want your business to be in 3 to 5 years?* Objectives are progress markers -*what needs to happen in Y1, Y2, Y3...to achieve your goals?* For example, a goal might be to have a successful company with a loyal customer following. Objectives might be number of units sold, annual sales targets and a measure of customer satisfaction.

Marketing Strategy: Describe *how* your business will reach customers and intended sales goals. What actions will you take to let customers know about your business? Be specific about methods you will use to promote your business and how much marketing will cost.

Operations: Explain the day-today functions of your company -*space and location requirements, regulatory environment, equipment needs, personnel requirements, manufacturing and service processes, use of technology, etc.*

Management Team: Describe the strengths and weaknesses of all key personnel. List any outside professionals or advisory support available to support you. Resumes can be added to the appendix.

Financial Analysis: Make sure to include at the very least:

- 3 Years of Profit & Loss Projections
- 3 Year Cash Flow Statement
- 3 Years of Balance Sheets
- Breakeven Analysis
- Start Up or Expansion Worksheet

**Your SBDC Advisor
can help you prepare
your Business Plan
and Financial
Projections!**

Appendix: Include relevant documents that will strengthen your business plan.

Section 4: Financial Plan Statements

Financial Statement Definitions

In order to have a clear understanding of how your business is doing financially and to be able to predict and plan for the future, a fairly thorough understanding of your financial statements is necessary. There are several basic financial statements that can help you determine the condition of your business.

❖ Sources and Uses of Funds

This helps to explain how a company acquired its money and how it was spent. It can also help to identify financing needs and analyze cash inflows and outflows. Also, it can be used as a starting point to forecast future cash flows and financing requirements.

❖ Balance Sheet

The balance sheet is a financial “snapshot” of your business at a given point in time. It includes assets, liabilities and shows your business’ net worth.

❖ Income Statement

The income statement (also called a profit and loss statement or P&L) lists your income, expenses and net income (or loss). The net income (or loss) is equal to your income minus your expenses.

❖ Cash Flow Statement

This statement is a forecast of the money your business expects to receive and to pay out during a given period (usually on a month-to-month basis). The primary purpose is to predict your business’ ability to take in more cash than it pays out. If the business can’t initially sustain a positive cash flow, then steps should be taken to obtain more investment capital.

Common Financial Term Definitions

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

Section 4: Financial Plan Statements

Personal Financial Statements Worksheet

**Calculate how much profit your business needs to generate to cover your living expenses.*

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

Section 4: Financial Plan Statements

Net Worth Worksheet

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

Section 4: Financial Plan Statements

Calculating the Break-Even Point

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

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

The formula to determine breakeven point is:

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

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



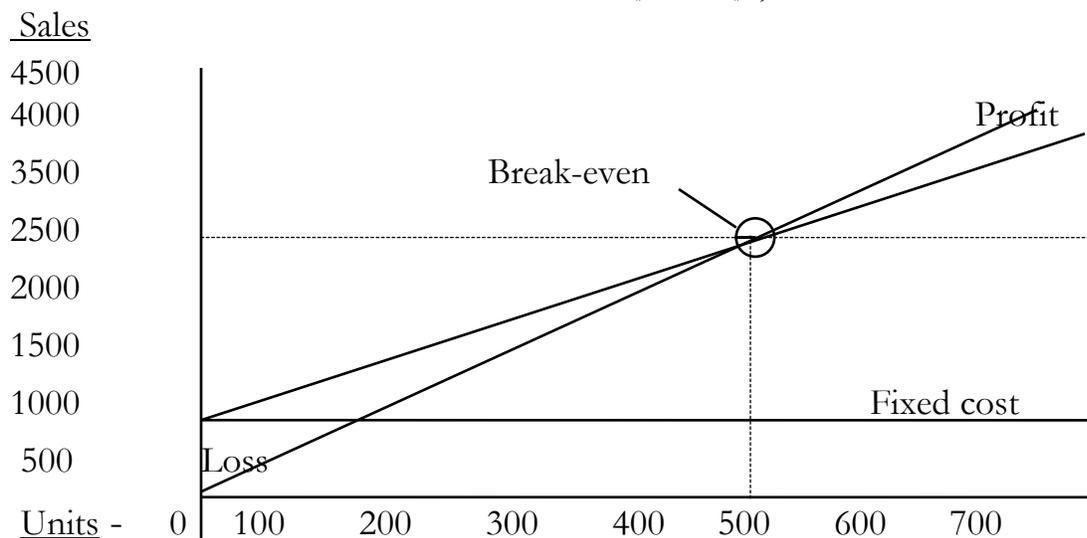
EXAMPLE:

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

$$X = FC/P-V$$

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

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



Section 5: How and Where to Get Capital to Start

The Realities of Grants

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

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

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



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

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

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

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

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

Section 5: How and Where to Get Capital to Start

Sources of Financing

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

- Personal savings Primary source of capital for most new businesses.
- Relatives and friends Family and friends may contribute financing.
- Banks and credit unions Loans available if you can show your business proposal is sound.
- Venture capital firms Capital in exchange for equity or partial ownership. (www.sba.gov)
- Crowdfunding Allows members of the public to financially support projects.

Types of Personal Loans

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

Types of Business Loans

- Banks (short-term) Maturity of up to one-year, secured loans (accounts receivable, inventory, equipment)
- Banks (long-term) Maturity of greater than one year but usually less than seven years, unless secured by real estate (15 – 30 years). These loans usually require significant collateral.
- Commercial Finance Co. Secured loans (real estate, equipment, inventory, accounts receivable)
- Public Loan Funds There are municipal, county, regional and state loan funds that may be a source of capital for business investment. These funds are normally limited to a portion of the total project and are often based on creating or sustaining jobs.

Financing Information Required for Loans

- Financial projection sheets for start-ups
- Personal financial statements for any owner with 20% or more ownership of the business
- Collateral you are willing to pledge
- Your business plan

Review of Your Loan Request

- Do you have savings or personal equity totaling 25-50% of the loan requested?
- What is your personal credit-worthiness as indicated by your credit report history?
- Does the business have sufficient cash flow to make monthly loan payments?

The SBDC can help you determine your financing options and assist with the preparation of your business plan and financial projections which are necessary to pursue financing.

Section 7: Government Regulations

How to Register a Business Name (DBA)

in Clinton, Essex, Franklin, Hamilton, Warren and Washington Counties

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

Completing A Business Certificate

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

In Clinton County:

County Clerk's Office

www.clintoncountygov.com/departments/cc/CountyClerkBusCert.html

137 Margaret Street, Plattsburgh, NY 12001

(518) 565-4715

In Essex County:

County Office Building

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

7559 Court Street, Elizabethtown, NY 12932

(518) 873-3600

In Franklin County:

Franklin County Courthouse

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

355 West Main Street, Malone, NY 12953

(518) 481-1681

In Hamilton County:

County Clerk

<http://www.hamiltoncounty.com>

Lake Pleasant, NY 12108

(518) 548-7111

In Warren County:

Warren County Municipal Center

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

1340 State Route 9

Lake George NY 12845

(518) 761-6438

3. The following number of Certificates are needed:
 - a) File one Certificate with the County Clerk (considered the original).
 - b) The bank requires a certified Certificate in order to open a business account.
 - c) You may decide to obtain an extra certified copy for display at your place of business.

The filing fee for a Business Certificate is \$25.00 (some counties charge for the form). If you require a certified copy, please bring duplicate copies of the original to the County Clerk's office. The filing fee for certification is \$5.00 for each copy, plus the cost of the form. Fees may be paid in cash, check or money order.

How to Register a Corporation, LLC or Non-for Profit Corporation in NYS

Visit www.dos.ny.gov and click on Businesses in the header for FAQ's about setting-up these business entities or searching for business name availability.

Section 7: Government Regulations

Check State and Local Permits and License Requirements

You may be required to apply for additional permits and licenses from your local and state government (e.g. city, county or state). Every place has different requirements. The following are common types of local permits and licenses.

- **Business Licenses / Tax Permits** - from your city or county clerk. Some jurisdictions may require a tax certificate in order to operate.
- **Building Permit** - from your city or county building and planning department. This permit is generally required if you are constructing or modifying your place of business.
- **Health Permit** - from your city or county health department.
- **Occupational Permit** - from your city or county building and planning development department. This permit is required for home-based business in some jurisdictions.
- **Signage Permit** - from your city or county building and planning department. Some jurisdictions require a permit before you can erect a sign for your business.
- **Alarm Permit** - from you city or county police or fire department. If you have installed a burglar or fire alarm, you will likely need an alarm permit.
- **Moratoriums** – check to see if your industry is permitted in the location you wish to conduct business or if there is any suspension on new construction, reconstructing or any local regulations that might prevent you from opening and operating a business.
- **Zoning Permit** - from your city or county building and planning department. This permit is generally required if you are developing land for specific commercial use. Be sure to contact appropriate office before purchasing or leasing a property.

Depending on the nature of your business, you may need other types of licenses specific to your business. Examples of businesses that require additional licenses:

- | | | |
|----------------------------|--------------------------|-------------------------------|
| • Auto dealership | • Debt collection agency | • Plumber |
| • Barber shop | • Electrician | • Real estate appraiser |
| • Beauty salon | • Electrician | • Real estate agent or broker |
| • Child care services | • Massage therapist | • Restaurant |
| • Construction contractors | • Money service business | • Tattoo parlor |

To find out more about licenses and permits your business may need go to <http://www.nys-permits.org> and contact your town, city and/or county clerk's office.

Section 7: Government Regulations

Federal Employer Identification Number (EIN)

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



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

Mail

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

Telephone

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

Fax

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

Online

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

Section 7: Government Regulations

Employer Responsibilities – Checklist

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

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

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

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

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

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

Section 8: Essentials of Good Record Keeping

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

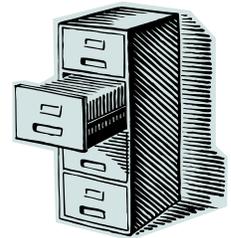
Determine Your Record Keeping Needs

You may need to:

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

Records that should be kept:

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



Recording Business Transactions

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

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

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

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

Section 8: Essentials of Good Record Keeping

Sales Tax Returns

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

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

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

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

Certain circumstances may change the status of your classification to:

Monthly filing:

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

Annual filing:

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

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

Section 8: Essentials of Good Record Keeping

Self-Employment Tax

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

Payment Due Dates

1st payment April 17, 2012
2nd payment June 15, 2012
3rd payment Sept. 17, 2012
4th payment Jan. 15, 2013*

* You do not have to make the payment due January 15, 2013, if you file your 2012 tax return by January 31, 2013, and pay the entire balance due with your return.

*For additional information refer to:

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

Or contact the Internal Revenue Service www.irs.gov

Section 9: SBDC Services

Helping Your Business

Counseling



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

- **Business plan development**
- **Cash flow projections**
- **Financial analysis**
- **Legal and regulatory information**
- **Marketing assistance**
- **Market and Industry Research**
- **Business start-up information**
- **Buying and selling a business**
- **Human resource development**
- **Import/export assistance**
- **Government procurement**
- **Customized Business Training Seminars**

Training Workshop Seminars

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

Market and Industry Research

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

Online Learning & Business Plan Builder

EntreSkills™ is an interactive, web-based educational program that is available at no cost to SBDC clients. This educational program is designed to introduce you to entrepreneurship and take you through the process of starting a business and writing a business plan. The self-paced instructions of Entreskills™ are designed to be combined with one-on-one counseling with an experienced SBDC advisor.

Section 9: SBDC Services

Tips for Would-Be Entrepreneurs

Before you Take the Plunge:

- **Make sure your financial house is in order:** Be certain you have enough money in the bank. A conservative estimate is 6 months living expenses, and that doesn't include start-up capital.
- **Do your homework:** Be sure you've researched your product or service idea; tested it through an informal focus group, and established that a market for it exists.
- **Have a plan:** Enthusiasm will only carry you so far. Every business can benefit from a business plan, no matter what size it is. The process of making a plan organizes your thinking and helps you sort your priorities.
- **Moonlight first:** Have the best of both worlds by trying your idea in your spare time while still working at your regular job. This allows you to test the feasibility of your idea safely, while you still have an income.
- **Strategize the transition:** Think through all of the personal and professional support services you depend on. Have back-up plans for health insurance, day care, access to credit, etc.

Know the Challenges of a New Business:

- **Having to wear all of the hats yourself** - from head of sales and marketing to janitor and bookkeeper; whether or not they are the areas you're strongest in.
- **Having to learn everything FAST** - another reason why preparation is so important.
- **Cash flow** - being busy doesn't guarantee there's money coming in. You'll probably have to purchase necessary supplies and equipment for a project up front, before clients paid you. Make sure you have sufficient working capital in place and spend it wisely.
- **Time management** - with everything vying for your attention at once, it's hard for entrepreneurs to know what to do first. Entrepreneurs become experts at prioritizing and pacing, understanding that just because something is urgent doesn't mean it's important.
- **Maintaining balance** - with all of the demands of the business, it's easy for entrepreneurs to lose sight of what motivated them go into business in the first place. Protect your personal time like you protect your business time. Make sure you take adequate time out for resting and recharging. Remember, YOU are your business' most valuable asset. Protect it.

Turn your small Business into a Success:

- **Choose your business carefully:** The type of business you choose -- and the quality of customers it serves -- ultimately determines the level of your financial success.
- **Find support:** Develop and nurture a network of colleagues, friends, and mentors. They can offer their guidance, wisdom and connections to your growing business. And remember to pace yourself, keeping some energy and resources in reserve for the inevitable tough spots in the road.
- **Attend to financial and legal matters before start-up:** Don't find yourself scrambling to put important pieces of the business' structure in place after you've opened your doors.
- **Listen to what your customers are telling you:** Remember, without them, you don't have a business. And don't forget to show your appreciation for their business and their referrals -- it takes a lot more money to create a new customer than it does to keep a current one.
- **Set goals:** Among high achievers, one thing is consistent: They tend to have goals, and they put them in writing. Goals are amazingly powerful tools. They capture our thoughts of "what might be" and turn them into "what will be." They also clarify our thinking, and clarity is power. When we know where we want to go, we can plan how to get there.
- **Stay flexible and responsive:** While maintaining focus, be open to new business opportunities. Don't let occasional set-backs demoralize you. As one colleague told me, "It all looks worse from the inside." Realize that there is no perfection -- there's only ongoing improvement.

Section 9: SBDC Services

Small Business Resources

Legal Resources

www.copyright.gov - US Copyright office

www.dos.ny.gov/corps/index.html - Online incorporation and LLC formation FAQ's

www.legalzoom.com/education-center/education-center-index.html - Small Business legal FAQ's

www.martindale.com - Attorney Locator

www.newyorksmallbusinesslaw.com – Legal articles in the “we can help you” Blog section

www.uspto.gov - US Patent and Trademark Office

Local & Regional Resources

www.GoPlattsburgh.com - North Country Marketing Alliance promoting locally-owned businesses.

www.NorthCountrysbdc.com – Workshops, ongoing support & coaching for business owners, etc.

www.northcountrychamber.com - Business directory, health insurance for entrepreneurs, etc.

www.roostadk.com – Visitor's Bureau pdf and links to information on the greater Lake Placid region

www.tdcideas.com – Clinton County profile and demographics

Market Research Resources

www.asaecenter.org/Community/Directories/associationsearch.cfm -Trade and professional associations

www.bizstats.com - Useful financial ratios, business statistics and benchmarks.

www.Bplan.com – 500 examples of business plans

www.brandchannel.com - Online exchange about branding

www.census.gov - US Census reports

www.dot.ny.gov/tdv - New York State DOT traffic counts

www.franchisehandbook.com - Database of available franchises

www.ftc.gov – Protecting America's Consumers

www.ibisworld.com/snapshot/industry - Snapshot of industries in the US Economy

www.ipl.org/div/aon - Public Library and Ask an ipl2 Librarian service

www.sba.gov/sizeup - Map customers, competitors and suppliers, and locate the best places to advertise

www.thomasnet.com - Thomas Register manufacturer's directory

Start-up and General Information

www.annualcreditreport.com – free online credit report once a year

www.nylovessmallbiz.com - Resources for starting and expanding businesses in New York State

www.nys.opal.com – Research permit and licensing for your business

www.sba.gov - Small business resources from the US Small Business Administration

www.toolkit.cch.com - Business owner's toolkit, articles, business plan samples, etc.

www.workingsolo.com - Information for independent entrepreneurs

www.sba.gov/content/franchise-businesses - Franchise Information

Taxes and Regulatory Assistance

www.irs.gov - Internal Revenue Service - downloadable tax forms

www.tax.ny.gov - NYS Department of Taxation and Finance - downloadable tax forms

Veterans, MWBE's, Trade Magazines & Business Associations

www.navoba.com – National veteran-owned business association

www.BuyVeteran.com - Marketplace that brings consumers and veteran-owned businesses together

www.esd.ny.gov/MWBE/Application.html - Certification of women and minority owned businesses.

www.entrepreneur.com - Online magazine for entrepreneurs

www.inc.com - The daily resource for entrepreneurs.

www.nase.org – National Association for the Self-Employed

www.nfib.com - National Federation of Independent Business