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INTRODUCTION

Starting a business can be a complex and difficult process. It takes persistence and diligence, and investments of time and capital. Knowledge about state regulations, support programs for businesses and other opportunities can certainly aid and accelerate the process of getting a business started.

A key activity of the Michigan Economic Development Corporation, and of state government in general, is to help businesses open and grow. 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 entrepreneurs.

Information included in this guide is both general and Michigan-specific; from outlining the different forms of business organization and establishment of a basic business plan to complying with federal, state and local tax obligations and obtaining necessary licenses and permits. Though this guide is not a substitute for legal counsel, it is an information source and quick reference designed to facilitate and expedite the process of starting a business in Michigan.

Even though this information was current at the time of publication, it is subject to change due to revisions in law and administrative policies. However, there are a variety of sources available for starting a business in Michigan: the state's Small Business Development Centers and the Service Corps of Retired Executives program are good starting points.

Further, a wealth of information, assistance and counseling is available from local economic development organizations, trade associations, local chambers of commerce, schools, community colleges, universities and public libraries. To overlook such an abundance of resources could be both foolish and, ultimately, costly.

A BUSINESS PLAN

INTRODUCTION

Why should anyone go to the trouble of creating a written business plan? There are several reasons:

- The process of putting a business plan together, including the thought put in before beginning to write it, forces one to take an objective, critical, unemotional look at the business project in its entirety.
- A business plan is an operating tool, which, if properly used, will help manage the business and work effectively toward its success.
- Lenders require one. A completed business plan communicates ideas to others and provides the basis for a financial proposal.

The importance of planning cannot be overemphasized. Taking an objective look at the business plan will identify areas of weakness and strength, pinpoint needs that might otherwise be overlooked, spot opportunities early. One can then begin planning on how best to achieve a business goal.

Your business plan is a working document, use it. Don't put it in the bottom drawer of a desk and forget it. Going into business is rough—over half of all new businesses fail within the first ten years. A major reason for failure is the lack of planning. The best way to enhance chances of success is to plan and follow through on that plan. Your business plan provides benchmarks and milestones for you to use as measures of your success.

A business plan will help avoid going into a business venture that is doomed to failure. If the proposed venture is marginal, the business plan will show why and may help avoid paying the high tuition of learning about business failure. It is far cheaper not to begin an ill-fated business than to learn by experience what a business plan would have taught at the cost of several concentrated work hours.

The business plan also provides the information needed by others to evaluate a venture, especially if seeking outside financing. A thorough business plan will quickly become a complete financing proposal that will meet the requirements of most lenders.

FRAMEWORK

Business planning does not offer solutions to business problems. Rather, business planning is the framework in which to structure concepts and information about a project. A well-written business plan will determine the feasibility of a project and lay out the action necessary to complete it.

Several adjectives can be used to describe the business planning process: logical, rational and regimented. A business plan organizes, directs, coordinates, controls and facilitates the development of a project from its inception to its completion. No matter how the process of the plan is described, basic business planning is a systematic methodology for reducing risk and enhancing success for any type of business operation.

There is no exact formula for putting a business plan together. There are, however, a number of 'specific' topics that should be covered:

- **Executive Summary:** This is an overview of the business plan. Even though it will be at the beginning of the plan, write it after the rest of the plan is completed. It brings together the significant points and should convey excitement.

- **General Description:** Explain the type of company. If this is an existing business, give its history. If it is a new start-up business, note some of the qualifications to start this business. Why is this business needed and what is its chance for success?

- **Products and Services:** Describe the product and/or service. What are its unique features? Why will customers come to this business?

- **Marketing:** Identify your target market. There should be specific target markets that will need your products or services and be willing to pay for them. These have similar characteristics that can be identified and used in your marketing efforts. Outline your marketing strategy – a competitive edge – to draw customers to you rather than your competition. List your primary competitors and provide an honest appraisal of their strengths and weaknesses and how you will compete successfully against them.

- **Management:** Identify the people who will be active in this business. Describe their skills and experiences.

- **Legal:** Describe the type of legal organization; sole proprietorship, partnership, "S" corporation, limited liability company, corporation. Are patents or trademarks involved?
- **Finances:** State the business' financial requirements and where these funds will come from. Project revenues, costs, and profits. Your efforts in developing the financial statements will help you understand the cash flow of your business, your break-even point and the sensitivity of your business to fluctuations in business levels.
- **Operations:** Explain any systems or processes that will be used. What facilities will be used? What supplies will be needed and where can they be obtained? Who will provide the labor and how will it be accessed? What are the hours of operation of the business?

Remember that the summary, which starts your plan, is the single most important part. Many people will not read past the summary. It must enthusiastically present enough information so readers will continue. How long will the plan be? Probably not much more than ten pages. The complexity of a business plan will vary with the type of business, and the size will reflect that complexity.

Everyone needs help in putting a business plan together. There are several well-written brochures and books available at libraries and bookstores for assistance. Most large accounting firms have manuals available. If more assistance is required, contact your local Small Business Development Center (see Appendix C) or visit their web site at www.mi-sbdc.org. Various legal and financial consultants are listed in the Yellow Pages.

A business plan is a prediction of the future based on current abstractions, assumptions and estimates. This is unavoidable – if you could see into the future, there would be no need for a business plan. When a business plan is implemented, the plan comes in contact with reality. This could be a nasty shock for many business entrepreneurs causing a good deal of doubt about their business plan. However, reality is the feedback necessary to reinforce or adjust the business plan to achieve project completion. If a plan is not working, change items in the plan. The plan itself will show what impacts a change will have on other areas of a business. A business plan is never cast in stone – it is a working document. Use it as a management tool.

GOALS/OBJECTIVES

A business plan forces a business entrepreneur to establish written goals and objectives:

- Achievable
- Quantifiable
- Prioritized
- Coordinated
- Realistic
- Both short and long term
- Action oriented
- Scheduled, i.e., time related

Once goals and objectives are set they must be translated into strategies and paths of action.

INFORMATION

For a new business or operation, a business plan is the first piece of information that is brought together in one document. The information contained in a business plan will be the basis for both the entrepreneur's decisions and those of lenders, creditors, etc., who will review the business. After implementing a business plan, measure the performance against the facts and figures in the plan. This will help evaluate where the weaknesses and strengths lie.

COMMUNICATIONS

One of the most important aspects of a business is communication. A business plan is one of the easiest and most reliable communication tools you can possess. The plan will relay to the reader information about the business.

A business plan can be used to communicate information to a variety of people. Lenders and creditors will obviously want to read it. A decision on whether to extend credit will be based on the information in the business plan.

Internally, the business plan can be used to communicate the goals of the business and how the firm operates. This will help define the roles in the business and may improve the efficiency of an operation. It could certainly improve the coordination among various sections of a business.

MANAGERIAL SKILLS

Most business plans are written to acquire capital from lenders. However, a business plan is a very useful management tool, and will help develop managerial skills.

Developing a business plan provides a set of decisions and assumptions about the business and the economy. Comparing actual events to your decisions and assumptions provides the basis for a day-to-day decision-making process. The plan will help evaluate the effects of alternatives before a decision is implemented. It will assist in balancing important issues, and also give the owner a sense of prospective relating one area of activity to another. The business plan will also assist in fitting the skills of the employees to specific jobs.

PROBLEMS/OPPORTUNITIES

The business plan gives a structure within which unforeseen problems can be solved.

Many problems can be avoided, as the business plan will bring them to your attention before they become critical. If necessary, safeguards can be written in the business plan to avoid unforeseen problems. The importance of avoiding problems cannot be over emphasized. If a problem becomes serious enough and impacts on the business balance sheet and income statements (i.e., the track record of the company), this can have a disastrous impact on the business' ability to raise funds and receive future credit.

RESOURCES

All businesses have limited resources, which can apply to competing business operations. The business planning process will help differentiate among competing operations and allocate resources to optimize profits.

When writing a business plan, concentrate on the amount of resources (i.e., capital, expertise, etc.) that will be required to bring a project to bear fruit and not what can be collected. It is far better to postpone a project than have it fail due to lack of resources.

ORIENTATION

A business plan should be oriented to creating a business, which will satisfy the wants and needs of future customers, rather than producing a product or providing a service. A market orientation will help avoid the pitfalls of opening a business to satisfy the desire of owning a business. The best possible situation is where skills and abilities mesh with the wants and needs of the customer to form an efficient high demand business.

SUGGESTED OUTLINE OF A BUSINESS PLAN

1. Cover Sheet

Name of business, address and telephone number and the name(s) of principal(s). Include any pertinent contact information (cell phone, fax...)

2. Executive Summary – Statement of Purpose

A summary of the business covering at least the following items: the name of the business, its legal structure, the amount and purpose of a loan request, a repayment statement, the business concept; product information; current stage of business (start-up, developing or existing); and anticipated financial results and other benefits.

3. Table of Contents

4. The Business

- a. Description of business: What product or service will you provide?
- b. Historical development: List the name, date of information, legal structure, subsidiaries and degrees of ownership of your business.
- c. Product/service lines: What is the relative importance of each product/service? Include sales projections based on research conducted to identify the market.
- d. Market segment: Who will buy your product? How many of them are there and why will they want what you are offering?
- e. Competition: Describe competing companies and how your business compares. Remember to include all substitute product/service providers.
- f. Location: Where will you locate and why?
- g. What will be your hours of operation?
- h. Marketing: what marketing methods will you use?

5. Management

- a. Business format: Is your business a sole proprietorship, partnership, limited liability company or corporation? Explain why you chose this form of business compared to others.
- b. Organizational chart: What is the personnel structure? Who are the key individuals and planned staff additions? How many and of which type will you need at the different stages of the business cycle?
- c. Personnel: What are the responsibilities and past experiences of partners and employees? How will they contribute to the success of the company?

6. Finance

- a. Description of the project.
- b. Total estimated project cost. Do NOT expect the lender to tell you how much money you can borrow. Explain how much money you need and WHY.
- c. Breakdown of the proposed uses of project funds. Consider presenting the total project in stages or phases of development to better identify cash requirements.
- d. Lending institution participation, including terms and conditions.
- e. Equity participation of the owners and investors.
- f. Projections and assumptions for
 - (1) Two years of both Profit and Loss statements and Balance Sheets.
 - (2) One year of company Cash Flow, month-by-month.
- g. Personal financial statement of owner.

7. Production

- a. Description: How will production or delivery of services be accomplished?
- b. Capacities: What physical facilities, suppliers, patents, labor and technologies exist or will be used?
- c. Capital equipment: What type and amount of machinery and durable equipment is needed to operate the business?
- d. Supplies: Where and how will you obtain your components and day-to-day supplies and services?

8. Supporting Documents

Include personal resumes; personal financial statements; cost of living budget; letters of reference; letters of intent; job descriptions; copies of leases, contracts and other legal documents that help convey an accurate picture of the business. Also include descriptive drawings to identify proposed site plan of facility and floor plan of operations.

Contact the nearest Small Business Development Center (See Appendix C) if you have additional questions about writing a business plan.

BUSINESS START-UP CHECKLIST

- Have you determined the type of business structure your organization will assume?**

To learn more about the advantages and disadvantages of various legal structures, refer to section "Ways To Legally Structure A Business and Registering A Business Name." An attorney, accountant or business counselor at the nearest Small Business Development Center (See Appendix C) may be able to help determine which business structure is best for the business.

- Have you followed the appropriate procedures to register your business name?**

There is no central agency where all businesses must register. Depending on the legal structure chosen, the business entity may be required to file with the local county clerk's office (See Appendix A) or the State of Michigan. In addition to checking with both agencies to determine if the name is available, it is also advisable to check state and federal trademark registrations and registered Internet domain names. To check on name availability for sole proprietorships and partnerships, contact the county clerk's office. To check name availability for corporations, limited liability companies or limited partnerships, contact the Bureau of Commercial Services, Corporation Division, Department of Consumer & Industry Services at (517) 241-6470 or visit their web site at <http://www.cis.state.mi.us/bcs/corp/home.htm>.

An individual doing business as a sole proprietorship using a name other than his or her own name must file with the county clerk the name under which the person will do business, commonly referred to as a DBA (doing business as). A general partnership must file a certificate of co-partnership with the county clerk. Contact the local county clerk's office to check the availability of sole proprietorship and partnership names and to obtain required forms.

To create a corporation, limited partnership or limited liability company, contact the Bureau of Commercial Services, Corporation Division, of the Department of Consumer and Industry Services. To check name availability,

you may call customer service at (517) 241-6470 or fax your request to (517) 334-8329. For information about filing requirements, please call (517) 241-6400. Forms may also be obtained via the Corporation Division website at <http://www.cis.state.mi.us/bcs/corp/home.htm>.

To obtain forms by fax call (517) 334-6905. To request that forms be mailed to you, call (517) 241-6470, fax your request to (517) 334-8329, or mail your request to Post Office Box 30054, Lansing, Michigan 48909-7554.

For information about how a corporation receives Subchapter S status, contact the Internal Revenue Service at (800) 829-3676 or at their web site <http://www.irs.gov/> for specific forms and information.

Have you determined if the business or profession is subject to any special licensing or permit requirements?

Some occupations, professions and business activities require certification or licensing. You may access the licensing, certification and permit information on-line at <http://www.michigan.gov/license>. Check with the county clerk and/or your city clerk to determine if any local licenses or registrations are required and obtain the necessary forms.

Have you registered for a federal employer identification number—EIN?

Generally, an EIN number is required by the Internal Revenue Service if:

1. The business will have employees; and/or
2. The business operates as a corporation or partnership.

If operating the business as a sole proprietorship and you answered no to the above questions, there is no need for an EIN number at this time. Taxes are reported by using your Social Security number. You may apply for an EIN either by faxing your SS-4 (Application for Employer Identification Number – EIN) to (859) 292-5760 or by calling (859) 292-5467. For more information, visit the IRS web site at http://www.irs.gov/tax_edu/faq/faq12-5.html.

Have you registered with the IRS for payment of federal taxes?

All businesses are required to pay taxes to the federal government. The legal structure, whether there are employees or one is self-employed, and the type of business determines which taxes apply and time-line of payment. Most businesses are required to make regular payments of estimated tax throughout the year. For more information, visit the IRS web site. If you have questions about determining your federal tax liability or your payment schedule, contact the IRS at (800) 829-1040.

Have you registered with the Michigan Department of Treasury for payment of state taxes?

Depending on the type of business conducted; whether or not there are employees; the amount of gross receipts; selling or leasing a product, etc., the business may be required to pay Michigan taxes. To determine your liability and to register for Michigan taxes, a Registration for Michigan Taxes form 518 is required to be completed and returned to the Michigan Department of Treasury. You may obtain form 518 and instructions for filing online at <http://www.treasury.state.mi.us/formspub/suwind.htm#Register>. Be aware that individuals with income from sources other than wages may be required to make estimated tax payments on a quarterly basis to the Michigan Department of Treasury as well as federal tax authorities. Contact the Michigan Department of Treasury at (800) 367-6263 or (517) 373-0888 or access the forms and information online at <http://www.treasury.state.mi.us/formspub/frmindex.htm>.

Will the business hire employees?

If employees are hired, there are responsibilities with both the state and federal government. NOTE: If the business is a corporation, anyone who performs services for the corporation or receives remuneration—including an “owner”—is considered an employee. There are many tax, insurance and regulatory requirements of which one must be aware. Refer to the “Hiring Employees” section to learn more about an employer’s obligations.

Have all environmental regulations been checked to ensure that the business will meet all air, water, and solid waste standards?

To ensure that the business meets all of the environmental regulations that apply to a specific type of business, contact the Michigan Department of Environmental Quality at (800) 662-9278 or access the environmental permit online at <http://www.deq.state.mi.us/ead/permits>.

Are you purchasing an existing business? Be aware of hidden liabilities.

As the purchaser of even a portion of a business, you may be held responsible for the previous owner's liabilities, regardless of any contractual language to the contrary. As the purchaser of the business, you should make sure that the seller of the business provides proof that there are no hidden liabilities. The seller of the business should contact the Michigan Department of Treasury at (517) 334-8189 to obtain form 514 to request a Tax Clearance letter, or you may access the information online at <http://www.treasury.state.mi.us/formspub/tcind.htm>. As the purchaser of a business, it is wise to obtain a copy of this Tax Clearance letter from the seller prior to the closing date or signing any purchase agreements. Also, contact the Unemployment Agency at (800) 638-3994 or online at <http://www.cis.state.mi.us/ua/homepage.htm> to obtain information on successor liability.

Has careful consideration been given to the business location and is the operation consistent with current zoning and building codes?

Make sure the location that has been chosen is zoned appropriately for your type of business and that all state and local building codes and barrier free design rules are met. A certificate of occupancy is also required from the local government. Contact the local government authorities, including the building department, for pertinent information. Some inspections and alterations may be required to meet state and/or city codes. When operating a business out of your home, check with the city clerk's office about a zoning variance.

Have arrangements been made for utility service?

Check with the utility companies to ensure prompt delivery of service and to obtain the cost of service extensions, the amount of any required deposits, and written price and supply agreements.

Is the business adequately insured?

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. **Contact the nearest Small Business Development Center (Appendix C) for additional information or questions about starting a business.**

WAYS TO LEGALLY STRUCTURE A BUSINESS AND REGISTERING A BUSINESS NAME

When starting a business, one must carefully choose the appropriate legal structure and register the business name. First examine the characteristics of each structure along with the needs and desires for the business.

CHOOSING A BUSINESS NAME

Filing your business name with a local county clerk's office or the Bureau of Commercial Services, Corporation Division, creates no substantive rights to a name. You may wish to exercise care in selecting a name, however, to avoid infringing on names filed by other businesses or being used by another entity as a trademark, service mark or trade name. To protect any rights a business claims to its name, the business entity must police its name and respond to anyone who infringes on its rights. To learn more about selecting a business name, refer to the "Choosing a Business Name" publication of the Department of Consumer & Industry Services online at <http://www.cis.state.mi.us/bcs/corp/pdf/8009.pdf> or call (517) 241-6470.

SOLE PROPRIETORSHIP

A sole proprietor is an individual who owns and operates the business. There is no legal separation between the individual and the business. A person benefits from 100 percent of the profits and is personally responsible for 100 percent of all the debts and liabilities of the business. A sole proprietor who wishes to conduct business under a name other than the real name of the person must file a Certificate of Assumed Name in each county where the business is located.

For more information about an assumed name or "DBA" (doing business as) contact the local county clerk's office (see Appendix A).

GENERAL PARTNERSHIP

A partnership exists when two or more persons join together in the operation and management of business for profit. Partnerships, like sole proprietorships, are subject to relatively little regulation and are fairly easy to establish. A formal partnership agreement is recommended in order to address potential conflicts

before they arise. Under a general partnership, each partner is liable for all debts of the business. All profits are taxed as income to the partners based on their percentage of ownership. A general partnership, like a sole proprietorship, must file an assumed name certificate with the county clerk's office in the counties in which the business is located. **For more information, contact your local county clerk (see Appendix A).**

LIMITED PARTNERSHIP

Like a general partnership, a limited partnership has two or more participants. In a limited partnership, there are two types of partners. A general partner has the same rights, powers, and restrictions as a partner in a general partnership. A limited partner is typically not liable for the obligations of the partnership. General partners may receive cash or other assets as provided in the partnership agreement and also incur unlimited liability. Limited partners can only receive a share of profits based on the allocation in the partnership agreement, and they do not have a voice in the management of the business. Limited Partnerships are registered with the Bureau of Commercial Services, Corporation Division of the Department of Consumer & Industry Services. To form a limited partnership, contact the Corporation Division at (517) 241-6400 or refer to the on-line information available at the Corporation Division web site at <http://www.cis.state.mi.us/bcs/corp/assist.htm>.

"C" CORPORATION

A corporation is a legal entity having its own rights, privileges and liabilities, apart from those of the persons forming or owning the corporation. It is the most complex form of business organization and is comprised of three groups of people – shareholders, directors, and officers. The corporation can own assets, borrow money, and perform business functions without directly involving the owner(s) of the corporation. The corporation is subject to more government regulation than proprietorships or partnerships. Corporate earnings are subject to "double taxation" when they are passed through as stockholder dividends. However, corporations have the advantage of limited liability. In order to form either a profit or nonprofit corporation, "Articles of Incorporation" must be filed with the Bureau of Commercial Services, Corporation Division, at (517) 241-6400. Additional information and assistance is available at the Corporation Division of the Department of Consumer & Industry Services web site at <http://www.cis.state.mi.us/bcs/corp/assist.htm>. Copies of forms, statutes, and publications are available at that site.

SUBCHAPTER "S" CORPORATION

A special section of the Internal Revenue Code permits a corporation to be taxed as a partnership or sole proprietorship, with the profits taxed at the individual rather than the corporate rate. To qualify as a Subchapter "S" Corporation, a business must meet certain requirements. For information about this status and how to apply, contact the IRS at (800) 829-3676 or online at <http://www.irs.gov/> for the appropriate forms. The Articles of Incorporation are filed with the Bureau of Commercial Services, Corporation Division of the Department of Consumer & Industry Services at (517) 241-6400 or online at the following web site - <http://www.cis.state.mi.us/bcs/corp/assist.htm>.

LIMITED LIABILITY COMPANY

The Limited Liability Company may be treated as a partnership for U.S. income tax purposes and also provides the limited liability of a corporation. This option may be the preferred choice for certain new operations and joint ventures. Owners of Limited Liability Companies are called "members." These are comparable to stockholders in a corporation or limited partners in a limited partnership. To create a Limited Liability Company, Articles of Organization are filed with the Bureau of Commercial Services, Corporation Division, of the Department of Consumer & Industry Services at (517) 241-6400. If the limited liability company has two or more members, the members may wish to execute an operating agreement, which defines the relationship between the company and its members. Additional information and assistance is available online at the Corporation Division web site along with copies of forms, statutes, and publications.

NONPROFIT CORPORATIONS

Nonprofit corporations are a type of corporate entity that limits payment or distribution of any part of its assets, income, or profit except in conformity with the purposes of the corporation. Members of the corporation may only receive profits in conformity with the purposes of the corporation. Generally, a nonprofit corporation is created under the Michigan Nonprofit Corporation Act. However, there are many special acts that permit the formation of a wide variety of nonprofit corporations. Some purposes for which nonprofits are commonly formed are those involving religious, educational, and charitable activities. To create a nonprofit corporation, contact the Bureau of Commercial Services, Corporation Division, of the Department of Consumer and Industry Services. To check name availability, you may call customer service at (517) 241-6470 or fax your request to (517) 334-8329. For information about filing requirements, please call (517) 241-6400. Forms may also be obtained via the Internet at <http://www.cis.state.mi.us/bcs/corp/forms.htm>. To obtain forms by fax call

(517) 334-6905. To request that forms be mailed to you, call (517) 241-6470, fax your request to (517) 334-8329, or mail your request to Post Office Box 30054, Lansing, Michigan 48909-7554.

Some nonprofit corporations may be eligible for exemption from federal income taxes. Contact the Internal Revenue Service at (800) 829-3676 or access Publication 557 "Tax Exempt Status for your Organization" on-line along with the accompanying package "Application for Recognition of Exemption" (Form 1023 and Form 872-C) at <http://ftp.fedworld.gov/pub/irs-pdf/k1023.pdf>.

An application for exemption from the Michigan sales tax may be obtained from the Michigan Department of Treasury at (517) 373-0888. Please note that the sales tax exemption, if approved, applies only to purchases made by the exempt organization for their own use. Sales of products by the exempt organization to the general public are NOT tax exempt. More information on nonprofits and the sales tax exemption is available at the Department of Treasury web site at <http://www.treas.state.mi.us/>. You may also wish to contact the Department of Treasury, Single Business Tax Division, at (517) 373-8030 to determine if your organization will be exempt from the state Single Business Tax.

If a nonprofit organization is soliciting charitable contributions from the public, it may need to be registered with the Attorney General's Charitable Trust Division, Post Office Box 30213, Lansing, Michigan 48909; telephone (517) 373-1152. When contacted, the Attorney General's Office will mail you (at no charge) an "Initial Charitable Trust/Charitable Solicitation Questionnaire," or you may download it from the Attorney General's web site at <http://www.ag.state.mi.us/>.

The Accounting Aid Society (a private organization) has a start-up packet (for a fee of \$10.00 if picked up at the Detroit Office or a \$15.00 fee if mailed for shipping and handling charges) for nonprofit organizations. Contact the Accounting Aid Society, 18145 Mack Avenue, Detroit, Michigan 48224, telephone: (313) 647-9620, or order the packet online at <http://www.accountingaidsociety.org/GettingStartedForm.htm>.

LICENSES, PERMITS AND OTHER REGULATIONS

There is no such license as a “business license” with the State of Michigan. Several “occupations” and “types” of businesses are required to be licensed by the state. Michigan has several hundred licensed occupations and services ranging from doctor to manicurist to wildlife exhibitor to consulting. These occupations and the “types” of businesses connected with these occupations often require specific regulations as well as legal, education, and examination requirements. In several cases, there are also licensing fees that are required for a specific occupation or profession.

Depending on the specific type of business or manufacturing operation, some type of certification, license or permit may be required. Access the [Licensing, Certification & Permits](http://www.michigan.gov/license) information online at <http://www.michigan.gov/license>. Check with the city and county clerk (See Appendix A) 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 interpreted into laws and regulations by the government, it is often translated into a maze of paperwork and restrictions for many business owners. Take heart – government provides a wide-range of assistance to businesses. One key to surviving the “regulatory jungle” is to be aware of the environment in which your business operates. No one is expected to become a legal expert. However, you should know which laws affect the business.

A business involved in activities that may affect the environment (incinerators, boilers, and other facilities which emit dust, organic compounds, or other contaminants; discharging processed water, sanitary sewage and cooling water; solid waste generated by the business) may need one or more permits issued by the Department of Environmental Quality at (800) 662-9278 or online at the web site <http://www.deq.state.mi.us/ead/permits/chap1a.html>. Of particular interest are businesses that are involved in:

- Air emission
- Solid waste disposal/processing
- Hauling of hazardous waste
- Major alterations to the landscape
- Building near waterways or wetlands.

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

ZONING AND BUILDING CODES AND ORDINANCES

It is important for start-up 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. Also, 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. There are some general areas to check out. You may wish to consult an attorney.

Be aware of your 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.

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.

For information about the laws and regulations at the city, county or village level you should 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 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, including elderly persons, wheelchair users and individuals with permanent or temporary conditions that reduce coordination, mobility or make walking difficult or insecure. While local units of government have the option of either enforcing the state construction code or adopting and enforcing another acceptable code, businesses must conform to the barrier free design requirements of the state code. 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. The Board has established guidelines that describe the conditions under which it may grant exceptions. A person requesting an exception must demonstrate reason, either technical or economic, to warrant the exception. For additional information and a publication providing more detail about barrier free design requirements, contact the Department of Consumer and Industry Services, Bureau of Construction Codes, Barrier Free Design Division at (517) 241-9300 or online at <http://www.cis.state.mi.us/bcc/divisions/planrev/prdiv.htm>.

TRADE AND SERVICE MARKS

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.

Registration of a mark used in Michigan gives the owner of the mark certain limited legal protection. Trademarks and service marks adopted and used in Michigan are registered with the Bureau of Commercial Services, Corporation Division, of the Department of Consumer and Industry Services at (517) 241-6400. The registration fee is \$50 and is in effect for ten years. Trademarks and service marks may also be registered for use throughout the United States with the U.S. Patent and Trademark Office at (800) 786-9199 or online at <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, for the author's life plus 50 years. A copyright may be obtained by filing an application with the U.S. Copyright Office, Library of Congress, 101 Independence Avenue SE, Washington, D.C. 20559-6000; telephone (202) 707-3000 or online at <http://lcweb.loc.gov/copyright>.

BUSINESS TAXES

Understanding your tax obligations and preparing taxes can be very confusing and complicated. If returns are neglected or filed improperly, penalties and excess payments may be levied. You may wish to consult with a tax advisor or an accountant to help you understand your obligations and/or prepare your returns.

EMPLOYER IDENTIFICATION NUMBER

An Employer Identification Number (EIN) identifies the business for federal and state tax purposes. Many financial institutions will not open a commercial banking account under an assumed name without the EIN. **Sole proprietorships with no employees DO NOT require an EIN.** This type of business uses the owner's social security number for tax purposes.

An EIN must be obtained if the business is set up as a partnership, corporation "S" corporation, nonprofit organization, limited liability company, trust or estate, or a sole proprietorship that pays wages to one or more employees. Remember: if services are performed for a 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 (form 2040) must use EINs when filing excise, employment, alcohol, tobacco or firearms returns.

It is important to note:

- Becoming the new owner of a business, you cannot use the EIN of the previous owner.
- An existing business adding, opening or acquiring a second operation of similar type may use its current EIN for both the existing and the new operations. However, the 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 at the IRS website at <http://www.irs.gov/>. The application should be completed early enough to allow processing time for an EIN number to be issued. To obtain an EIN immediately, call (859) 292-5467.

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. No deduction is allowed from an employee's wages. For detailed information about hiring employees and your obligations, **refer to the "Hiring Employees" section.**

SELF-EMPLOYMENT TAXES

Just as employers must withhold tax and report it to various government agencies, so must individuals who work for themselves or are self-employed. You are 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 "Being Self-Employed" section.**

PERSONAL INCOME TAX

As a sole proprietor or a general 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 which 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. Michigan income tax estimate information can be accessed online at <http://www.treasury.state.mi.us/formspub/forms/indtax/m1040esi.pdf>.

For more information about your tax obligations and the proper forms, contact the Michigan Department of Treasury at (800) 487-7000 or access the tax information online at <http://www.treas.state.mi.us/formspub/tcind.htm>, and the IRS at (800) 829-1040 and online at <http://www.irs.gov/>.

STATE BUSINESS TAXES

In Michigan, it is easy to register for taxes. Fill out one form—Registration for Michigan Taxes (Form 518). This form allows a business to register for sales, use or withholding taxes, the single business tax, motor fuel or tobacco products tax. It can be obtained by contacting the Michigan Department of Treasury, (517) 373-0888 or (800) 367-6263 or access the tax information online. Questions and answers about registering a business can also be accessed online at <http://www.treas.state.mi.us/faqs/bustaxes/faqreg.htm>.

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.

When selling or leasing tangible personal property to a Michigan customer from an out-of-state location and the business has no retail location in Michigan one must register for use tax, which is also 6 percent. 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 in this state 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.

When liable for sales, use or withholding tax, an application should be filed with the Michigan Department of Treasury. This application for registration can be accessed online at <http://www.treasury.state.mi.us/formspub/forms/registra/518.pdf>. The license fee is \$1. For further information about sales, use and withholding taxes, contact the Department of Treasury at (800) 367-6263 or (517) 373-0888 or access the business tax information online.

SINGLE BUSINESS TAX

The Single Business Tax (SBT) is a modified value-added tax administered by the Michigan Department of Treasury. It was enacted to replace several business taxes, including a corporate net income tax, franchise tax, personal property tax on business inventories and others. While the SBT is Michigan's only general

business tax, 70.4 percent of Michigan businesses pay \$1,000 or less in SBT, and 59 percent of all businesses pay no SBT. A business with annual gross receipts of less than \$250,000 has no liability under the SBT.

Questions and answers about the Single Business Tax can be found online at <http://www.treas.state.mi.us/faqs/bustaxes/faqsbt.htm> or by calling Michigan Department of Treasury at (517) 373-8030.

MOTOR FUEL TAXES

Motor fuel tax is levied on highway, marine, and aviation fuel. IFTA/Intrastate Motor Carriers should contact the Department of Treasury at (517) 373-3180, or email at TreasMFD@state.mi.us. For additional information, review the Michigan Trucking Frequently Asked Questions online.

LOCAL TAXES

Local governments in Michigan levy property taxes. Recent reforms have slashed business property taxes by an average of 33 percent. Since property tax rates vary by locality, it is important to consult your local city, township or village treasurer's office. 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. 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. But self-employed people must fill out the forms and pay the taxes directly to the government.

You are self-employed if you operate a trade, business, or profession, either by yourself or as a partner. You 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 Social Security tax rate for 2001 is 15.3 percent (the same as 2000) on self-employment income up to \$80,400. If your net earnings exceed \$80,400, you continue to pay the Medicare portion of the Social Security tax, which is 2.9 percent, on the rest of your earnings. There are two income tax deductions that reduce your tax liability. The deductions are intended to make sure self-employed people are treated in much the same way as employers and employees for Social Security and income tax purposes.

First, your net earnings from self-employment are reduced by an amount equal to half of your total Social Security tax. This is similar to the way employees are treated under the tax laws in that the employer's share of the Social Security tax is not considered income to the employee.

Second, you can deduct half of your Social Security tax on the face of the IRS Form 1040 line 25. This means the deduction is taken from your gross income in determining adjusted gross income. It cannot be an itemized deduction and must not be listed on your Schedule C.

If you have wages as well as self-employment earnings, the tax on your wages is paid first. But this rule is important only if your total earnings are more than \$80,400. For example, if you have \$20,000 in wages and \$30,000 in self-employment income in 2000, you pay the appropriate Social Security taxes on both your wages and business earnings. However, if your 2001 wages are

\$70,000 and you have \$20,000 in net earnings from a business you do **not** pay dual Social Security taxes on earnings above \$80,400. Your employer will withhold 7.65 percent in Social Security and Medicare taxes on your \$70,000 in earnings. You must pay the 15.3 percent in Social Security and Medicare taxes on your first \$10,400 in self-employment earnings and 2.9 percent in Medicare tax on the remaining \$9,600 in earnings

EARNINGS CREDITS

You need earnings credits to qualify for Social Security benefits. The number of credits you need depends on your date of birth, but no one needs more than 40. You can earn up to four credits per year.

If your net earnings are \$3,320 or more, you earn four credits--one for each \$830 of earnings. (If your net earnings are less than \$830, you still may earn one or more credits by using the optional method described later.)

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 all of your allowable business deductions and depreciation. Some income does not count for Social Security. Do not include the following in figuring your net earnings:

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

OPTIONAL METHOD

If your actual net earnings are less than \$400, your earnings can still count for Social Security under an optional method of reporting. The optional method can be used if your gross earnings are \$600 or more or when your profit is less than \$1,600. You can use the optional method **no more than five times**. Your actual net must have been \$400 or more in at least two of the last three years, and your net earnings must be less than two-thirds of your gross income.

Here's how it works:

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 if \$400 or more.

If your gross income is \$2,400 or more and the actual net earnings are \$1,600 or less, you report **either** \$1,600 **or** your actual net.

Special Note for Farmers: If you are a farmer, you can use the optional method every year. You do not need to have had actual net earnings of at least \$400 in any preceding year.

HOW TO REPORT EARNINGS

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 SE (Self-Employment Tax)

These forms can be obtained from the Internal Revenue Service web site at <http://www.irs.gov/> and most banks and post offices. Send the tax return and schedules along with your self-employment tax to the Internal Revenue Service. 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.

FAMILY BUSINESS ARRANGEMENTS

Family members may operate a business together. A husband and a wife may be partners or joint venturers. If you operate a business together as partners, you should each report your share of the business profits as net earnings on

separate schedules, 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 http://www.ssa.gov/SSA_Home.html or call them at (800) 772-1213. To speak with a representative, please call between 7:00 a.m. and 7:00 p.m. any business day.

BUYING A BUSINESS

Buying a business can give a person a head start over starting a new business. It provides an established market, trained employees, proven profit potential, and on and on. **But, are there any “hidden liabilities?”**

Obtaining sound professional assistance, from an accountant, an attorney, and even a local Small Business Development Center (SBDC) (see Appendix C), can be helpful in identifying pitfalls to be avoided when buying a business. Remember, professional help will not necessarily make a purchase free of obstacles. If you know what to look for, and how to protect yourself, an educated buyer can save time and money.

Many experts will advise the purchaser to require a statement from the seller stating that all taxes have been paid and that the buyer assumes no liability for any unpaid taxes. As the purchaser of even a portion of a business, you may be held responsible for the previous owner’s liabilities, regardless of any contractual language to the contrary. You should also make sure that the seller of the business provides proof that there are no hidden liabilities. The seller of the business should contact the Michigan Department of Treasury at (517) 334-8189 to obtain a form to request a Tax Clearance letter or access the information online at <http://www.treas.state.mi.us/formspub/tcind.htm>. The Department of Treasury will only provide the Tax Clearance Letter to the existing business owner. As the buyer, you may not request the letter yourself. However, it is wise to obtain a copy of this Tax Clearance letter from the seller prior to the closing date or signing any purchase agreements. If you are in a hurry to purchase the business, request that the seller obtain the Tax Clearance Letter and escrow sufficient monies to cover any potential tax liability until the letter is received.

Does the business have employees? Has the business had employees (payroll) at any time over the last two years? If there are or were employees, the purchaser may soon encounter, “successorship.” What does this mean to an entrepreneur? MONEY...potentially, a lot of money over the next FIVE YEARS. New employers (those who do not buy an existing business) pay an unemployment tax rate in their first two years of liability of 2.7 percent of the first \$9,500 of every employee’s wages in a year—except for a new construction employer, which may be higher. A successor employer (one who buys an existing business), however, “inherits” the account of the predecessor (or former owners). If benefits have been paid over the last five years, or if the account

has a “negative balance,” chances are the successor will have a rate in excess of 2.7 percent—in fact, as much as 10 percent. Since the annual rate is based on the benefits charged over the last five years, and the balance in the account, it is possible that the rates will be high for five years.

How can you avoid this? You can request from the seller a “disclosure of account” and then contact the Unemployment Agency at (800) 638-3994 and ask for the amount of the benefits charged over the past five years and the reserve balance (positive or negative). The request should be in writing and should be accompanied by some form of commitment to purchase the business (a purchase order contingent on the report from the Unemployment Agency, for example). Once the purchaser has received the information from the Unemployment Agency, what do they do? If the report is bad, should you look for another business? Not necessarily. The higher costs should be included in the cash flow and profit projections. If the business still looks like a winner, buy it! But, you may want to offer less since the purchaser will be assuming a long-term liability.

Is successorship always bad? No. In some cases, the purchaser may be able to inherit an unemployment account with a tax rate of .2 percent in 2000 and phasing by 2002 to .1 percent tax rate (instead of starting a new business with a 2.7 percent tax rate).

One more note—any benefits currently being paid, or those resulting from the sale, will be charged to the successor’s account. Find out from the seller if any employees are, or will be, collecting benefits. If possible, hire these employees! The purchaser will get employees who already know the job and will save money. For further assistance, call the Unemployment Agency at (800) 638-3994 or a local Small Business Development Center (See Appendix C). Both of these agencies have information and advice that can be very valuable in buying a business.

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 to ensure that good record keeping systems are in place, all the necessary paperwork is completed and legal requirements are met before hiring employees. Hiring outside contractors or temporary help is also an option. However, be sure to satisfy IRS requirements for contractors.

EMPLOYEES VERSUS 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 an employee vs. contractor is a very critical issue and is NOT a simple task. There are many different tests the IRS may apply to determine whether an individual is an employee or contractor. Improperly classifying someone whom the IRS considers an employee as a contractor can result in very stiff 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.

PLAN YOUR HIRING

Hiring employees is 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. Write out a job description that indicates exactly what is expected of each employee. Interview several people and select the one you feel has 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. You may wish to order a copy of the publication, "Employees: How to Find and Pay Them" available through the federal Small Business Administration's On-Line Library at <http://www.sbaonline.sba.gov/library/pubs.html>.

TRAINING AND WORKING WITH EMPLOYEES

Training is expensive but necessary. You want well-qualified employees who will do things the way you need them done. A well-defined company policy handbook plus a job description outlining duties, responsibilities, ethical standards, and criteria for success will be valuable. You may want to invest in your employees by sending them to special training. Small business owners should pay special attention to cross-training employees in areas other than those specifically defined in their individual job descriptions. Open lines of communication are necessary to keep employees motivated and involved with the business. Many business owners find it beneficial to allow employee participation in the goals setting process of the business. They then follow up with employees with constructive feedback – positive as well as negative – on the employee's progress toward those goals.

Employers have a legal as well as ethical obligation to provide a safe and equitable workplace. You may wish to contact the Department of Consumer and Industry Services, Bureau of Safety & Regulation, Consultation, Education and Training Division (CET) at (517) 322-1809 or online at their web site <http://www.cis.state.mi.us/bsr/divisions/cet/home.htm>. Listed below is additional information about other programs:

AMERICANS WITH DISABILITIES ACT (ADA)

The ADA protects people with disabilities from discrimination in employment, government services and public accommodations. For information publications, call (800) 669-3362 or online at <http://www.usdoj.gov/crt/ada/adahom1.htm>.

DRUG-FREE WORKPLACE

Many employers are becoming interested in 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 at (800) 967-5752 or online at <http://www.samhsa.gov/>.

AFFIRMATIVE ACTION AND EQUAL EMPLOYMENT OPPORTUNITY

The goal of these programs is to provide equal opportunities for all qualified people in employment. To learn more contact the Michigan Department of Civil Rights at (313) 226-7636 or (313) 961-1552 (TDD) or online at <http://www.mdcr.state.mi.us/>.

WELLNESS PROGRAMS

Programs that encourage mental and physical health such as exercise, stress reduction, personal counseling, smoking cessation, etc. are becoming popular as a way to keep employees healthy and working. Participating employers have seen many benefits including, higher morale, reduced workers' compensation costs and less on-the-job accidents. To learn more about worksite wellness programs, including grants that may be available to get started, contact the Michigan Department of Community Health at (800) 537-5666 or online at <http://www.mdch.state.mi.us/>.

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 Tax (FICA)
- Federal Unemployment Tax (FUTA)
- Michigan Unemployment Tax

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 required to register with the Unemployment Agency (UA) at (313) 876-5146, (800) 638-3994 by the end of the month following the month in which it becomes an employing unit. All employers must register, although not all employers are liable under the law. Liable employers are required to pay state unemployment taxes quarterly at a rate based on a "required reserve" balance and any unemployment insurance benefits paid to employees. A new business will pay 2.7% of the first \$9,500 of every employee's wages for the first two years of liability (new

employers in the construction industry may pay a higher rate). When buying a business, or buying the assets of an existing business, the rate may be significantly higher.

The Unemployment Agency (UA) produces an **Employer Handbook** with information about a variety of subjects. To obtain a copy of this publication, mail a \$15 check or money order made payable to the State of Michigan (UA) to: Unemployment Agency Handbook, 7310 Woodward Avenue, Room 606, Detroit, Michigan 48202 or you may call (313) 872-1458. All orders must be prepaid. A handbook order form can be found at the Unemployment Agency website at <http://www.cis.state.mi.us/ua/form-toc.htm>.

FEDERAL UNEMPLOYMENT INSURANCE

Federal Unemployment Insurance (FUTA) is collected by the Internal Revenue Service (IRS) for the U.S. Department of Labor to pay administrative expenses of operating the state unemployment systems. When filing an "Application for Employer Identification Number" with the IRS, indicate that employees will be hired. The IRS will mail a packet of information – there will be 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) 829-3676 or online at <http://www.irs.gov/>.

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.

Each employee should complete the following forms: a withholding exemption certificate (W-4) from the Internal Revenue Service (800) 829-3676 and a MI-W4 from the State of Michigan Department of Treasury (800) 367-6263. Based on the certificate's information, a certain amount of taxes are withheld 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) 829-1040 or online at http://www.irs.gov/bus_info/sm_bus/pub-xtract.html.

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. Tax rates and maximum earnings subject to tax may vary from year-to-year, so employers should contact the IRS at (800) 829-1040 for the latest information.

State filing requirements may vary based on the amount of state taxes withheld. An employer must file form 518, an "Application for Registration" with the Michigan Department of Treasury if employees are hired. They will then notify the employer of filing deadlines and provide the needed forms. An annual return is also required. Michigan's withholding tax tables are available from the Michigan Department of Treasury at (517) 373-0888 or online at <http://www.treas.state.mi.us/formspub/withind.htm>.

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.

WORKER'S COMPENSATION

There are a number of organizations involved in workers' compensation. It is important to understand who they are and what they do. First of all, workers' compensation benefits ordinarily are **not** paid by the State of Michigan. Workers' compensation is the responsibility of an employer. Benefits are paid either directly by an employer or through an insurance company on behalf of an employer.

All employers that regularly employ three or more part-time employees at one time, or employed one or more persons for at least 35-hours per week for at least 13-weeks during the preceding 52-weeks, are required to have workers' compensation insurance.

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 \$200,000 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.

There are two excellent publications available to help new business owners understand Michigan's workers' compensation system. The "Michigan Business Guide to Workers' Compensation" and "General Information Regarding Rights and Responsibilities Under the Act" provide an easy to understand overview of Michigan's workers' compensation system. Additional information and assistance is also available at the Bureau of Workers' Disability Compensation of the Department of Consumer & Industry Services at (888) 396-5041 or online at <http://www.cis.state.mi.us/wkrcomp/bwdc/>.

ALIEN 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**, no matter what the size of the business. 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 Immigration and Naturalization Service <http://www.ins.gov/graphics/index.htm> at **(800) 375-5283** for more information or **(800) 870-3676 to obtain forms.**

It should be noted that many of the visas that authorize entrance to the United States do not authorize the holders of those visas to accept employment here. Usually these visas must be obtained from the U.S. State Department in the country of origin, though in some cases an application for a change in status can be secured from within the United States. The visas vary in eligibility requirements and in the duration of their viability. 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 Immigration and Naturalization Service for assistance at (800) 375-5283. Additional information may also be found at Michigan's Alien Labor Certification Program web site at <http://www.michalienlaborcert.org/>.

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. The purpose of collecting the information is to build a strong partnership between employers and child support programs across the country, with the intent of obtaining better compliance with child support orders. 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 <http://www.minew-hires.com/>.

Refer to Appendix B for a quick list of employer information and information regarding required workplace posters.

FINANCING A BUSINESS

When starting a business or expanding an existing business, the owner needs money to pay rent and utilities; acquire inventory, equipment, and fixtures; pay employees' salaries; make payments for vehicles; market/advertise products and service; pay taxes and needed insurance; and most importantly to pay his or her own salary.

There are several options available for obtaining money to start a new business or expand an existing one. 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. Regardless of the path you choose, it is wise to take time out to put together a credible business plan.

SHORT-TERM DEBT FINANCING

Short-term financing/credit sources are usually grouped into two basic categories: unsecured and secured.

Unsecured credit is obtained without the borrower's pledge of specific assets to serve as collateral. Examples include:

- Personal credit cards, savings, stocks and bonds, and/or cash value of life insurance policies. Funds borrowed from family members and/or friends.
- A short-term, unsecured transaction loan is a direct, single payment financing arrangement with a bank. The maturity on this type of loan is usually between one and six months, but may extend up to a year.
- A company's line of credit is a commitment from a bank to its regular credit worthy 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 the purchasing firm, using trade credit is the equivalent of a consumer charge account at a department store – goods are purchased but payment can be delayed to the extent of the specified credit terms.

- Accruals are services that are provided for a business on a continuing basis but are not paid for at the time the services are rendered. For example, employees provide services to the business each day they work, however, they are not paid until some specified future payroll date.

Secured short-term credit for new/existing businesses, businesses with a marginal credit rating, or businesses that have exhausted unsecured collateral may offer a financing opportunity that would otherwise not exist.

The primary sources of secured short-term financing for business borrowers are:

- Commercial banks
- Commercial finance companies
- Factoring accounts receivables*
- U.S. Small Business Administration (SBA) “guaranteed” loan obtained through a private lending institution, (The SBA rarely makes a “direct” loan to an individual or company.)

STATE LOAN PROGRAMS

There are a variety of financing programs available to aid Michigan businesses with growth and expansion. These programs are generally used to provide the private sector with tools for financing and to encourage the formation of new types of private institutions to address unmet financing needs. This “private institutions” approach makes it possible to use limited public resources to leverage large amounts of private capital.

Bank financing is usually the least expensive source of funds therefore you should begin your search for financial assistance with your local bankers. However, you should not approach your banker or any other financing organization for assistance until you have developed a business plan. For information about putting together a business plan – **refer to “A Business Plan”** section. There are also Small Business Development Centers located throughout the state that may be of assistance in preparing a business plan.

* Factoring is a financial institution that 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 COMMONLY USED PROGRAMS

The U. S. Small Business Administration (SBA) offers a variety of loan guarantee programs to businesses when financing is unavailable on reasonable terms through normal lending channels. The SBA **does not provide direct loans or grants** to start or expand a business. For more information about SBA programs, contact a commercial lender, or call the SBA at (313) 226-6075 or (800) 827-5722 and also online at <http://www.sbaonline.sba.gov/>.

SBA 7(A) GUARANTY PROGRAM

The 7(a) Loan Guaranty Program is one of SBA's primary lending programs. It provides loans to small businesses unable to secure financing on reasonable terms through normal lending channels. The program operates through private-sector lenders that provide loans that are, in turn, guaranteed by the SBA. **The agency has no funds for direct lending or grants.** Most lenders are familiar with SBA loan programs. Interested applicants should contact their local lender for further information and assistance in the SBA loan application process.

Loan proceeds from the 7(a) Program may be used for business start-ups, expansion, equipment purchases, working capital, inventory and real estate acquisition. The maximum amount the SBA can guarantee is generally \$1,000,000 and the maximum loan is limited to \$2,000,000. The maximum guarantee percentage is 85% for loans \$150,000 or less and 75% for loans over \$150,000. Interest rates are negotiable with the lender and may be fixed or variable, but cannot exceed SBA that range from 2.25% to 4.75% over the prime-lending rate. Loan maturities range from 5 to 7 years for working capital and up to 25 years for fixed assets. The maturity of the loan is primarily based on the life of the asset being purchased and the cash flow of the business.

LOW DOCUMENTATION LOAN (LOWDOC)

The LowDoc Program was designed to increase the availability of loans to start or grow a business. It offers a simple, one-page application form and rapid turnaround on loans of up to \$150,000. The SBA processes completed applications within 36 hours of receipt from the lender. The loan decision process relies heavily upon the strength of the principals' character and credit history. Interest rates range from 2.25% over prime for loans of less than 7 years, and 2.75% over prime for loans of 7-25 years. Loans under \$50,000 may be subject to slightly higher rates. The SBA guarantee is 85%.

PRE-QUALIFICATION LOAN PROGRAM

The Pre-Qualification Loan Program use intermediaries to assist prospective minority, women, and disabled business owners in developing viable loan application packages and securing loans. Once the loan package is assembled, it is submitted to the SBA for expedited consideration; a decision usually is made within three days. If the application is approved, the SBA issues a letter of pre-qualification stating the SBA's intent to guarantee the loan. The maximum amount for loans under both programs is \$250,000, and the SBA will guarantee up to 85 percent for loans up to and including \$150,000 and 75 percent for loans over \$150,000. The intermediary then helps the borrower locate a lender offering the most competitive rates. Intermediaries may charge a reasonable fee for loan packaging.

WOMEN PRE-QUALIFICATION LOAN INTERMEDIARIES:

- Center for Empowerment & Economic Development (Statewide)...(734) 677-1400
- Community Capital and Development Corporation (Flint area)(810) 239-5847
- Cornerstone Alliance (Benton Harbor area)(616) 925-6100
- Project Invest (Traverse City area)(231) 929-5000
- Saginaw County Minority Business Development Center
(Saginaw area)(517) 752-6693

MINORITY PRE-QUALIFICATION LOAN INTERMEDIARIES:

- Center for Empowerment & Economic Development (Statewide)...(734) 677-1400
- Community Capital and Development Corporation (Flint area)(810) 239-5847
- Cornerstone Alliance (Benton Harbor area)(616) 925-6100
- Saginaw County Minority Business Development Center
(Saginaw area)(517) 752-6693

DISABILITY PRE-QUALIFICATION LOAN INTERMEDIARY:

- Project Invest (Statewide)(231) 929-5000

CAPLINES

CAPLines is the umbrella program under which the SBA helps small businesses meet their short-term and cyclical working capital needs. In most cases, a CAPLines loan can be for any dollar amount. There are five short-term working capital loan programs for small businesses under the CAPLines umbrella, including Seasonal Line, Contract Line, Builders Line, Standard Asset-Based Line, and Small Asset-Based Line.

As a 7(a) Program, CAPLines is a guarantee of a bank loan with a maximum amount of \$1,000,000. Each of the five lines of credit has a maturity of up to five years, but, because each is tailored to an individual business's needs, a shorter initial maturity may be established. Interest rates are negotiated with the lender and can be up to 2.25% over the prime rate.

SBA EXPRESS

SBAExpress loans are designed to help small businesses start, build and grow. This loan program provides additional incentives to lenders to make small business loans. Participating banks use their own forms and processes to approve loans in amount up to \$150,000, and are required to provide minimal paperwork to the SBA to obtain a 50% guarantee on each loan. Loan maturity generally is 5-10 years and up to 25 years for fixed-asset loans. Lenders and borrowers negotiate the interest rate. Interest rates may be fixed or variable and range from 2.25% over prime for loans of less than 7 years and 2.75 % over prime for loans of 7 years or longer.

EXPORT WORKING CAPITAL PROGRAM (EWCP)

The Export Working Capital Program (EWCP) provides pre- or post- shipment working capital financing for export activities. It is transaction based and can be a revolving line of credit or structured for each purchase order, shipment, or contract. The loan funds may be used for pre-sold inventory, materials, labor, financing foreign receivables, and standby letters of credit used for performance bonds, bid bonds, or payment guarantees to foreign buyers. The loan may not be used for refinancing, fixed assets, marketing, or setting up operations abroad. SBA can guaranty up to 90% of the loan amount up to \$1,000,000. The maturity is typically 12 months or less.

INTERNATIONAL TRADE LOAN

This program provides short- and long-term financing to small businesses involved in exporting, as well as businesses adversely affected by import

competition. The SBA can guarantee up to \$1.25 million for a combination of fixed-asset financing and working capital. Loans for facilities or equipment can have maturities of up to 25 years. The working capital portion of a loan has a maximum maturity of three years. Interest rates are negotiated with the lender and can be up to 2.25% over the prime rate.

SBA 504 PROGRAM

The SBA 504 Program provides healthy small- and medium-sized businesses with long-term, fixed-rate financing for the acquisition or construction of fixed assets. The SBA has certified the Michigan Certified Development Corporation (MCDC) to offer SBA 504 financing throughout Michigan. Projects are financed through a unique public/private partnership that involves private lenders financing 50% of project costs, the MCDC covering up to 40% of project costs, and small businesses investing at least 10% of project costs. By taking a secondary collateral position on project assets, SBA provides a "collateral cushion" for the primary lender and reduces the amount of equity normally required of the borrower.

The SBA 504 Program is a "take out" financing program. The SBA offers an up front commitment to finance a project. The participating private lender provides interim financing, advancing the full amount of project funds during the construction/acquisition period. After the project is completed, the SBA reimburses or "takes out" the participating lender by the amount of the original loan commitment. MCDC loans are actually funded by the sale of 100% federally guaranteed debentures on the open market.

Preferred projects range from \$300,000 to \$2,000,000. Generally the maximum SBA may contribute to any single project or borrower is \$1,000,000, and projects must create one new job for each \$35,000 of debenture. The interest rate is fixed and is determined at the time the debentures are sold. Loan terms are offered for 10 to 20 years, depending on the type of assets financed.

The Michigan Economic Development Corporation administers this program at the direction of the Board of Directors of the Michigan Certified Development Corporation. For more information, call (517) 373-6378.

MICRO LOAN PROGRAM

The MicroLoan Program was developed to increase the availability of very small loans to prospective small business borrowers. Under this program, the SBA makes funds available to nonprofit intermediaries, who in turn make loans to eligible borrowers in amounts that range from under \$100 to a maximum of \$35,000. The average loan size is \$10,000. Loans may be used to finance the purchase of machinery and equipment, furniture and fixtures, inventory, supplies and working capital, but not to pay existing debts. Start up, newly established, and growing small businesses are eligible.

The intermediary can usually process completed applications in less than one week. Depending on the earnings of the business, the loan maturity may be as long as six years. Interest rates may not be higher than 4% percent over the prime rate.

For more information about the program, contact one of the following approved lenders:

CENTER FOR EMPOWERMENT & ECONOMIC DEVELOPMENT

2002 Hogback Road, Suite 12

Ann Arbor, MI 48105

Phone: (734) 677-1400

Fax: (734) 677-1465

Service Area: Washtenaw County, Livingston, Macomb, and Wayne (except the City of Detroit) counties

DETROIT ECONOMIC GROWTH CORPORATION

211 West Fort Street, Suite 900

Detroit, MI 48226

Phone: (313) 237-4629

Fax: (313) 963-8839

E-mail: tgcarmony@degc.org

Service Area: City of Detroit

COMMUNITY CAPITAL & DEVELOPMENT CORPORATION

Walter Reuther Center
316 West Water Street
Flint, MI 48503
Phone: (810) 239-5847
Fax: (810) 239-5575
E-mail: ccdc@tir.com
Service Area: Genesee County

NORTHERN INITIATIVES

228 West Washington Street
Marquette, MI 49855
Phone: (906) 228-5571
Fax: (906) 228-5572
E-mail: ni@northerninits.com
Service Area: Upper Peninsula

RURAL MICHIGAN INTERMEDIARY RELENDING PROGRAM, INC.

121 East Front Street, Suite 201
Traverse City, MI 49684
Phone: (231) 941-5858
Fax: (231) 941-4616
E-mail: mhaddad@timbc.com
Service Area: Emmet, Charlevoix, Antrim, Leelanau, Benzie, Grand Traverse,
Kalkaska, Manistee, Wexford, Missaukee, Cheboygan, Presque
Isle, Otsego, Montmorency, Alpena, Crawford, Oscoda, Alcona,
Roscommon, Ogemaw, Iosco, Osceola, Mason, Lake counties

SAGINAW ECONOMIC DEVELOPMENT CORPORATION

301 East Genesee, 3rd Floor

Saginaw, MI 48607

Phone: (989) 759-1395

Fax: (989) 754-1715

Service Area: Saginaw County

KENT AREA MICROBUSINESS LOAN SERVICES

233 East Fulton, Suite 101

Grand Rapids, MI 49503

Phone: (616) 771-6880

Fax: (616) 771-8021

Service Area: Kent County

MANAGING A BUSINESS

PROFESSIONAL ASSISTANCE

The importance of professional assistance cannot be overstated. There is no substitute for professional services to keep a business going and growing. There are professionals available to assist with every aspect of a business and able to determine what will best serve specific business needs. The costs incurred in hiring professional consultants often discourage 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. 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.

RECORD KEEPING

Accurate and complete records help monitor the business and plan for the future based on factual financial knowledge rather than guesswork. There are a variety of records and record keeping systems a business can maintain. Trade associations can often provide guidelines or simple accounting records tailored to a particular business.

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. 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, 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
- A method of uncovering employee theft, material waste or record keeping errors.

Have a formal accounting system that produces monthly reports. Compare the reports to the finance plan and adjust the business activity accordingly. If the business is more profitable than the business plan predicts, adjust the business plan.

MARKETING

The best product or service in the world will not guarantee success for your business. Potential customers must purchase your product or service in order for you to survive and grow. Developing and implementing a marketing strategy is a necessary process for a successful business. This process begins as you start your business, and it must remain an ongoing process throughout the life of your business.

Marketing is neither sales nor advertising, although both of these may be part of a marketing strategy. Instead, marketing is the thought process by which you:

- Identify the product or service you **really** sell
- Identify potential customers for your product or service
- Identify your competitors in selling to these customers
- Understand the basis on which those potential customers make buying decisions
- Know why customers will choose to purchase your product or service instead of your competitor's

- Determine the most efficient and effective methods to reach these buyers before they make their purchasing decisions
- Identify methods to deliver your product or service
- Develop an action plan

IDENTIFY THE PRODUCT OR SERVICE

The key is to identify your “market niche,” not only in terms of the services provided, but in terms of needs fulfilled. For instance, a residential lawn service provides lawn cutting, fertilization, etc. One need this business fills is for convenience on the part of “time poor” homeowners.

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; you must focus on an attainable and realistic portion of the market.

IDENTIFY YOUR COMPETITORS

A competitor is a business who does the same service, or sells the same product as your business; they may or may not have a similar business. For instance, companies providing guard services to warehouses and those selling alarm systems to warehouses are to some extent competitors, even though they are not in the same industry.

UNDERSTAND WHY CUSTOMERS BUY YOUR PRODUCT OR SERVICE

Customers buy different products or services for several reasons, including:

- Price
- Quality
- Convenience
- Prestige

Also, understand the basis on which customers make buying decisions related to your type of product or service.

KNOW WHY CUSTOMERS WILL CHOOSE YOUR BUSINESS

Based on why customers buy your 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 cautious in this analysis. Your potential customers probably have established buying patterns which 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

Having determined why potential customers buy your type of product or service and why they will choose you, you are in a position to identify how they make their buying decisions. Do they typically buy because they've seen an advertisement in the telephone book 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? Knowing how people "will" find you ensures that your marketing dollars are spent in the most productive way possible.

DETERMINE EFFECTIVE DELIVERY METHODS

The most enthusiastic purchaser is unlikely to become a repeat customer if the product or service does not live up to his/her expectations or if it is not delivered in a timely fashion.

DEVELOP AN ACTION PLAN

You know what you need to do. Now you must develop specific, deliverable steps that will enable you to do it. For assistance in developing your own marketing plan, contact your local Small Business Development Center (see Appendix C). You may wish to request a copy of the "Small Business Guide to Effective Marketing Communications."

GETTING FREE PUBLICITY

Carefully read the publications in your area from front to back every day for a week. (Don't forget the magazines, newsletters, throwaway papers and other publications that cross your desk.) After a while you will begin to see a pattern of reporting that repeats on some periodic basis.

For example, Internet on Monday, stocks on Tuesday, franchise information on Wednesday, staff promotions on Thursday and so on. Select those sections in which you feel your business information might fit and start a collection. Ask yourself questions like: "Why is this here?" Or "For what audience is this written?" Or "Why is this important to the reader?" (While doing this, note how much space is given to each section and the length of each article or bit of information.)

Write a submission: Don't try to write the article for the publication, you're not in that business. Write information that fits the publication and leave the rest to the editor of the publication. Be sure you tell: who, what, when, why, where, how and how much.

Use a paragraph for each: Include one or more quotes from you, the president of your company, the person you are writing about or an authority in the field. Make sure their comment is relevant, and keep it short and simple. This way, the editor can pick and choose.

Format: Double space everything and leave at least a one-inch margin on both sides. Number the pages, and center the word "more" at the bottom of each page. Put "end" at the end. At the top of the page write the name of the person from whom more information can be gathered, and be sure you let your staff know to notify that person immediately if they get a call.

If the information is time-dependent, put the date and time of the event at the top. Write today's date there as well. Don't forget the company name, address and phone. When you meet with the editor for the first time ask how he/she would like the information presented, and follow their guidelines to the letter.

Newspapers have very tight deadlines, and if a critical bit of information is needed and you're not available, your article may not get published. Don't bother to include photos unless they are dynamic action photos. Most

publications have a staff photographer that will visit your place of business if a photo is required.

SMALL BUSINESS ADMINISTRATION RESOURCES

The United States Small Business Administration (SBA) has a wealth of information and services for the small business owner. The SBA Website has the "Small Business Classroom" which has several classes on starting and managing a business available for free. These classes are designed to be easy to use and available 24 hours a day with topics on most in demand by small business clients. SBA's On-Line Library provides nearly 60 downloadable publications covering a variety of business topics including starting a business and business plans. The SBA Website also maintains a "Calendar of Events" listing training and other programs by state with details and contact information. For more information regarding the SBA, please refer to Appendix F.

INSURANCE

It is prudent for any business to purchase a number of basic types of insurance. Some types of coverage required by law, others simply make good business sense. The types of insurance 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, please contact an insurance agent who writes business insurance. Insurance is a very competitive business. Be sure to contact more than one agent. Shop around to get the best coverage for the lowest price.

LIABILITY INSURANCE

Businesses may incur various forms of liability in conducting their normal activities. One of the most common types of liability is product liability, which may be incurred when a customer suffers harm when using the business' product. There are many other types of liability, which are frequently 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 you need to insure for the continuation of your business and the level of insurance you 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.

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’ liability for any damage which 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. This type of 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 AND EXPORTING

Obtaining government contracts can be the key to expanding both the marketing and income potential of any business. Government agencies at all levels contract for the majority of goods and services needed.

To become eligible for state contracts, a business must complete a vendor payee registration packet with the Department of Management and Budget. To obtain a packet, call (517) 373-4111 or visit online at <http://www.state.mi.us/dmb/>.

The vendor registration packet includes a list of commodities and services required by state government. When completing the vendor registration form, indicate which products or services you are interested in providing to the state. Once the registration information is processed, the business will appear on bidder's lists for those commodities/services indicated.

MICHIGAN TECHNICAL ASSISTANCE CENTERS

The Michigan Economic Development Corporation provides support to Michigan Technical Assistance Centers (MTAC) located throughout the state. This network of twelve locally based offices provides government contract and export assistance. Highly skilled professionals assist businesses in acquiring federal and state government contracts, as well as identifying international product or service markets for exporting.

GOVERNMENT CONTRACT SUPPORT

The federal government is a multi-billion dollar buyer of goods and services—more than \$150 billion is spent annually. State and local governments are also major purchasers of products and services. MTAC support includes, but is not limited to, the following:

- Orientation to the procurement system
- Bid preparation assistance
- Targeting government markets
- Daily listings of government bids

- Subcontracting opportunities
- Government specifications for bidding
- Training seminars and conferences
- Procurement resource library
- Bid history and contract award results
- Placement of your firm on vendor lists
- Electronic Data Interchange (EDI) assistance.

EXPORTING SUPPORT

In today's competitive worldwide economy, many companies have found that exporting improves its competitive position. MTAC supports the export needs of businesses through the following:

- Export counseling and marketing planning.
- Analysis of your firm's readiness to export.
- Identifying countries that buy your product or service.
- Listings of export trade leads.
- Assistance preparing export documents.
- Payment and finance options.
- Government regulations necessary for exporting.
- Training seminars and trade show opportunities.
- Extensive export resource library.

To learn more about selling to the government or exporting abroad, call your nearest MTAC center.

MICHIGAN TECHNICAL ASSISTANCE CENTERS

1. N.W. MICHIGAN COUNCIL OF GOVERNMENTS

Traverse City
(231) 929-5036
FAX (231) 929-5042

2. N.E. MICHIGAN CONSORTIUM

Onaway
(989) 733-8548
FAX (989) 733-8069

3A. MICHIGAN WORKS! WEST CENTRAL

Big Rapids
(231) 796-4891
FAX (231) 796-8316

3B. MICHIGAN WORKS! WEST CENTRAL

Muskegon
(800) 528-8776
(231) 722-7700
FAX (231) 722-6182

4. MICHIGAN WORKS!

Marlette
(989) 635-3561
FAX (989) 635-2230

5. SAGINAW FUTURE, INC.

Saginaw
(989) 754-8222
FAX (989) 754-1715

6. FLINT GENESEE ECONOMIC GROWTH ALLIANCE

Flint
(810) 238-8364
FAX (810) 238-7866

7. S.W. MICHIGAN TAC

Kalamazoo
(616) 387-2004
FAX (616) 387-2149

8. JACKSON TAC OF SOUTH CENTRAL MICHIGAN

Jackson
(517) 788-4680
FAX (517) 782-0061

9. DOWNRIVER COMMUNITY CONFERENCE

Southgate
(734) 362-3477
FAX (734) 281-0301

10A. WARREN/CENTER LINE/ STERLING HEIGHTS CHAMBER OF COMMERCE

Warren
(810) 751-3939
FAX (810) 751-3995

10B. ECONOMIC DEVELOPMENT ALLIANCE OF ST. CLAIR COUNTY

Port Huron
(810) 982-9511
FAX (810) 982-9531

11. SCHOOLCRAFT COLLEGE BUSINESS DEVELOPMENT CENTER

Livonia
(734) 462-4438
FAX (734) 462-4439

12. WAYNE STATE UNIVERSITY (CITY OF DETROIT)

Detroit
(313) 577-2241
FAX (313) 577-4354

NOW WHAT?

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

Take the time to prepare a comprehensive business plan. Think about what you want out of your business. How do you intend to meet your goals? What will you need to get started—tax advice, financing, management assistance, legal advice? Then use your business plan when you meet with your banker, lawyer, or accountant.

Don't hesitate to contact your local Small Business Development Center (see Appendix C), or other resources listed. Helping you get your business off to a good start is our number one priority.

APPENDIX A

MICHIGAN COUNTY CLERK OFFICES

Alcona , Post Office Box 308, Harrisville, MI 48740	(989) 724-5374
Alger , 101 Court Street, Munising, MI 49862	(906) 387-2076
Allegan , 113 Chestnut Street, Allegan, MI 49010	(616) 673-0450
Alpena , 720 West Chisholm, Alpena, MI 49707	(989) 356-0115
Antrim , Post Office Box 520, Bellaire, MI 49615	(231) 533-6353
Arenac , Post Office Box 747, Standish, MI 48658	(989) 846-4626
Baraga , 16 North Third Street, L'Anse, MI 49946	(906) 524-6183
Barry , 220 West State Street, Hastings, MI 49058	(616) 945-1285
Bay , 515 Center Avenue, Bay City, MI 48708	(989) 895-4280
Benzie , Post Office Box 377, Beulah, MI 49617	(231) 882-9671
Berrien , 811 Port Street, St. Joseph, MI 49085	(616) 983-7111x8241
Branch , 31 Division Street, Coldwater, MI 49036	(517) 279-4306
Calhoun , 315 West Green, Marshall, MI 49068	(616) 781-0718
Cass , 120 North Broadway, Rm. 123, Cassopolis, MI 49031-1301	(616) 445-4464
Charlevoix , 203 Antrim Street, Charlevoix, MI 49720	(231) 547-7200
Cheboygan , Post Office Box 70, Cheboygan, MI 49721	(231) 627-8847
Chippewa , 319 Court Street, Sault Ste. Marie, MI 49783	(906) 635-6300
Clare , Post Office Box 438, Harrison, MI 48625	(989) 539-7131
Clinton , Post Office Box 69, St. Johns, MI 48879	(989) 224-5140
Crawford , 200 West Michigan, Grayling, MI 49738	(989) 348-2841
Delta , 310 Ludington, Escanaba, MI 49829	(906) 789-5105
Dickinson , Post Office Box 609, Iron Mountain, MI 49801	(906) 774-0988
Eaton , 1045 Independence, Charlotte, MI 48813	(517) 543-7500x225
Emmet , 200 Division Street, Petoskey, MI 49770	(231) 348-1744
Genesee , 1101 Beach Street, Flint, MI 48502	(810) 257-3282
Gladwin , 401 Cedar, Gladwin, MI 48624	(989) 426-7351

Gogebic, 200 North Moore, Bessemer, MI 49911(906) 663-4518
Grand Traverse, 400 Boardman Avenue, Traverse City, MI 49684(231) 922-4760
Gratiot, Post Office Drawer 437, Ithaca, MI 48847(989) 875-5215
Hillsdale, 29 North Howell, Hillsdale, MI 49242(517) 437-3391
Houghton, 401 East Houghton, Houghton, MI 49931(906) 482-1150
Huron, 250 East Huron, Huron Co. Bldg., Rm. 201, Bad Axe, MI 48413..(989) 269-9942
Ingham, Post Office Box 179, Mason, MI 48854(517) 676-7204
Ionia, 100 Main Street, Ionia, MI 48846(616) 527-5322
Iosco, Post Office Box 838, Tawas City, MI 48764(989) 362-3497
Iron, 2 South 6th Street, Crystal Falls, MI 49920.....(906) 875-3221
Isabella, 200 North Main, Mt. Pleasant, MI 48858 (989) 772-0911x259
Jackson, 312 South Jackson Street, Jackson, MI 49201(517) 788-4268
Kalamazoo, 201 W. Kalamazoo Ave., 1st Fl., Kalamazoo, MI 49007(616) 383-8840
Kalkaska, Post Office Box 10, Kalkaska, MI 49646.....(231) 258-3300
Kent, 300 Monroe Avenue, NW, Grand Rapids, MI 49503(616) 336-3550
Keweenaw, HC1 Box 607, Eagle River, MI 49950.....(906) 337-2229
Lake, Post Office Box B, Baldwin, MI 49304.....(231) 745-4641
Lapeer, 255 Clay Street, Lapeer, MI 48446.....(810) 667-0356
Leelanau, 301 East Cedar Street, P. O. Box 467, Leland, MI 49654(231) 256-9824
Lenawee, 425 North Main Street, Adrian, MI 49221.....(517) 264-4594
Livingston, 200 East Grand River, Howell, MI 48843(517) 546-0500
Luce, 407 West Harrie, Newberry, MI 49868.....(906) 293-5521
Mackinac, 100 South Marley Street, St. Ignace, MI 49781(906) 643-7300
Macomb, 40 North Main, Mt. Clemens, MI 48043(810) 469-5120
Manistee, 415 Third Street, Manistee, MI 49660(231) 723-3331
Marquette, 234 West Baraga, Marquette, MI 49855(906) 225-8330
Mason, 304 East Ludington Avenue, Ludington, MI 49431.....(231) 843-8202
Mecosta, 400 Elm Street, Big Rapids, MI 49307(231) 592-0784
Menominee, 839 10th Avenue, Menominee, MI 49858(906) 863-9968
Midland, 220 West Ellsworth, Midland, MI 48640(989) 832-6739
Missaukee, 111 S. Canal Street, P.O. Box 800, Lake City, MI 49651(231) 839-4967

Monroe, 106 East First Street, Monroe, MI 48161(734) 240-7020
Montcalm, 211 West Main Street, P.O. Box 368, Stanton, MI 48888.....(989) 831-7339
Montmorency, 11265 M 32, Post Office Box 789, Atlanta, MI 49709.....(989) 785-4794
Muskegon, 990 Terrace Street, 2nd Floor, Muskegon, MI 49442(231) 724-6221
Newaygo, Post Office Box 885, White Cloud, MI 49349(231) 689-7235
Oakland, 1200 North Telegraph, Pontiac, MI 48341.....(248) 858-0581
Oceana, Post Office Box 653, Hart, MI 49420(231) 873-4328
Ogemaw, 806 West Houghton Avenue, West Branch, MI 48661(989) 345-0215
Ontonagon, 725 Greenland, Ontonagon, MI 49953(906) 884-4255
Osceola, 301 West Upton, Reed City, MI 48677.....(231) 832-3261
Oscoda, Post Office Box 311, Mio, MI 48647(989) 826-1110
Otsego, 225 West Main, Gaylord, MI 49735.....(989) 732-6484
Ottawa, 414 Washington, Room 301, Grand Haven, MI 49417(616) 846-8310
Presque Isle, Post Office Box 110, Rogers City, MI 49779(989) 734-3288
Roscommon, 500 Lake Street, P. O. Box 98, Roscommon, MI 48653(989) 275-5923
Saginaw, 111 South Michigan Avenue, Saginaw, MI 48602(989) 790-5251
Sanilac, 60 West Sanilac Avenue, Room 203, Sandusky, MI 48471(810) 648-3212
Schoolcraft, 300 Walnut, Room 164, Manistique, MI 49854.....(906) 341-3618
Shiawassee, 208 North Shiawassee Street, Corunna, MI 48817(989) 743-2279
St. Clair, 201 McMorran, Port Huron, MI 48060(810) 985-2200
St. Joseph, 125 West Main, P. O. Box 189, Centreville, MI 49032.....(616) 467-5532
Tuscola, 440 North State, Caro, MI 48723.....(989) 672-3780
Van Buren, 212 Paw Paw Street, Paw Paw, MI 49079(616) 657-8218
Washtenaw, 200 North Main Street, Suite 110, Ann Arbor, MI 48107....(734) 222-6700
Wayne, 211 City-County Building, Detroit, MI 48226.....(313) 224-6262
Wexford, 437 East Division, Cadillac, MI 49601(231) 779-9452

APPENDIX B

INFORMATION FOR EMPLOYERS – HIRING EMPLOYEES

There are several responsibilities to both the state and federal governments that must be met when hiring employees. **NOTE:** If the business is a corporation, anyone who performs services for the corporation or receives remuneration (including any “owners”) is considered an employee. This list of responsibilities may apply for a start-up or existing business owner.

STATE AND FEDERAL TAXES

Employers are required to register with the Internal Revenue Service, call (800) 829-3676 for Social Security tax, Medicare and federal income tax withholding forms.

The employer is also required to register and file forms for state income withholding with the Michigan Department of Treasury, at (800) 367-6263.

These taxes are withheld from each employee's wage and paid to the appropriate taxing agency. Employers are required to pay a portion of the Social Security tax for the employee. Some cities levy a city income tax. Contact the local City Treasurer's Office for further information.

STATE UNEMPLOYMENT INSURANCE

Employers are required to register with the Michigan Unemployment Agency (UA) for unemployment taxes. Contact the Unemployment Agency, Employer Tax Teams, 7310 Woodward Avenue, Second Floor, Tax Office, Detroit, Michigan, 48202; call (800) 638-3994. The employer pays unemployment taxes. No deductions can be made from an employee's wage to cover these taxes.

FEDERAL UNEMPLOYMENT INSURANCE

Employers are required to pay federal unemployment taxes. No deduction can be made from an employee's wage to cover these taxes. Contact the Internal Revenue

Service for the proper tax forms at (800) 829-3676 or visit website at <http://www.irs.gov>.

WORKERS' COMPENSATION

All employers that regularly employ three or more part-time employees at one time, or employ one or more persons for at least 35 hours per week for 13 weeks during the preceding 52 weeks, are required to have workers' compensation insurance. For further information about workers' compensation, contact the Bureau of Worker's Disability Compensation of the Department of Consumer & Industry Services at (888) 396-5041 or visit website at <http://www.cis.state.mi.us/wkrcomp/bwdc/>

NEW HIRE REPORTING

A provision of the Federal Welfare Reform Act requires employers to report to the Michigan Department of Treasury, Post Office Box 85010, Lansing, Michigan, 48908-5010 for basic information on all newly hired or rehired employees within 20 days of hiring. For further information or to obtain forms, contact the Michigan New Hire Operations Center at (800) 524-9846, or fax (517) 318-1659.

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 Bureau of Safety and Regulation, Department of Consumer and Industry Services, Box 30643, Lansing, Michigan, 48909-8143, at (517) 322-1814.

IMMIGRATION LAW COMPLIANCE

All employers are required to verify the employment eligibility of all employees hired after November 6, 1986, by reviewing the employees' documents and then recording the information on a verification form. For further information, contact the Immigration and Naturalization Service (INS) at (800) 375-5283 for **Michigan use only** or (800) 870-3676 for INS Forms Request. Additional information may also be found at Michigan's Alien Labor Certification Program web site at <http://michalienlaborcert.org/>.

AMERICAN DISABILITIES ACT

Employers are required to comply with the Americans with Disabilities Act. For informational publications contact the U. S. Department of Justice at (800) 669-3362 – for legal information about the Act call (202) 663-4900.

MINIMUM WAGE

Minimum wage and overtime standards are regulated by the federal and state government. For federal information contact the U.S. Department of Labor, 211 West Fort Street, Room 1317, Detroit, Michigan, 48226, at (313) 226-7447 or 2920 Fuller, NE, Suite 100, Grand Rapids, Michigan 49505 at 616-456-2004. For state information, contact the Bureau of Safety & Regulation, Wage and Hour Division of the Department of Consumer and Industry Services, Box 30476, Lansing, Michigan 48909, at (517) 322-1814.

AGE RESTRICTIONS

When hiring an employee who is younger than 18, an employer should be aware of restrictions on the type of work, hours that can be worked, and the need for a work permit. Contact the Bureau of Safety & Regulation, Wage and Hour Division of the Department of Consumer and Industry Services, Box 30476, Lansing, Michigan 48909 at (517) 322-1814.

EQUAL EMPLOYMENT OPPORTUNITY

Contact the U.S. Equal Employment Opportunity Commission at (800) 669-3362 for federal forms. Contact the Michigan Department of Civil Rights, 110 West Michigan Avenue, Suite 800, Lansing, Michigan 48913, or call (517) 335-3165 for public information posters and literature. Any other information about enforcement or to make a complaint about EEO, call (517) 334-9335.

EMPLOYEE POLYGRAPH PROTECTION ACT

To inquire about the Act, contact the U.S. Department of Labor, Wage and Hour Division, 211 West Fort Street, Room 1317, Detroit, Michigan 48226, at (313) 226-7447.

MICHIGAN EMPLOYMENT SECURITY ACT NOTICE TO EMPLOYEE

Contact the Unemployment Agency, Customer Service Office, 7310 Woodward Avenue, Detroit, Michigan, 48202, at (800) 638-3994 for information about the Act.

EMPLOYEES VS CONTRACT LABOR

Individuals may provide services to your businesses as either employees or a contractor. There are many different tests the IRS may apply to determine whether an individual is an employee or contractor. Improperly classifying someone whom the IRS considers an employee or a contractor can result in very stiff penalties. If you wish to consider using contractors instead of employees in your business, it is important that you **consult with a competent tax advisor** prior to making a decision.

REQUIRED WORKPLACE POSTERS

The State of Michigan, Department of Consumer & Industry Services, requires employers to display the following posters at the workplace.

Annual Summary of Injuries and Illnesses Form 200 (Form 200 is required during the month of February only!)(517) 322-1809

Occupational Safety and Health Posters.....(517) 322-1809

Notice to Employees (UA)(800) 638-3994

Wage and Employment Standards Posters*(517) 322-1825

*If gross annual sales are less than \$500,000 per year, State of Michigan workplace posters are required to be posted for all employees. And, if sales are more than \$500,000 per year, the Fair Labor Standard Act workplace posters are required to be posted in an accessible area for all employees.

The State of Michigan, Department of Civil Rights, requires employers to display the following posters at the workplace.

Michigan Law Prohibits Discrimination in Employment
Education, Housing, Public Accommodation or Public Service(800) 482-3604

The U.S. Government, U.S. Department of Labor, requires employers to display the following posters at their workplace.

Notice to Workers with Disabilities(800) 669-3362

Equal Employment Opportunity Act.....(800) 669-3362

Employee Polygraph Protection Act(800) 669-3362

Family & Medical Leave Act	(313) 226-6935
Fair Labor Standards	(313) 226-6935
Minimum Wage.....	(313) 226-6935
Federal Job Safety & Health Protection.....	(202) 693-1999
Michigan Relay Center (Voice Mail and TDD)	(800) 649-3777

APPENDIX C

SMALL BUSINESS DEVELOPMENT CENTERS

Michigan **Small Business Development Centers** (SBDC) are 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 SBDCs provide no-cost business management consulting and low-cost training to Michigan's businesses. 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 SBDC network.

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

The program also links resources of federal and local governments with community colleges, university, and the private sector to produce practical solutions to business problems.

For more information, contact the Michigan SBDCs online at <http://www.mi-sbdc.org/> or call your regional office for information about one of over 80 locations nearest you:

MI-SBDC HOSTED BY

Alpena	Alpena Community College	(989) 358-7383
Detroit	Eastern Michigan University	(734) 487-0490
Escanaba	1 st Step, Inc.	(906) 786-9634
Flint	Community Capital Development Corp.	(810) 341-1477x404
Grand Rapids	Grand Valley State University	(616) 336-7370

Kalamazoo	Kalamazoo College	(616) 337-7350
Lansing	Lansing Community College	(517) 483-9639
Midland	Midland Economic Development Council	(989) 839-0340
Mt. Clemens	Macomb County Business Asst. Ctr.	(586) 469-5118
Harrison	Mid Michigan Community College	(989) 802-0993
Traverse City	Traverse Bay Econ. Dev. Corp.	(231) 947-5075
Ypsilanti/Ann Arbor	Washtenaw Community College	(734) 547-9170

APPENDIX D

SCORE WORKSHOPS

PRE-BUSINESS WORKSHOP

\$40 CHARGE

Held monthly on the third Tuesday. New and existing business owners will learn about:

- Analyzing Business Opportunities
- Business Plans
- Financing
- Marketing and Advertising
- Franchising
- Buying An Existing Business
- Legal Aspects
- Taxes and Regulations
- Insurance

EXPORT WORKSHOP

\$40 CHARGE

Held monthly on the third Wednesday.

- Expanding Your Horizons Through Exporting

LOAN WORKSHOP

\$40 CHARGE

Held monthly on the first Wednesday.

- Sources of Financing
- Loan Application Requirements

BUSINESS PLAN WORKSHOP

\$40 CHARGE

Held monthly on the third Thursday.

- In-Depth Help in Preparing An Effective Business Plan

MARKETING PLAN WORKSHOP

\$40 CHARGE

Held bi-monthly on the fourth Tuesday.

- Specific Help in Developing Marketing Techniques For Various Businesses

Call SCORE's main office at **(313) 226-7947** for more information or to register. If you are interested in taking all four workshops, the price is \$120 and you will receive a certificate of completion.

MICHIGAN SCORE LOCATIONS

A request for counseling may be made at any SCORE location.

KALAMAZOO CHAPTER 433

Kalamazoo Chamber of Commerce
346 West Michigan Avenue
Kalamazoo, Michigan 49007
(616) 381-5382

Battle Creek Area Chamber of
Commerce
4 Riverwalk Center
34 West Jackson Street
Battle Creek, Michigan 49017
(616) 962-4076

Ever Green Commons Senior Center
480 State Street
Holland, Michigan 49423
(616) 396-9472

South Haven Chamber of Commerce
300 Broadway Boulevard
South Haven, Michigan 49090
(616) 637-5171

MUSKEGON CHAPTER 653

Muskegon Economic Growth Alliance
230 Terrance Plaza
Muskegon, Michigan 49443-1087
(231) 722-3751

GRAND RAPIDS CHAPTER 642

Grand Rapids Chamber of Commerce
111 Pearl Street, NW
Grand Rapids, Michigan 49503-2831
(616) 771-0305

TRAVERSE CITY CHAPTER 578

Traverse City Chamber of Commerce
Post Office Box 387
202 East Grandview Parkway
Traverse City, Michigan 49685
(231) 947-5075

Manistee Chamber of Commerce
U.S. 31 at Mason Street
Manistee, Michigan 49660
(231) 723-2575

Frankfort Chamber of Commerce
517 Main Street
Frankfort, Michigan 49635
(231) 723-2575

CADILLAC CHAPTER 651

Cadillac Area Chamber of Commerce
222 Lake Street
Cadillac, Michigan 49601
(231) 775-9776

PETOSKEY CHAPTER 622

Petoskey Chamber of Commerce
401 East Mitchell Street
Petoskey, Michigan 49770-9961
(231) 347-4150

MICHIGAN UP CHAPTER 176

Sault Ste. Marie Chamber of
Commerce
2581 I-75 Business Spur
Sault Ste. Marie, Michigan 49783-0408
(906) 632-3301

Delta County Chamber of Commerce
230 Ludington Street
Escanaba, Michigan 49829
(906) 786-2192

ANN ARBOR CHAPTER 655

Lenawee County Chamber of
Commerce
202 North Main, Suite A
Adrian, Michigan 49221
(517) 265-5141

Ann Arbor Chamber of Commerce
425 South Main, Suite 103
Ann Arbor, Michigan 48104
(734) 665-4433

Brighton Chamber of Commerce
131 Hyne Street
Brighton, Michigan 48116
(810) 227-3557

Ypsilanti Area Chamber of Commerce
301 West Michigan Ave., Suite 301
Ypsilanti, Michigan 48197
(734) 482-4920

DETROIT CHAPTER 18

Bay Area Chamber of Commerce
901 Saginaw Street
Bay City, Michigan 48707
(517) 893-4567

Birmingham/Bloomfield Chamber of
Commerce
124 West Maple
Birmingham, Michigan 48707
(248) 644-1700

Dearborn Chamber of Commerce
15544 Michigan Avenue
Dearborn, Michigan 48126
(313) 584-6100

Ferndale Adult and Community
Education
2211 Woodward Avenue
Ferndale, Michigan 48220
(248) 546-6832

**DETROIT MICHIGAN CHAPTER
18-CONTINUED**

Flint Chamber of Commerce
519 South Saginaw Street, Suite 200
Flint, Michigan 48502
(810) 232-7909

Lansing Chamber of Commerce
300 East Michigan, Suite 300
Lansing, Michigan 48933
(517) 487-6340

Lapeer Development Corporation
449 McCormick Drive
Lapeer, Michigan 48446
(810) 667-0080

Livonia Chamber of Commerce
15401 Farmington Road
Livonia, Michigan 48154
(734) 427-2122

Madison Heights Chamber of
Commerce
26345 John R. Blvd.
Madison Heights, Michigan 48071
(248) 542-5010

Midland Business Center
1212 James Savage Road
Midland, Michigan 48640
(517) 839-5877

Monroe County Chamber of Commerce
111 E. First St., Detroit Edison Bldg.
Monroe, Michigan 48161
(734) 242-3366

Central Macomb County Chamber of
Commerce
58 North Avenue
Mt. Clemens, Michigan 48043
(810) 463-1528

Oakland County Development and
Planning
Executive Office Building
1200 North Telegraph Road
Pontiac, Michigan 48341-0412
(248) 858-0783

Oakland University
1st Floor Varner Hall
433 Varner Road
Rochester, Michigan 48309
(248) 370-2100

Port Huron Chamber of Commerce
920 Pinegrove Road
Port Huron, Michigan 48060
(810) 985-7101

**DETROIT MICHIGAN CHAPTER
18-CONTINUED**

Rochester Chamber of Commerce
71 Walnut Street, Suite 110
Rochester, Michigan 48307
(241) 651-6700

Greater Royal Oak Chamber of
Commerce
301 West Fourth Street, Suite 250
Royal Oak, Michigan 48067
(248) 547-4000

Saginaw Chamber of Commerce
901 South Washington Avenue
Saginaw, Michigan 48601
(517) 752-7161

Lawrence Technological University
Room 337, Buell Building
21000 West Ten Mile Road
Southfield, Michigan 48075-1058
(248) 204-3053

Downriver Community Conference
15100 Northline Road
Southgate, Michigan 48195
(734) 281-0700

Troy Chamber of Commerce
4555 Corporate Drive, Suite 300
Troy, Michigan 48098
(248) 641-8151

Warren Chamber of Commerce
30500 VAn Dyke
Warren, Michigan 48093
(810) 751-3939

West Bloomfield Chamber of
Commerce
6668 Orchard Lake Road, Suite 207
West Bloomfield, Michigan 48322
(248) 626-3636

Ypsilanti Area Chamber of Commerce
301 West Michigan Avenue, Suite 301
Ypsilanti, Michigan 48197
(734) 482-4920

APPENDIX E

INDEX OF STATE AND FEDERAL GOVERNMENT WEB SITES

STATE GOVERNMENT

Michigan Department of Civil Rights

Web site: <http://www.mdcr.state.mi.us/>

Information on compliance with Civil Rights laws.

Michigan Department of Consumer and Industry Services

Web site: <http://www.cis.state.mi.us>

Information, forms, and publications related to health, safety, economic/cultural well being. Composed of nineteen regulatory and service agencies.

Consultation Education & Training (CET)

Web site: <http://www.cis.state.mi.us/bsr/divisions/cet/home.htm>

Information about training programs to provide a safe and equitable workplace for employees

Corporation Division

Web site: <http://www.cis.state.mi.us/bcs/corp/home.htm>

Forms for registering as a corporation (Articles of Incorporation), limited partnership or limited liability company, and information about trademarks & service marks

Office of Occupational Health

Web site: <http://www.cis.state.mi.us/bsr/divisions/mio>

Information about safety and health standards and access to required workplace posters – Michigan Safety & Health Protection on the job, and Right to Know Material Safety Data Sheets.

Workers Compensation

Web site: <http://www.cis.state.mi.us/wkrcomp/pub.htm>

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.

Michigan Department of Management & Budget

Web site: <http://www.state.mi.us/dmb/StatePurchasing.shtm>

Access to information about doing business with the State of Michigan and the Vendor Registration Form.

Michigan Department of Treasury

Web site: <http://www.treas.state.mi.us/>

Forms to register for Michigan business taxes, i.e. Sales, Use & Withholding, and Single Business Tax.

Michigan Economic Development Corporation

Web site: <http://www.michigan.org/>

All information contained in this booklet, along with access to Michigan Careersite where job openings can be posted, and Travel Michigan.

Michigan New Hire Operations Center

Web site: <http://www.minew-hires.com/>

Michigan Employer Guide to New Hire Reporting, along with the New Hire Reporting Form.

Michigan Unemployment Agency

Web site: <http://www.cis.state.mi.us/ua/homepage.htm>

Information on unemployment insurance services.

FEDERAL GOVERNMENT

Internal Revenue Service

Web site: <http://www.irs.gov>

Information, forms, and publications regarding business and personal taxes.

SS4 – Application for Employer Identification Number – EIN

Web site: <http://ftp.fedworld.gov/pub/irs-pdf/fss4.pdf>

Social Security Administration

Web site: <http://www.ssa.gov/>

Information about the Social Security Administration, their services to employers (including a guide to wage reporting for employers), and information about being self-employed.

Department of Labor

Web site: <http://www.dol.gov/dol/osbp/public/sbrefa/poster/matrix.htm>

Summary of federally required workplace posters.

Patent and Trademark Office

Web site: <http://www.dol.gov/dol/osbp/public/sbrefa/poster/matrix.htm>

Registration forms for trademarks and service marks.

Copyright Office

Web site: <http://www.dol.gov/dol/osbp/public/sbrefa/poster/matrix.htm>

Information, forms, and publications regarding United States Copyright laws.

Small Business Administration (SBA)

Web site: <http://www.sbaonline.sba.gov/>

Information about the services and programs available through the SBA.

OTHER ORGANIZATIONS

Michigan Small Business Development Center

Web site: <http://www.mi-sbdc.org/>

Information about the services provided by the Small Business Development Centers (SBDCs), and a list of the Regional and Satellite Centers.

APPENDIX F

ABOUT THE SMALL BUSINESS ADMINISTRATION (SBA)

U.S. Small Business Administration

Michigan District Office

477 Michigan Avenue, Room 515

Detroit, Michigan 48226

Phone: (313) 226-6075

Fax: (313) 226-4769

Web site: <http://www.sba.gov>

E-mail: Michigan@sba.gov

The U.S. Small Business Administration 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?

- Independently owned and operated
- For-profit business
- Meets SBA size standards which are based on either number of employees or average annual sales. In general they are as follows:

Manufacturing	500 employees
Mining	500 employees
Wholesaling	100 employees
Retail	\$5-\$21 M sales
Service	\$2.5-\$21 M sales
Construction	\$7-\$17 M sales

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

ADVOCACY

The SBA espouses the cause of 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) 8-ASK-SBA.

GOVERNMENT CONTRACTING

SBA helps small businesses obtain a representative share of federal contracts through a variety of programs including assistance locating government contracts; subcontracting to small businesses; entry into PRO-Net, a computerized database which is accessed by all federal agencies and prime contractors; issuing certificates of competency to help qualify small businesses for government contracts, and more. SBA programs include:

8(a)-Minority Enterprise Development Program: a business development program for small businesses at least 51% owned, managed, and controlled by individual(s) who are socially and economically disadvantaged, and which have the capacity and capability to sell products and services directly to the federal government. Through the 8(a) program, SBA acts as a prime contractor and negotiates subcontracts with 8(a) companies at prices which enable the firms to perform the contract and earn a profit.

PRO-Net: an electronic gateway of procurement information, for and about small businesses. It is a search engine for contracting officers, a marketing tool for small firms and a "link" to procurement opportunities and important information. It is designed to be a "virtual" one-stop procurement shop.

Small Disadvantaged Business Certification 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 an SDB by SBA.

HUBZones: the historically underutilized business zones (HUBZones) were created to encourage economic development through establishment of preferences for award of federal contracts to small businesses located in these areas. There are over 400 HUBZones in Michigan with over 200 in the City of Detroit. To see whether your business is located within a HUBZone, visit SBA's Web page.

Very Small Business Set-Aside Pilot Program: this pilot program improves access to federal government contract opportunities for businesses with 15 or fewer employees and average annual receipts that do not exceed \$1 million by reserving certain procurements for competition among such businesses. Procurement requirements estimated to be between \$2,500 and \$50,000 must be reserved for eligible VSB businesses.

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.

Michigan Small Business Development Centers (SBDC): Help to foster small business concerns by providing “one-stop” guidance, assistance, and counseling to small business owners. There are 12 regional centers and over 70 satellite and affiliate centers in Michigan. To find the location closest to you, please call (616) 336-7480 or refer to Appendix C.

Service Corps of Retired Executives (SCORE): This association is comprised of volunteer, retired business executives who share their management and technical expertise with small business owners. There are nine SCORE chapters in Michigan with over 40 locations. Please call (313) 226-7947 to locate the SCORE office closest to you or refer to Appendix D.

U.S. Export Assistance Centers: 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) 226-3650, Ann Arbor (734) 741-2430, Pontiac (248) 975-9600, and Grand Rapids (616) 458-3564.

Women Business Centers: provide a wide range of services to women entrepreneurs at all levels of business development, including the principles of finance, management and marketing, as well as specialized topics such as government contracting and certification. There are four WBCs in Michigan and one Affiliate center: Detroit (313) 961-8426, Grand Rapids (616) 458-3404, Ann Arbor (734) 677-1400, Traverse City (231) 929-5000, and Flint (810) 239-9250.

Business Information Centers: A wealth of resources including computer hardware and software, books, videos, and CD-ROMs are available for small business owners. The centers also provide one-on-one counseling from SCORE and the MI-SBDC. There are three BICs in Michigan: Detroit (313) 965-1100, Flint (810) 767-7272 and Grand Rapids (616) 771-6880.

FINANCIAL ASSISTANCE

The SBA provides financial assistance by guarantying loans made by lending institutions. In most cases, the maximum amount the SBA may guaranty is \$1,000,000. Loans of \$150,000 or less carry a maximum 85% guaranty rate. Loans exceeding \$150,000 have a maximum guaranty of 75%. The maximum interest rate permitted is 2.75% over prime.

The SBA offers a variety of loan programs to meet nearly every financing need. Programs include:

LowDoc loans: For loans up to \$150,000. While the dynamics are the same for the borrower, the lender submits less paperwork to the SBA thereby reducing turn-around time for approval.

CAPLines: This program offers a variety of lines of credit to help small businesses meet financing needs. This program includes contract loans to help finance labor and materials for a project; seasonal lines of credit; asset-based loans for revolving lines of credit; and contractor loans to finance renovations of buildings for resale.

Export Working Capital Program: Helps to finance labor, materials, and export expenses during any stage of the export process.

International Trade Loans: To finance facilities, equipment, or working capital for international sales.

Prequalification Loans: Intermediary organizations work with minority, women, and disabled business owners to present a loan application for \$250,000 or less for SBA review prior to submitting the proposal to a bank. If SBA's review is favorable, it will issue a letter of pre-commitment which states if a bank will do the deal, SBA will guaranty it.

Microloans: this program provides small loans ranging from under \$500 to \$35,000. Under this program, the SBA makes funds available to nonprofit intermediaries that, in turn, make the loans directly to entrepreneurs. Proceeds can be used for typical business purposes such as working capital, machinery and equipment, inventory and leasehold improvements. Interest rates are negotiated between the borrower and intermediary. The average loan size is \$10,000.

Certified Development Company-504 Program: this program provides long-term, fixed-rate, subordinate mortgage financing for acquisition and/or renovation of capital assets including land, buildings, and equipment. Projects are financed through a cooperative effort by the lender, the SBA, and a development company which is SBA-certified.

Small Business Investment Company Program (SBIC): licensed and regulated by SBA, SBICs are privately owned investment firms that make capital available to small businesses through investments or loans. SBICs use their own funds plus funds obtained at favorable rates with SBA guarantees and/or selling their preferred stock to SBA. SBICs are for-profit firms whose incentive is to share in the success of a small business.

ESMALL BUSINESS:

Tools to help businesses understand and participate in the Internet economy (www.sba.gov).

HOW TO GET ON-LINE

SBA's on-line classroom (www.sba.gov/classroom).

Internet Essentials is 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. Modules include:

1. **The Internet Economy** – learn how the Internet can help make your business more competitive.

2. **Basics of the Internet** – learn why it's important for your business and which technologies and services you'll need to start putting the power of the Internet to work for you.
3. **Basics of E-commerce** – overview of how to buy and sell on-line, the different kinds of e-commerce, and setting up a virtual storefront.
4. **Growing Your Business on the Web** – information about the technologies, software and products you will need for your Internet strategy.

HOW TO FIND A TECHNOLOGY COMPANY

Business cards (app1.sba.gov/buscard)

Search on-line through business cards posted by business owners to find a resource you need. For example a recent search with keyword "internet" in Michigan yielded 42 companies. Please note, these businesses are not endorsed by the SBA. This feature is provided merely as a public service.

HOW TO MARKET YOUR BUSINESS ON-LINE

On-line Women Business Center (www.onlinewbc.gov)

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.

PRO-Net

pronet.sba.gov

Pro-Net is an electronic gateway of procurement information for and about small businesses. It is a search engine for contracting officers, a marketing tool for small firms and a "link" to procurement opportunities and important information.

E-COMMERCE REGULATORY ISSUES

SBA's Office of Advocacy (www.sba.gov/advo)

It is important for small business to understand the laws, policies, and regulations that affect e-commerce. SBA's Office of Advocacy has created a Web page to provide small business owners and operators with up-to-date information on federal regulatory and legislative actions that affect e-commerce. Information includes:

1. **E-commerce issues** – Information on specific issues, how these actions can affect you and how to get involved. Top issues currently include: Alternative Dispute Resolution, Taxation, Top Level Domain Names Abuse (cybersquatting), and Trademarks.
2. **E-commerce trends and statistics** – latest research on e-commerce available to SBA.
3. **E-commerce links** – Web sites with important information for small businesses

