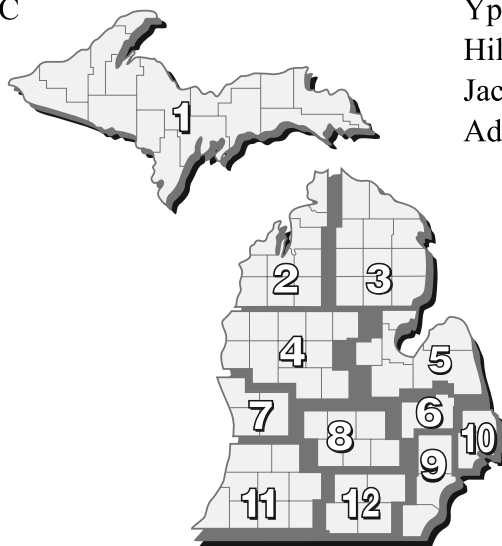


Guide to Starting a Small Business



BIZ RESOURCE CENTERS (BRCs) LOCATIONS

<u>Region</u>	<u>Host</u>	<u>Location</u>	<u>Telephone</u>
1	Ishpeming - Main Street Program	Ishpeming	906.486.6853
1	Michigan Works!	Escanaba	906.789.9723
1	Michigan Works!	Marquette	906.228.3075
1	Michigan Works!	Sault Ste. Marie	906.635.1752
1	Finlandia University	Hancock	906.487.7344
2	Boyne District Library	Boyne City	231.582.7861
2	Michigan Works!/Little Traverse Bay Bands	Petoskey	231.347.5150
2	Michigan Works!	Traverse City	800.442.1074
2	East Jordon District Library	East Jordon	231.536.7131
2	Charlevoix Public Library	Charlevoix	231.547.2651
3	Alpena Community College	Alpena	989.358.7252
4	Michigan Works!/MMCC M-TEC Office	Gladwin	989.240.0059
4	MMCC M-TEC Building	Harrison	989.386.6624
4	Pere Marquette District Library	Clare	989.386.7576
4	Montcalm CC M-TEC Building	Greenville	616.754.7706
5	Michigan Works!	Saginaw	989.249.5232
5	Michigan Works!	Bay City	989.667.0500
5	Michigan Works!	Midland	989.631.3073
5	Michigan Works!	Standish	989.846.2111
6	Kettering University	Flint	810.762.9660
7	Hackley Public Library	Muskegon	231.722.7275
8	Lansing Regional Chamber of Commerce	Lansing	517.487.6340
8	Portland District Library	Portland	517.647.6981
9	Schoolcraft College	Livonia	734.462.4438
9	Detroit One Stop Business Resource Center	Detroit	313.967.9295
9	Michigan Works!/Downriver Community Conference	Southgate	734.362.3442
10	Michigan Works!	Clinton Township	586.263.1501
10	MBPA/MFBA	Warren	586.393.8800
11	Niles Main Street	Niles	269.687.4332
11	Marshall District Library	Marshall	269.781.7821
12	EMU/Washtenaw CC	Ypsilanti	734.487.0355
12	Michigan Works!	Hillsdale	517.437.3381
12	Michigan Works!	Jackson	517.841.5627
12	Michigan Works!	Adrian	517.266.5627



Regional Map

TABLE OF CONTENTS

Introduction	1
A Business Plan	2
A Suggested Outline of Business Plan.....	5
Business Start-Up Checklist	7
Ways to Legally Structure a Business and Registering a Business Name.....	10
Licenses, Permits and Other Regulations	15
Business Taxes.....	18
Being Self-Employed	21
Buying a Business.....	24
Hiring Employees.....	25
Financing a Business.....	29
Managing a Business	34
Insurance	37
Selling to Government	39
Procurement Technical Assistance Centers	40
Now What?	41
Appendix A – List of Michigan County Clerk Offices to Obtain a Certificate of Assumed Name (D/B/A)	42
Appendix B – Information for Employers Hiring Employees	46
Appendix C – Required Workplace Posters.....	49
Appendix D – Small Business & Technology Development Centers (MI-SBTDCs).....	51
Appendix E – SCORE (Counselors to America’s Small Business)	53
Appendix F – Index of State and Federal Government Web Sites.....	54
Appendix G – About the Small Business Administration (SBA)	56
Appendix H – Acronyms	60
Appendix I – Types of Business Entities.....	61

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 (MEDC) 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 to establishment of a basic business plan to complying with federal, state and local tax obligations. Though this guide is not a substitute for legal or financial counsel, it is an information resource and quick reference designed to facilitate and expedite the process of starting a business in Michigan.

Although 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 Michigan Small Business & Technology Development Centers (MI-SBTDCs) and the Service Corps of Retired Executives (SCORE) programs are good starting points. We also update the online version of this guide as changes occur. The web site for the online version is www.TheMEDC.org/startupguide.

Assistance and counseling are also available from local economic development organizations, trade associations, local chambers of commerce, schools, community colleges, universities and public libraries. An abundance of resources are available and this guide can help you get started.

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 effective operating tool. If properly used, a business plan 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 over-emphasized. Taking an objective look at the business plan will identify areas of weakness and strength, pinpoint needs that might otherwise be overlooked, and spot opportunities early. Once the plan has been written, one can then begin working on how best to achieve the business goals.

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 can help avoid costly mistakes. It is far cheaper not to begin an ill-fated business than to learn by experience what a business plan would have shown.

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, but offers the framework 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 meet the goals.

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. 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 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 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 present enough information so readers will continue and give a sense of enthusiasm and optimism. 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 MI-SBTDC (see Appendix D) or online at <http://www.misbtdc.org>. Various legal and financial consultants are listed in the Yellow Pages and online.

A business plan is a prediction of the future based on the current business, personal, and financial situations. 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 plan and use it to make decisions.

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. 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 to employees and as a reminder to those in charge. 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. 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 bottom line of the company), this can have a disastrous impact on the ability to raise funds and receive future credit.

RESOURCES

All businesses have limited resources and various business operations within the company compete for these resources. The business planning process will help differentiate among competing operations and allocate resources to optimize profits. 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 and sustaining 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.

A SUGGESTED OUTLINE OF BUSINESS PLAN

1. Cover Sheet

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

2. Executive Summary – Statement of Purpose

A summary of the business covering at least the following items: the name of the business, the 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 formation, legal structure, subsidiaries and degrees of ownership within 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: Describe the location and its appeal to your target market.
- g. Operation: Hours of operation.
- h. Marketing: Multi-media, specialized publications, bill boards, networking.

5. Management

- a. Business format: Describe your legal structure and explain why you chose this form compared to others.
- b. Organizational chart: 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. Experience: Describe the past experiences of partners and employees, and 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: Describe how production or delivery of services will be accomplished.
- b. Capacities: Describe the physical facilities, suppliers, patents, labor and technologies that exist or will be used.
- c. Capital equipment: Type and amount of machinery and durable equipment needed to operate the business.
- d. Supplies: Describe where and how you will 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 MI-SBTDC (see Appendix D), or 877.873.4567, 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 the section entitled, "Ways To Legally Structure A Business and Registering A Business Name." An attorney, accountant or business counselor at the nearest MI-SBTDC (see Appendix D) 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, Department of Energy, Labor & Economic Growth, Bureau of Commercial Services, Corporation Division. 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 Department of Energy, Labor & Economic Growth, Bureau of Commercial Services, Corporation Division, at 517.241.6470 or online at www.michigan.gov/corporations.

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 Department of Energy, Labor & Economic Growth, Bureau of Commercial Services, Corporation Division. To check name availability, you may call customer service at 517.241.6470 or fax your request to 517.241.0538. For information about filing requirements, please call 517.241.6470 or visit the Corporation Division website. Forms may also be obtained from the Corporation Division website under Forms and Publications at www.michigan.gov/corporations.

To request that forms be mailed to you, call 517.241.6470, fax your request to 517.241.0538, 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 (IRS) at 800.829.4933 or online at 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?**

Michigan does not have a general business license. Some occupations, professions and business activities require certification or licensing. You may access the licensing and certification information on-line at www.michigan.org/medc/services/license/. State permit information can be found at www.michigan.gov/mitaps (Michigan Timely Application and Permit Service). Check with the county, city, or township clerk to determine if any local licenses, permits, or registrations are required. Permits and licenses vary among local units of government.

☐ **Have you registered for a federal Employer Identification Number (EIN)?**

Generally, an EIN is required by the IRS if:

1. The business will have employees; and/or

2. The business operates as a corporation or partnership.

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 Federal Employer Identification Number – EIN) to 859.669.5760 or by calling 800.829.4933. For more information, visit the IRS online at www.irs.gov.

☐ **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 are paid and when they are due. Seeking the advice of an accountant or tax attorney at this point is invaluable. Most businesses are required to make regular payments of estimated tax throughout the year. For more information, visit the IRS online at www.irs.gov. If you have questions about determining your federal tax liability or your payment schedule, contact the IRS at 800.829.4933.

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

Businesses operating or conducting business in Michigan 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 www.michigan.gov/taxes. 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 517.636.4660 or access the forms and information online at www.michigan.gov/taxes.

☐ **Will the business hire employees?**

If employees are hired, there are responsibilities at both the state and federal government levels. If the business is a corporation, anyone who performs services for the corporation or receives compensation—including an “owner”—is considered an employee. There are many tax, insurance and regulatory requirements that are the responsibility of the employer. 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 www.michigan.gov/deq.

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

As the purchaser of even a portion of a business, you may be responsible for the previous owner’s liabilities, regardless of any contractual language to the contrary. As the purchaser of the business, 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 517.636.5260 to obtain Form 514 to request a Conditional Tax Clearance Request letter, or you may access the information online at www.michigan.gov/taxes. As the purchaser of a business, it is wise to obtain a copy of this Conditional Tax Clearance Request letter from the seller prior to the closing date or signing any purchase agreements.

Also, contact the Unemployment Insurance Agency (UIA) at 800.638.3994 or online at www.michigan.gov/uia to obtain information on successor liability. Furthermore, the seller is required

to provide the purchaser with UIA Form 1027, Business Transferor's Notice to Transferee of Unemployment Tax Liability and Rate. This form will advise the purchaser of the unemployment tax rate, outstanding liabilities, and other details about jobless benefit payments and taxes.

☐ **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 county, city, or township 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. Workers' compensation insurance is required if the employer regularly employs three or more workers, or if at least one worker is employed for 35 hours or more per week for 13 weeks or longer.

Contact the nearest MI-SBTDC (see Appendix D) for additional information or questions about starting a business.

WAYS TO LEGALLY STRUCTURE A BUSINESS AND REGISTERING A BUSINESS NAME

In choosing the legal structure for your business, a number of considerations may affect your decision. The following definitions show the advantages and limitations of the most common legal structures. Choose the structure that meets the needs of the business now or in the immediate future. Do not undertake a more complex legal structure than is currently necessary. You can always choose another structure as the business expands or changes.

The size of the business is perhaps the biggest factor in selecting the legal structure. If you personally are the business, then sole proprietorship is most likely the legal structure of choice. If your business consists of two or more persons and you want the business to be relatively simple and unregulated, then a partnership may be your choice.

Incorporation should be undertaken if the business has the following: assets sufficient to warrant the costs of incorporating; stockholders needing the provision of limited liability; and the ability to profitably withstand the added governmental regulations and related reporting requirements.

The examples above are for informational purposes only and legal advice is not being provided. If you require legal, tax, and/or financial advice in choosing a business structure, please consult an attorney and/or your tax professional.

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 monitor 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 Energy, Labor & Economic Growth online at www.michigan.gov/corporations 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).**

Advantages

Easy to establish

All profits retained by owner

Owner controls decision making

Low start-up costs

Tax advantages

Easy to terminate business

Disadvantages

Unlimited liability

Difficult to raise capital

Inexperience of single owner

Limited continuity in case of illness/death of owner

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 would file a certificate of co-partnership, or may, like a sole proprietorship, 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).

Advantages

- Easy to establish
- Larger pool of expertise
- More sources of capital
- Partners control decision-making
- Tax advantages

Disadvantages

- Unlimited liability for at least one partner
- Partnership terminates with incapacity or withdrawal
- Difficult to raise capital
- Divided authority
- Difficulty finding suitable partners

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. In order to form a limited partnership, a Certificate of Limited Partnership is filed with the Department of Energy, Labor & Economic Growth, Bureau of Commercial Services, Corporation Division. Additional information and assistance is available at the Corporation Division website under Forms and Publications online at www.michigan.gov/corporations. Copies of forms, statutes, and publications are available at that site or customers may call 517.241.6470.

Advantages

- Easier to establish than a corporation
- Lower start-up costs
- Not liable for associates negligence or malpractice
- Tax advantages

Disadvantages

- Partners personally liable for contractual obligations and debts

"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 sole 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 Department of Energy, Labor & Economic Growth, Bureau of Commercial Services, Corporation Division. Additional information and assistance is available online at the Corporation Division website under Forms and Publications at www.michigan.gov/corporations. Copies of forms, statutes, and publications are available at that site or customers may call 517.241.6470.

Advantages

Limited liability

Easier to raise capital

Ownership is transferable

Business continues if owner is incapacitated

Large pool of expertise

Disadvantages

Closely regulated

Extensive record keeping

Expensive to organize

Double taxation

SUBCHAPTER "S" CORPORATION

A special section of the IRS 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 800.829.4933 or online at www.irs.gov for the appropriate forms. The Articles of Incorporation are filed with the Department of Energy, Labor & Economic Growth, Bureau of Commercial Services, Corporation Division. Additional information and assistance is available at the Corporation Division website under Forms and Publications online at www.michigan.gov/corporations. Copies of forms, statutes, and publications are available at that site or customers may call 517.241.6470.

Advantages

Avoids double taxation

Losses can be offset against income by owners

Disadvantages

Some restrictions

Must operate on calendar year for reporting

PROFESSIONAL SERVICE CORPORATION (PC)

A PC, as the name implies, is a corporation made up exclusively of licensed professionals. Licensed professionals are those people who have been legally authorized to provide such a professional service. The professional service corporation may be formed by one or more persons to render professional services.

These entities are formed by filing Articles of Incorporation with the Department of Energy, Labor & Economic Growth, Bureau of Commercial Services, Corporation Division. Additional information and assistance is available at the Corporation Division website under Forms and Publications online at www.michigan.gov/corporations. Copies of forms, statutes, and publications are available at that site or customers may call 517.241.6470. The annual information update filed by a professional service corporation must list the shareholders and attest that all are licensed or authorized to provide the professional service.

Professional service corporations are formed to give professionals the benefits of a corporation, while not altering the law involving liability of the individual licensed person.

Advantages

Owners protected from negligence of associates

Disadvantages

Ownership restricted to licensed practitioners of a specific occupation

Higher start-up costs and more paperwork than a sole proprietorship or partnership

LIMITED LIABILITY COMPANY (LLC)

The LLC may be treated as a partnership or sole proprietorship 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 LLCs are called "members." These are comparable to stockholders in a corporation or limited partners in a limited partnership. To create a LLC, Articles of Organization are filed with the Department of Energy, Labor & Economic Growth, Bureau of Commercial Services, Corporation Division. The LLC must have an operating agreement. The operating agreement is a written agreement by the member of a limited liability company that has 1 member, or between all of the members of a limited liability company having more than 1 member, pertaining to the affairs of the limited liability company and the conduct of its business. If an LLC fails to adopt an operating agreement, the member or members will be unable to take full advantage of the benefits of forming an LLC and default provisions in the act will determine distribution and voting rights. Additional information and assistance is available online at www.michigan.gov/corporations along with copies of forms, statutes, and publications or by calling 517.241.6470.

Advantages

Limited liability

Tax advantages

Lower start-up costs than a corporation

Greater flexibility in management than a corporation

Less formal than a corporation

No restriction on number or type of members

Disadvantages

Transfer of ownership more difficult than a corporation

Filing procedures vary from state to state

Newest form of business structure and some persons or practitioners may not be completely familiar with proper organization and operating issues of a limited liability

NONPROFIT CORPORATIONS (NPCs)

NPCs 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 NPC is created under the Michigan Nonprofit Corporation Act. However, there are many special acts that permit the formation of a wide variety of NPCs. Some purposes for which NPCs are commonly formed are those involving religious, educational, and charitable activities. To create a NPC, Articles of Incorporation must be filed with the Department of Energy, Labor & Economic Growth, Bureau of Commercial Services, Corporation Division. Additional information and assistance is available at the Corporation Division online under Forms and Publications at www.michigan.gov/corporations. Copies of forms, statutes, and publications are available at that site or customers may call 517.241.6470.

Some NPCs may be eligible for exemption from federal income taxes. Contact the IRS at 877.829.5500 or access Publication 557 "Tax Exempt Status for your Organization" on-line along with the accompanying package "Application for Recognition of Exemption" - Form 1023 under Section 501(C) (3) online at www.irs.gov.

A Certificate of Exemption (Form 3372) for the Michigan sales tax may be obtained from the Michigan Department of Treasury at 517.636.4660 or online at www.michigan.gov/taxes. Please note that the sales tax exemption 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 Michigan Department of Treasury online at www.michigan.gov/taxes. You may also wish to contact the Michigan Department of Treasury, Technical Services Division, at 517.636.4700 to determine if your organization will be exempt from the state Michigan Business Tax.

If a nonprofit organization is soliciting charitable contributions from the public, it may need to be licensed and/or registered with the Department of Attorney General's Charitable Trust Section, Post Office Box 30214, 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 online you may download it from the Attorney General's website at www.michigan.gov/ag.

The Michigan Non-profit association has a "Getting Started" packet for non-profit organizations. For more information, call 517.492.2400 or visit <http://www.mnaonline.org/>. For the latest nonprofit news, visit <http://www.michigannonprofit.com>.

LICENSES, PERMITS AND OTHER REGULATIONS

The State of Michigan does not have a generic business license. Several occupations and industries/services are required to be licensed by the State of Michigan. Michigan has several hundred licensed occupations and services ranging from doctor to manicurist to wildlife exhibitor to veterinarians. The industries and services connected with these occupations often require specific regulations as well as legal, educational, 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 Michigan licensed occupations information online at www.michigan.org/medc/services/license/. Check with the county, city, or township clerk (see Appendix A) to determine if any local licenses or registrations are required and to obtain the necessary forms.

Michigan Timely Application and Permit Service (MiTAPS) was created to streamline the State of Michigan's permitting and licensing process for both individuals and businesses. The website is a single point of entry allowing Michigan businesses access to a faster, simplified and more efficient permitting and licensing process.

This service will allow a company to access and use an ever expanding list of online permitting services 24-hours a day, seven days a week. Services provided include the following:

- Search all permit and licensing requirements for doing business in Michigan.
- Help for individuals or businesses to determine whether a particular permit/license is required.
- Allow individuals/businesses to customize their account profile to include those permits/licenses that are of interest.
- Complete permit application forms with an easy-to-follow permit wizard, step-by-step instructions, and a submission checklist.
- Enter personal and company data once, with the ability to route data to multiple permit applications, avoiding the need for data re-entry and the use of duplicate forms.
- Make fee payments online.
- Monitor the permit/license application status.

MiTAPS provides a more concise manner for state agencies to share information and process applications. The MiTAPS website is www.michigan.gov/mitaps.

For more information, please contact the Michigan Economic Development Corporation, Customer Assistance Center at 517.373.9808.

ENVIRONMENTAL CONSIDERATIONS

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

A business involved in activities that have the potential to impact the environment (such as land clearing and construction) or operating processes that generate air emissions and waste (such as coating lines, boilers, and cleaning metal parts with solvent) may need permits, licenses, or other authorizations from the Michigan Department of Environmental Quality (MDEQ). Contact the MDEQ at 800.662.9278 or online at www.michigan.gov/deq.

The MDEQ regulates business activities that involve:

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

Resources:

Free technical assistance, consultation, and guidance is available from the Environmental Air Assistance Program (EAP) by calling 800.662.9278 or online at: www.michigan.gov/deqenvassistance.

The Michigan Manufacturers' Guide to Environmental, Health and Safety Regulations (a general and informational reference that provides an overview of the regulatory programs that apply to many businesses – not just manufacturers). Online copies are available at www.michigan.gov/deq (click on "DEQ Publications").

The DEQ Permit Information Checklist (an easy to use checklist for determining if your project requires any type of environmental permit) is available online at www.michigan.gov/deq (click on "Key Topics" and then "Permits").

The DEQ Permit and Licensing Guidebook is available online at www.michigan.gov/deq (click on "Key Topics" and then "Permits").

The possibility of environmental contamination should be considered when looking at the lease or purchase of an existing building or property for conducting business. In Michigan, a Baseline Environmental Assessment (BEA) allows people to purchase or begin operating at a facility without being held liable for existing or previous contamination. For more information on BEA's and Due Care, go online at www.michigan.gov/deq (click on "Land").

Business owners should also check with county and local authorities about whether local permits and licensing may be required. Even though the costs of adhering to the regulations can be burdensome for a business owner, the cost of noncompliance, including fines, penalties, and even business closure, 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. Check with your local unit of government to determine if any special permits are required.

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. No exceptions to the state requirements can be made by a local unit of government or a state department, agency or person, except the Barrier Free Design Board. A person requesting an exception must demonstrate "compelling need" as defined in section 5a of 1966 Public Act (PA)1, MCL 125.1355a. For additional information, visit the Department of Energy, Labor & Economic Growth, Bureau of Construction Codes website at www.michigan.gov/bcc or contact the Plan Review Division at 517.241.9328.

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 Department of Energy, Labor & Economic Growth, Bureau of Commercial Services, Corporation Division at 517.241.6470. The registration fee is \$50 and is in effect for ten years and can be renewed for an additional ten years prior to the end of each ten year period. Trademarks and service marks may also be registered for use throughout the United States with the United States Patent and Trademark Office, (USPTO), USPTO Contact Center, Post Office Box 1450, Alexandria, VA 22313-1450 or by telephone at 800.786.9199 or 571.272.4100 or available online at 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 70 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 www.copyright.gov.

BUSINESS TAXES

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

EMPLOYER IDENTIFICATION NUMBER (EIN)

An EIN identifies the business for federal and state tax purposes. Many financial institutions will not open a commercial banking account under an assumed 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. However, using a social security number to identify your business could increase the chances of identity theft.

An EIN must be obtained if the business is set up as a partnership, a corporation for profit or nonprofit, a limited liability company, a 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 must use EINs when filing excise, employment, alcohol, tobacco or firearms returns.

It is important to note:

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

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

EMPLOYER TAXES

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

SELF-EMPLOYMENT TAXES

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

PERSONAL INCOME TAX

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

Shareholders and employees (including paid corporate officers) pay individual income tax on any salary and dividends received from the corporation.

Most businesses are also required to make "Estimated Tax" payments on a quarterly basis for Michigan income tax, federal income tax and self-employment tax.

For more information about your tax obligations and the proper forms, contact the Michigan Department of Treasury at 800.487.7000 for state taxes and the IRS at 800.829.4933 or online at www.irs.gov for federal taxes.

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 sale (and use) tax, withholding taxes, Michigan Business Tax, motor fuel tax, and tobacco products tax. It can be obtained by contacting the Michigan Department of Treasury at 517.636.4660 or 800.367.6263. Questions and answers about registering a business may also be accessed online at www.michigan.gov/taxes.

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. Local governments cannot levy sales tax in Michigan.

When selling or leasing tangible personal property to a Michigan customer from an out-of-state location and when the business has no retail location in Michigan, one must register for use tax, which is also 6 percent. Also, register with the Michigan Department of Treasury if a Michigan resident buys or rents tangible property from an out-of-state source or when selling telephone, telegraph or other leased wire communication services.

Every business that employs one or more employees is required to withhold federal income tax under the Internal Revenue Code. Businesses must also withhold Michigan income tax from wages paid to employees in Michigan.

When liable for sales, use or withholding tax, the business should register with the Michigan Department of Treasury using a single form. Registration for Michigan Taxes (Form 518) can be accessed online at www.michigan.gov/taxes (under "How Do I Find", click "Registration Information for New Businesses"). No fee is required. For further information about sales, use and withholding taxes, contact the Michigan Department of Treasury at 517.636.4660 or access the business tax information online.

MICHIGAN BUSINESS TAX

On January 1, 2008, Michigan implemented a new business tax system. The Michigan Business Tax (MBT) replaced the Single Business Tax (SBT) and will provide tax cuts to seven out of ten Michigan businesses (including numerous small businesses and manufacturers). A business with gross receipts of \$350,000 or less does not have to file a tax return or pay any tax.

The MBT is based on business income and gross receipts, plus an added surcharge. Only sales in Michigan are taxable. It also includes numerous tax credits. While some credits are new, others continue from the Single Business Tax. The new tax system also includes significant property tax reform, creating certain exemptions for industrial and commercial personal property.

For more information, please visit the Michigan Department of Treasury web site at www.michigan.gov/mbt, or consult with a tax specialist or accountant.

MOTOR FUEL TAXES

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

LOCAL TAXES

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

BEING SELF-EMPLOYED

The majority of people who pay into Social Security work for someone else. Their employer deducts Social Security taxes from their paycheck, matches that contribution, and sends wage reports and taxes to the Internal Revenue Service and Social Security. Self-employed people must fill out the forms and pay the taxes directly to the government.

You are considered self-employed if you operate a trade, business, or profession, either by yourself or as a partner, or report your earnings for Social Security when you file your federal income tax return. If your net earnings are \$400 or more in a year, you must report your earnings on Schedule SE.

PAYING SOCIAL SECURITY AND MEDICARE TAXES

The Social Security tax rate for 2009 is 15.3 percent on self-employment income up to \$106,800. If your net earnings exceed \$106,800, you continue to pay only 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. 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 \$106,800. For example, if you have \$20,000 in wages and \$30,000 in self-employment income in 2009, you pay the appropriate Social Security taxes on both your wages and business earnings. However, if your 2009 wages are \$70,000 and you have \$40,000 in net earnings from a business you do **not** pay dual Social Security taxes on earnings above \$106,800. 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 \$36,800 in self-employment earnings and 2.9 percent in Medicare tax on the remaining \$3,200 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 \$4,200 or more, you earn four credits--one for each \$1,050 of earnings. (If your net earnings are less than \$1,050, 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.

Note: Rates have changed, but SSA's Fact Sheet has not.

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; or
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; or,

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 F (Profit or Loss from Farming)

Schedule SE (Self-Employment Tax)

These forms can be obtained from the IRS online at www.irs.gov and most banks and post offices. Send the tax return and schedules along with your self-employment tax to the IRS. Even if you do not owe any income tax, you must complete Form 1040 and Schedule SE to pay self-employment Social Security tax. This is true even if you already get Social Security benefits.

FAMILY BUSINESS ARRANGEMENTS

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

MORE INFORMATION

For more information about being self-employed, visit Social Security online at www.socialsecurity.gov or call them at 800.772.1213 or TTY at 800.325.0778. 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 experience. **But, are there any "hidden liabilities"?**

Obtaining sound professional assistance from an accountant, an attorney, and even a local MI-SBTDC (see Appendix D), can be helpful in avoiding pitfalls 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 517.636.5260 or at www.michigan.gov/taxes to request a Conditional Tax Clearance letter. The Michigan Department of Treasury will only provide the Conditional 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 Conditional 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 Conditional 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 \$9,000 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 former owner. 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 10.3 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 Insurance Agency (UIA) 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 UIA, for example). Once the purchaser has received the information from the UIA, 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.

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 UIA at 800.638.3994 or a local MI-SBTDC (see Appendix D). 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 VS. CONTRACT LABOR

Individuals may provide services to a business as either an employee or a contractor. Whatever status an individual has as an employee affects the taxes, liability, benefit costs and many other areas of a business. The question of an employee vs. contractor is a very critical issue and does NOT have a simple answer. There are many different tests the IRS may apply to determine whether an individual is an employee or contractor. Improperly classifying someone 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 with the best qualifications. The majority of employers consider attitude of potential employees as the number one trait in their hiring decision. It is a good idea to have a 30- or 90-day trial period before taking someone on permanently. The wrong employee can cause a great deal of damage to your business. 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 (SBA) On-Line Library online at <http://www.sba.gov/tools/resourcelibrary/publications/index.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 process. Follow up with employees with constructive feedback – positive as well as negative – on the employee's progress toward those goals helps assure everyone understands what goal-setting is expected.

Employers have a legal as well as an ethical obligation to provide a safe and equitable workplace. You may wish to contact the Department of Energy, Labor & Economic Growth, MIOSHA, Bureau of Safety & Regulation, Consultation, Education and Training Division (CET) at 517.322.1809 or online at http://www.michigan.gov/dleg/0,1607,7-154-11407_15317---,00.html. 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. To order ADA publications, call 800.514.0301 or TDD 800.514.0383 or order online at www.ada.gov.

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 (SAMHSA) at 800.967.5752 or online at www.samhsa.gov.

EQUAL EMPLOYMENT OPPORTUNITY (EEO)

The goal of this program is to provide equal opportunities for all qualified people in employment. To learn more, contact the Michigan Department of Civil Rights at 313.456.3700 or TTY 877.878.8464 or online at www.michigan.gov/mdcr.

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 Act (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 considered a contributing employer and required to register with the Unemployment Insurance Agency (UIA). A contributing employer is required to file tax reports with the UIA at the end of each calendar quarter, and pays a state unemployment tax on the first \$9,000 of wages paid to each worker in a calendar year. The amount of the tax is determined by the employer's state unemployment tax rate. You can contact the UIA at 313.456.2180, or 800.638.3994

The UIA produces an **Employer Handbook** which contains a wealth of information which covers everything you need to know about unemployment insurance, from the employer to the claimant. To receive a copy of this handbook, an order form can be found at the UIA web site at www.michigan.gov/uiia; or you can call 800.638.3994; there is a \$15.00 cost for the handbook.

FEDERAL UNEMPLOYMENT INSURANCE ACT

The Federal Unemployment Insurance Act gives authority to the IRS to collect fees and for the U.S. Department of Labor to pay administrative expenses 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 800.829.4933 or online at 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. To find out if a city levies a tax, contact that particular city tax assessor or city treasurer.

Each employee should complete the following forms: a Withholding Exemption Certificate (W-4) from the IRS 800.829.4933 and a MI-W4 from the Michigan Department of Treasury at 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 800.829.4933 or online at www.irs.gov.

In addition to federal income taxes, federal law also requires that employers withhold (and deposit) Social Security taxes from employees' wages. The employer must also pay an equal amount. Tax rates and maximum earnings subject to tax may vary from year-to-year, so employers should contact the IRS at 800.829.4933 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 517.636.4660 or online at www.michigan.gov/taxes.

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

WORKERS' 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 \$100,000 or more in an annual premium program frequently investigate the self-insurance approach as a possible coverage alternative.

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

One excellent publication available to help new business owners understand Michigan's Workers' Compensation system is the "Michigan Business Guide to Workers' Compensation", available online at <http://ref.michigan.org/medc/services/workerscomp/>. Additional information and assistance is also available at the Workers' Compensation Agency of the Department of Energy, Labor & Economic Growth at 888.396.5041 or online at www.michigan.gov/wca.

FOREIGN EMPLOYEE

The Immigration Reform and Control Act of 1986 not only makes hiring or recruiting “unauthorized aliens” illegal, but it also places the responsibility for enforcing the law on the employer. The law applies to **ALL employers**, 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 U. S. Citizenship and Immigration Services online at www.uscis.gov/graphics/index.htm or call 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 U. S. Citizenship and Immigration Services for assistance at 800.375.5283 or TTY 800.767.1833. Additional information may also be found at Michigan’s Foreign Labor Certification Program online at www.michigan.gov/mdcd, select “Workforce Programs”, then click “Foreign Labor Certification”.

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.mi-newhire.com>.

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

FINANCING A BUSINESS

All businesses must incorporate into their financial plan money to pay rent and utilities; acquire inventory, equipment, and fixtures; pay employees' salaries and benefits; 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. Although there is a lot of information on the internet and other media regarding grants, start-up grant finance is highly unlikely. 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 creditworthy business customers to provide a stated maximum amount of short-term financing for a specified time period. The credit line is often granted with a compensating balance requirement, and the floating or variable rate method of interest payment is used.
- Trade credit is credit extended by one firm to another in conjunction with the sale of goods or services that are used in the normal course of business. For 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 or 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 does not make direct loans.)

* 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.

EQUITY CAPITAL FINANCING (Venture Capital)

Equity capital is the financing made available for investment in promising firms but with a risk greater than what is acceptable to traditional institutional lenders. Financing is provided by sophisticated investors who seek investments that hold the prospects for large capital gains.

Such investors are referred to as venture capitalists or Angel investors. Venture capitalists may be: privately owned firms licensed and regulated by the U.S. Small Business Administration (SBICs) or non-regulated firms. The non-regulated firms, which specialize in equity financing, are referred to as Venture Capital firms. Angel investors also provide financing in the form of equity capital, debt financing with an equity component, and in some cases, straight long-term loans.

Venture Capital firms can be found online at Michigan Venture Capital Association (MVCA) www.michiganvca.org. Established by venture capital and private equity investors in the state, the MVCA is the state's premier public policy advocate for the private equity/venture capital industry, working to promote entrepreneurship and private equity investment. The MEDC is a founding member of the MVCA. For further details, please contact them at info@michiganvca.org.

Angel investors are high net worth investors who make investments in high-growth potential companies. The MEDC has aggressively supported the growth of angel networks to create and fill the gap for seed stage financing. Angel networks actively looking at investment opportunities in Michigan can be found at www.michigan.org/angels. They currently include:

Ann Arbor Angels -- www.annarborangels.org/ is based in the Ann Arbor area.

Grand Angels -- www.grandangels.org/ is based in Grand Rapids.

Great Lakes Angels -- www.glangels.org/ is based in the Bloomfield Hills area and is Michigan's oldest angel network.

Businesses with the following investment characteristics are attractive candidates for equity financing:

- Growth potential. The business has the opportunity and is capable of exploiting a clearly-defined market niche, or has an advantage over competitors. The products/services should: represent a new or revolutionary idea (i.e., fuel cell technology); be evolutionary by representing the next version in a series (i.e., camera cell phones); or be a substantially better or lower cost substitute product (i.e., universal remote control).
- Low cost. The business should have a product/service with low production cost.
- Large profit margins. The product/service should have the ability to provide a gain to their investors.
- Sophisticated and experienced management. The business should have an experienced and capable management team.
- The equity investor should have a clear path to liquidity at a high rate of return.

STATE LOAN PROGRAMS

There are financing programs available to aid Michigan businesses with growth and expansion. These programs are generally used to provide the private sector with financing assistance through partnerships that meet program criteria and to encourage the formation to address unmet financing needs. This "private institutions" approach makes it possible to use limited public resources to leverage large amounts of private capital.

CAPITAL ACCESS PROGRAM (CAP)

CAP is one of the Michigan Economic Development Corporation's (MEDC) innovative programs available to assist most types of businesses with financing needs. The exceptions are construction, renovation, purchase of residential rental housing, or rental property. Similar to a loan loss reserve fund, the bank, the company, and the MEDC pay a small premium into a reserve that makes it possible for the company to receive fixed asset and working capital financing.

CAP loans are private transactions between the bank and the borrower. MEDC plays no roll in the bank's decision to make the loan or in setting its terms.

CAP loans can be long- or short-term, term loan, or line of credit financing. The bank has the flexibility to recast, extend, or refinance the loan to address the needs of the business owner.

For a list of participating banks, go to www.michigan.org/cap.

PRIVATE ACTIVITY BOND PROGRAM (PAB)

PAB's are tax-exempt bonds issued on behalf of the borrower by the Michigan Strategic Fund (MSF) and purchased by private investors. These loans can be made for manufacturing, not-for-profit corporation projects and solid waste facilities. Bond proceeds can only be used to acquire land, building and equipment. Working capital and inventory are not eligible for this type of financing. These bonds are generally used when financing of **\$1.5 million and higher** is required. The company for which the bond is issued must be credit worthy enough to attract a buyer for the bonds, because the state does not guarantee the bonds. For more information call the Michigan Economic Development Corporation at 517.373.9808.

U. S. SMALL BUSINESS ADMINISTRATION (SBA) FINANCIAL ASSISTANCE PROGRAMS

The SBA's financial assistance programs provide a key source of financing for viable small businesses that cannot obtain reasonable financing from traditional sources. SBA guarantees loans provided through private sector lenders (such as banks) and nonprofit lending institutions giving small businesses access to the same kind of reasonably priced long-term financing available to large businesses by virtue of their size and economic clout. SBA's Michigan Small Business Resource Guide details all of SBA's programs in Michigan and is available by calling the SBA at 313.226.6075. It's also available online at www.sba.gov/mi/, or can be requested by e-mailing SBA at michigan@sba.gov.

The following outlines the major SBA financing programs:

SBA 7(A) GUARANTY PROGRAM

The 7(a) Loan Guaranty Program is SBA's primary loan program. The SBA reduces risk to lenders by guaranteeing 50 to 85 percent of a loan made to a small business. This enables lenders to provide financing to small businesses when funding is otherwise unavailable on reasonable terms. The maximum loan size is \$2,000,000.

The eligibility requirements and credit criteria of the program are very broad in order to accommodate a wide variety of financing needs. When a small business applies to a lending institution for a loan, the lender reviews the application and decides if it merits a loan on its own or if it requires additional support in the form of a SBA guaranty. SBA backing on the loan is then requested by the lender. In guaranteeing the loan, the SBA assures the lender that the government will reimburse the lending institution for a portion

of its loss, in the event the borrower does not repay the loan. Interested applicants should contact their local lender for further information and assistance in the SBA loan application process. Most lenders are familiar with SBA loan programs.

SPECIALIZED PROGRAMS UNDER 7(A)

There are a number of special loan programs under the 7(a) program that address specific needs of start-up or established businesses. They are governed for the most part, by the same rules as the regular 7(a) loan guaranty. Your lender can advise you of any variations.

SBAEXPRESS

SBAExpress is available for loans up to \$350,000. The SBA guarantees up to 50 percent of the loan. Like most 7(a) loans, maturities are usually five to seven years for working capital and up to 25 years for real estate and equipment. Revolving lines of credit are allowed for a maximum of five years. This program allows lenders to use their own forms and procedures and provides an expedited approval process.

PATRIOT EXPRESS

This pilot initiative targets veterans and others in the military community who want to establish or expand a small business. Patriot Express loans may go up to \$500,000 and qualify for SBA's maximum guaranty of up to 85 percent for loans of \$150,000 or less and up to 75 percent for loans above \$150,000 to \$500,000. For loans above \$350,000, lenders will be required to take all collateral available. As with *SBAExpress* loans, Patriot Express will use a streamlined, centralized, and expedited SBA loan process relying heavily on ETran and electronic applications, which results in an almost immediate SBA response.

CAPLINES

CAPLines program is designed to help small business owners meet their short-term and cyclical working capital financing needs. There are five loan programs under the CAPLines umbrella which may be used to finance seasonal working capital needs; finance direct costs for construction, service and supply contracts; finance operating capital by obtaining advances against existing inventory and accounts receivable; and/or consolidate short-term debt.

EXPORT WORKING CAPITAL PROGRAM (EWCP)

The 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-shipment inventory, materials and 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. With EWCP, SBA will guaranty up to 90 percent of the loan amount up to \$1,666,666 with a maximum loan amount of \$2,000,000. For more information, contact the SBA's Senior International Credit Officer at 313.226.3670.

SBA 504 PROGRAM

The 504 is the SBA's economic development instrument that supports Michigan small business growth and helps communities through business expansion and job creation. This program provides long-term, fixed-rate, subordinated mortgage financing for acquisition and/or renovation of capital assets including land, buildings, and equipment. Projects are typically financed 50 percent private lender, 40 percent SBA (debenture) and 10 percent by the small business. The maximum dollar amount of the SBA debenture is \$1.5 million for businesses that create a certain number of jobs or improve the economy of the locality; \$2 million for businesses that meet a specific public policy goal; and \$4 million for manufacturers.

The SBA 504 lending intermediaries, Certified Development Companies (CDCs), serve your community to finance business expansion needs. Staff works directly with you to tailor a financing package that meets program guidelines and the credit capacity of your business. For more information, contact the Michigan District Office at 313.226.6075 or the nearest CDC listed on the following page:

Economic Development Foundation – Certified -Grand Rapids.....	888.330.1776
Lakeshore 504 (North) – Grand Haven	616.846.3153
Lakeshore 504 (South) – Holland.....	616.392.9633
Metropolitan Growth and Development Corporation – Detroit	313.224.0820
Michigan Certified Development Corporation - Lansing	517.886.6612
Oakland County Business Finance Corporation - Pontiac	248.858.0879
SEM Resource Capital – Grand Rapids.....	616.242.5153
SEM Resource Capital – Livonia	734.464.4418

MICROLOAN PROGRAM

The MicroLoan 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. Loans may be used to finance the purchase of machinery and equipment, furniture and fixtures, inventory, supplies and working capital. 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. For more information, contact the Michigan District Office at 313.226.6075 or contact one of the following approved microlenders:

Center for Empowerment & Economic Development (Ann Arbor)	734.677.1400
Northern Economic Initiative Corporation (Marquette).....	906.228.5571
Rural Michigan Intermediary Relending Program, Inc. (Traverse City)	231.941.5858
Northside Economic Potential Group (Kalamazoo)	269.342.5655
Cornerstone Alliance (Benton Harbor)	269.925.6100

SMALL BUSINESS INVESTMENT COMPANIES (SBICS)

Equity funding is one of several alternatives to traditional bank financing available to smaller businesses. SBICs fill the gap between the availability of venture capital and the needs of small businesses that are either starting up or growing. Licensed and regulated by the SBA, SBICs are privately-owned and managed investment firms that make capital available to small businesses through investment or loans. They 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. In addition to equity capital and long-term loans, SBICs provide debt-equity investment and management assistance.

SBICs provide funding to all types of manufacturing and service industries. Some specialize in specific fields; however, most consider a wide variety of investment opportunities.

Specialized Small Business Investment Companies (SSBIC) are targeted toward the needs of entrepreneurs who have been denied the opportunity to own and operate a business because of social or economic disadvantage.

Contact the SBA at 313.226.6075 or online at www.sba.gov/ regarding participants in this program.

MANAGING A BUSINESS

PROFESSIONAL ASSISTANCE

The importance of professional assistance cannot be overstated. There is no substitute for professional services to keep a business operating within financial and legal parameters. There are professionals available to assist with every aspect of a business and able to determine what will best serve specific business needs. 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

RECORDKEEPING

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 recordkeeping systems a business can maintain. Trade associations can often provide guidelines or simple accounting records tailored to a specific business or industry.

Professional accountants can be indispensable to a new or growing business. An accountant not only provides a record keeping service for a business, but can also provide important advice on taxes, cash flow, credit and systems management and changes within the tax system. Every business should have up-to-date records, which provide the following information:

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

Implement a formal accounting system that produces monthly reports. Many computer systems are available at minimal costs. Compare the reports to the finance plan and adjust the business activity accordingly. If the business is more or less 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 know your product is available, purchase your product or service, and return to purchase more. 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 delivers the same service, or sells the same product as your 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 that do not include your business. You must give them sufficient reason to break these established patterns and buy from you if your business is to succeed.

DETERMINE THE MOST EFFICIENT METHODS TO REACH BUYERS

Having determined why potential customers select your type of product or service, 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 expectations or if it is not delivered in a timely fashion.

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 the following questions: "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 or get published with critical information missing. Don't 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.

INSURANCE

It is prudent for any business to purchase a number of basic types of insurance. Certain insurance coverage is required by law; others simply make good business sense. The insurances listed below are among the most commonly used and are merely a starting point for evaluating the needs of your own business. To learn more about the coverage that is best for your specific business, 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 product. There are many other types of liability related to specific industries. Liability law is constantly changing. An analysis of your liability insurance needs by a competent professional is vital in determining an adequate and appropriate level of protection for your business.

PROPERTY

There are many different types of property insurance and levels of coverage available. It is important to determine the property to insure for the continuation of your business and the level of insurance should 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 and is required by law. For further information, go to the Workers' Compensation web site at www.michigan.gov/wca.

BUSINESS INTERRUPTION

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

"KEY MAN"

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

AUTOMOBILE

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

OFFICER AND DIRECTOR

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

HOME OFFICE

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

SELLING TO GOVERNMENT

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

To become a State of Michigan contractor, visit the "Buy Michigan First" Web site at www.michigan.gov/buymichiganfirst. The site will provide access to current bid opportunities, upcoming contracting seminars and contact information for state purchasing personnel. In addition, valuable links are available from the site, including no-cost and low-cost resources available to assist Michigan firms.

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

The preferred and quickest method to become a State of Michigan vendor/payee is to log on to the Contract & Payment Express, (C&PE) online at www.cpexpress.state.mi.us and complete the easy to follow instructions. When finished, you will be a registered State of Michigan vendor/payee.

Vendor registration includes a list of commodities and services required by state government. When completing the vendor registration, indicate which products or services you are interested in providing to the State. Note that pre-vendor qualification is required for printing, natural gas, and food vendors.

Additional information can be obtained by calling the Department of Management and Budget directly at 517.335.0230.

PROCUREMENT TECHNICAL ASSISTANCE CENTERS (PTACS) AND MEDC PROCUREMENT OFFICES GOVERNMENT CONTRACT SUPPORT

The Michigan Economic Development Corporation (MEDC) provides support to PTACs and MEDC Procurement Offices located throughout the state. This network of 16 locally based offices provides government contracting assistance. Highly skilled professionals assist businesses to successfully bid for federal, state and local government contracts. The federal government is a major buyer of goods and services, spending more than \$400-800 billion annually.

To find the PTAC or MEDC Procurement Office nearest to your business, visit www.michiganadvantage.org/dc3.

Procurement support includes, but is not limited to:

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

About the Defense Contract Coordination Center

The Defense Contract Coordination Center (DC3) is the arm within MEDC that strategically connects defense buyers and prime contractors with Michigan's capable supply chain. With the goal of creating Michigan jobs by bringing more defense contracts to Michigan, the DC3 aggressively seeks and identifies Michigan companies to create and compete in supply chains, leveraging their unique abilities to meet defense goals. PTACs and MEDC Procurement Offices are the front line to the DC3. These procurement specialists partner with Michigan companies, working to demystify government contracting, orienting those unfamiliar with the process, and helping companies obtain and perform on federal, state and local contracts.

PROCUREMENT TECHNICAL ASSISTANCE CENTERS

1. **N.W. MICHIGAN COUNCIL OF GOVERNMENTS** - Traverse City
231.929.5036, or 5076, or 231-922-3784
FAX: 231.929.5042

Michigan Works! THE JOB FORCE BOARD/PTAC - Escanaba
906.789.0558 ext. 218
FAX: 906.789.9952

2. **N.E. MICHIGAN CONSORTIUM** -
Onaway
989.733.8548
FAX: 989.733.8069

3. **MEDC PROUCEMENT OFFICE** – Grand Rapids
616.301.8210
FAX: 616.771.0555

4. **MACOMB REGIONAL PTAC** - Warren
586.498.4122
FAX: 586.498.4165

**THUMB AREA SATELLITE OFFICE
MACOMB REGIONAL PTAC** – Marlette

5. **SAGINAW FUTURE, INC.** - Saginaw
989.754.8222 ext. 232 or ext. 233
FAX: 989.754.1715
6. **GENESEE PROCUREMENT OFFICE** - Flint
810.600.1432, 1433, 1437 or 1438
FAX: 810.600.1461

7. **SOUTHWEST MICHIGAN TAC
KALAMAZOO REGIONAL CHAMBER OF COMMERCE** - Kalamazoo
269.381.2977 exts. 3243, 3245 or 3210
FAX: 269.343.0430

8. **PTAC OF SOUTH CENTRAL MICHIGAN** -
Jackson
517.788.4680
FAX: 517.782.0061

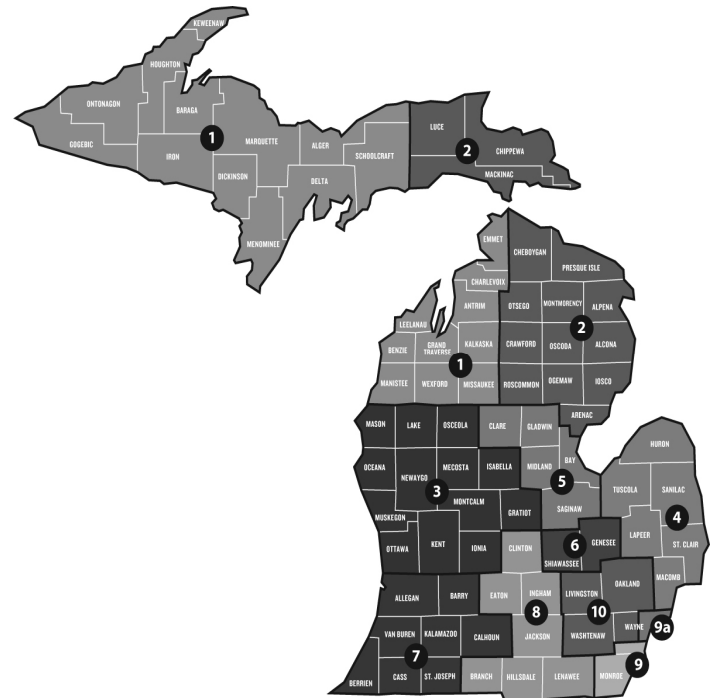
Lansing Regional Chamber – Lansing
517.853.6445

9. **DOWNRIVER COMMUNITY CONFERENCE** - Southgate
734.362.3477 or 3480
FAX: 734.281.6661

- 9a. **WAYNE STATE UNIVERSITY - PROFESSIONAL DEVELOPMENT DIVISION** - Detroit
313.577.2241
FAX: 313.577.4354

10. **PTAC OF SCHOOLCRAFT COLLEGE** -
Livonia
734.462.4438
FAX: 734.462.4673

DEFENSE CONTRACT COORDINATION CENTER (DC3) - Lansing
800.946.6829



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 MI-SBTDC (see Appendix D), or other resources listed. Helping you get your business off to a good start is our number one priority.

APPENDIX A

LIST OF MICHIGAN COUNTY CLERK OFFICES TO OBTAIN A CERTIFICATE OF ASSUMED NAME (D/B/A)

Alcona , Post Office Box 308, Harrisville, MI 48740	989.724.9410
Alger , 101 Court Street, Munising, MI 49862	906.387.2076
Allegan , 113 Chestnut Street, Allegan, MI 49010	269.673.0450
Alpena , 720 West Chisholm, Suite 2, Alpena, MI 49707	989.354.9500
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	269.945.1285
Bay , 515 Center Avenue, Suite 101, Bay City, MI 48708-5122.....	989.895.4280
Benzie , 448 Court Place, Beulah, MI 49617	231.882.9671
Berrien , 811 Port Street, St. Joseph, MI 49085.....	269.983.7111
Branch , 31 Division Street, Coldwater, MI 49036	517.279.4306
Calhoun , 315 West Green, Marshall, MI 49068.....	269.781.0730
Cass , 120 North Broadway, Rm. 123, Cassopolis, MI 49031	269.445.4464
Charlevoix , 203 Antrim Street, Charlevoix, MI 49720	231.547.7200
Cheboygan , 870 South Main Street, Cheboygan, MI 49721.....	231.627.8808
Chippewa , 319 Court Street, Sault Ste. Marie, MI 49783	906.635.6300
Clare , Post Office Box 438, Harrison, MI 48625.....	989.539.7131
Clinton , 100 East State St., Ste. 2600, St. Johns, MI 48879.....	989.224.5140
Crawford , 200 West Michigan, Grayling, MI 49738	989.348.2841
Delta , 310 Ludington, Suite 104, Escanaba, MI 49829.....	906.789.5105
Dickinson , Post Office Box 609, Iron Mountain, MI 49801.....	906.774.0988
Eaton , 1045 Independence, Charlotte, MI 48813	517.543.7500
Emmet , 200 Division Street, Petoskey, MI 49770.....	231.348.1744
Genesee , 900 South Saginaw, Flint, MI 48502	810.257.3225

APPENDIX A (CONTINUED)

Gladwin , 401 West Cedar Avenue, 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 , 214 East Center Street, Ithaca, MI 48847	989.875.5215
Hillsdale , 29 North Howell, Room 1, Hillsdale, MI 49242.....	517.437.3391
Houghton , 401 East Houghton, Houghton, MI 49931	906.482.1150
Huron , 250 East Huron Avenue, Bad Axe, MI 48413	989.269.9942
Ingham , 341 South Jefferson, Mason, MI 48854	517.676.7201
Ionia , 100 Main Street, Ionia, MI 48846	616.527.5322
Iosco , 422 Lake Street, Tawas City, MI 48764.....	989.362.3497
Iron , 2 South 6 th Street, Crystal Falls, MI 49920.....	906.875.3221
Isabella , 200 North Main, Mt. Pleasant, MI 48858	989.772.0911
Jackson , 120 West Michigan Street, Jackson, MI 49201	517.788.4265
Kalamazoo , 201 West Kalamazoo Avenue, Kalamazoo, MI 49007.....	269.383.8840
Kalkaska , 605 North Birch Street, Kalkaska, MI 49646.....	231.258.3300
Kent , 300 Monroe Avenue, NW, Grand Rapids, MI 49503	616.632.7640
Keweenaw , 5095 4 th Street, Eagle River, MI 49950.....	906.337.2229
Lake , 800 10 th Street, Baldwin, MI 49304	231.745.4641
Lapeer , 255 Clay Street, Lapeer, MI 48446	810.667.0358
Leelanau , 8527 East Government Center Drive, Suttons Bay, MI 49682	231.256.9824
Lenawee , 425 North Main Street, Adrian, MI 49221.....	517.264-4599
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	906.643.7301
Macomb , 40 North Main, Mt. Clemens, MI 48043	586.469.5120
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

APPENDIX A (CONTINUED)

Mecosta , 400 Elm Street, Big Rapids, MI 49307	231.592.0783
Menominee , 839 10 th Avenue, Menominee, MI 49858	906.863.9968
Midland , 220 West Ellsworth, Midland, MI 48640	989.832.6739
Missaukee , 111 South Canal Street, Lake City, MI 49651.....	231.839.4967
Monroe , 106 East First Street, Monroe, MI 48161.....	734.240.7020
Montcalm , 211 West Main Street, Stanton, MI 48888.....	989.831.7339
Montmorency , Post Office Box 789, Atlanta, MI 49709	989.785.8022
Muskegon , 990 Terrace Street, Muskegon, MI 49442.....	231.724.6221
Newaygo , 1087 Newell Street, White Cloud, MI 49349	231.689.7235
Oakland , 1200 North Telegraph, Pontiac, MI 48341.....	248.858.0581
Oceana , 100 State Street, Hart, MI 49420.....	231.873.4328
Ogemaw , 806 West Houghton Avenue, West Branch, MI 48661	989.345.0215
Ontonagon , 725 Greenland Road, Ontonagon, MI 49953.....	906.884.4255
Osceola , 301 West Upton, Reed City, MI 48677.....	231.832.3261
Oscoda , 311 South Morenci Street, Mio, MI 48647.....	989.826.1110
Otsego , 225 West Main, Gaylord, MI 49735	989.731.7500
Ottawa , 414 Washington, Grand Haven, MI 49417	616.846.8310
Presque Isle , Post Office Box 110, Rogers City, MI 49779	989.734.3288
Roscommon , 500 Lake Street, Roscommon, MI 48653.....	989.275.5923
Saginaw , 111 South Michigan Avenue, Saginaw, MI 48602	989.790.5251
Sanilac , 60 West Sanilac, Sandusky, MI 48471	810.648.3212
Schoolcraft , 300 Walnut, Manistique, MI 49854.....	906.341.3618
Shiawassee , 208 North Shiawassee Street, Corunna, MI 48817	989.743.2242
St. Clair , 201 McMorran, Port Huron, MI 48060	810.985.2200
St. Joseph , P. O. Box 189, Centreville, MI 49032.....	269.467.5602
Tuscola , 440 North State, Caro, MI 48723	989.672.3780
Van Buren , 212 Paw Paw Street, Paw Paw, MI 49079	269.657.8218
Washtenaw , 200 North Main, Ann Arbor, MI 48107	734.222.6700

APPENDIX A (CONTINUED)

Wayne , Coleman A. Young Memorial Center, Detroit, MI 48226.....	313.224.6262
Wexford , 437 East Division, Cadillac, MI 49601.....	231.779.9450

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 compensation of any kind (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 IRS, call 800.829.4933 or online at www.irs.gov 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 or online at www.michigan.gov/taxes. The Registration for Michigan Taxes (Form 518) is available at this Web site, along with instruction for on-line registration.

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 Department of Energy, Labor & Economic Growth, Unemployment Insurance Agency (UIA) for unemployment taxes. Contact the Department of Energy, Labor & Economic Growth, Unemployment Insurance Agency, Employer Tax Teams, 7310 Woodward Avenue, Second Floor, Tax Office, Detroit, Michigan, 48202; call 800.638.3994 or visit www.michigan.gov/uia. 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 IRS for the proper tax forms at 800.829.4933 or online at 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 Department of Energy, Labor & Economic Growth, Workers' Compensation Agency at 888.396.5041 or online at www.michigan.gov/wca.

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, fax 517.318.1659 or online at www.mi-newhire.com.

APPENDIX B (CONTINUED)

HEALTH AND SAFETY STANDARDS

Employers are required to comply with federal and state health and safety standards and laws throughout the Michigan Occupational Safety and Health Act (MIOSHA). For a complete set of safety and health standards, contact the Michigan Department of Energy, Labor & Economic Growth, Michigan Occupational Safety and Health Administration, Box 30643, Lansing, Michigan, 48909-8143, at 517.322.1814 or online at www.michigan.gov/miosha, click on "General Industry Safety and Health".

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 U. S. Citizenship and Immigration Services (INS) at 800.375.5283 or 800.870.3676 for INS Forms Request. Additional information may also be found at Michigan's Foreign Labor Certification Program online at www.michigan.gov/mdcd, select "Workforce Programs", then click "Foreign Labor Certification".

AMERICANS WITH DISABILITIES ACT

Employers are required to comply with the Americans with Disabilities Act. For publications and technical information about the Act, contact the U. S. Department of Justice at 800.514.0301 or TDD 800.514.0383 or online at www.ada.gov.

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 toll free 1-866.487.9243 or 800 Monroe Avenue, NW, Suite 315, Grand Rapids, Michigan 49505 at 616.456.2004 or toll free 1-866.487.9243 or online at www.dol.gov/dol/topic/statistics/wagesearnings.htm. For state information, contact the Department of Energy, Labor & Economic Growth, Wage and Hour Division, Box 30476, Lansing, Michigan 48909, at 517.322.1825 or online at www.michigan.gov/dleg and click on Wage & Hour Division.

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 Department of Energy, Labor & Economic Growth, Wage and Hour Division, Box 30476, Lansing, Michigan 48909 at 517.322.1825 or online at www.michigan.gov/dleg and click on Wage & Hour Division.

EQUAL EMPLOYMENT OPPORTUNITY

Contact the U.S. Equal Employment Opportunity (EEO) at 800.669.4000 or 313.226.4600 for federal forms. Contact the Michigan Department of Civil Rights, 110 West Michigan Avenue, Suite 800, Lansing, Michigan 48913. Visit online at www.michigan.gov/mdcr or call 517.335.3165 for public information posters and literature. Any other information about enforcement or to make a complaint about EEO, you may call 313.456.3700, or 800.482.3604, or (TTY) 877.878.8464.

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 or toll free 1-866.487.9243 or 800 Monroe Avenue, NW, Suite 315, Grand Rapids, Michigan 49505 at 616.456.2004 or toll free 1-866.487.9243 or online at www.dol.gov/osbp/sbrefa/poster/main.htm.

APPENDIX B (CONTINUED)

MICHIGAN EMPLOYMENT SECURITY ACT NOTICE TO EMPLOYEE

Contact the Department of Energy, Labor & Economic Development, Unemployment Insurance Agency, Customer Service Office, 7310 Woodward Avenue, Detroit, Michigan, 48202, at 800.638.3994 or online at www.michigan.gov/uia, select "Publications", then click "Michigan Employment Security Act" for information about the Act.

EMPLOYEES VS CONTRACT LABOR

Individuals may provide services to your business as either an employee 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.

APPENDIX C

REQUIRED WORKPLACE POSTERS

The following is a list of posters that are required to be displayed in the workplace. These posters can be obtained through the Department of Energy, Labor and Economic Growth or from the U.S. Department of Labor as follows:

- **Michigan Safety and Health Protection on the Job – Michigan Right to Know Laws -**
Michigan Department of Energy, Labor and Economic Growth (DELEG), Michigan Occupational Safety and Health Administration (MIOSHA), Consultation Education and Training Division
 - Phone: 517.322.1809
 - www.michigan.gov/miosha to order
- **Annual Summary of Injuries and Illnesses Form 300** (formerly Form 200) DELEG, MIOSHA
 - Phone: 517.322.1851
 - www.michigan.gov/miosha for more information
- **Michigan Law Prohibits Discrimination:** (Equal Employment Opportunity) Michigan Department of Civil Rights
 - Phone: 517.335.3165
 - www.michigan.gov/mdcr and click on Publications; then click on Pamphlets and Brochures
- The following **Michigan Minimum Wage Law** posters are required by law to be posted in the work place if you are not covered by the Federal Fair Labor Standards Act of 1938, as amended (FLSA) or federal minimum wage provisions would result in a lower minimum wage than provided in the Michigan Minimum Wage Law.
 - The Michigan Wage Law of 1964 P.A. 154
 - Michigan Minimum Wage Rules – General & Overtime Compensation Rules
 - Michigan Minimum Wage Rules – Wage Deviation Rules
 - Phone: 517.322.1825
 - www.michigan.gov/dleg and click on Wage and Hour Division, Forms and Publications
 - For more information on the new federal minimum wage law requirements, visit www.dol.gov
- **Michigan Employment Security Act, Notice to Employees**, Unemployment Insurance Agency
 - Phone: 1.800.638.3994
 - www.michigan.gov/uia/0,1607,7-118-26899-78362--,00.html
- **Michigan Whistleblowers Protection Act** -- 469 of 1980, Section 15.368 states that posting notices of protections and obligations are required as follows: An employer shall post notices and use other appropriate means to keep his or her employees informed of their protections and obligations under this act.
 - Michigan Law Library, Hours 1-5 p.m., M-F, 517.373.0630
 - www.michiganlegislature.org and click on Public Acts to read the entire act.
- **Americans with Disabilities Act**, U.S. Department of Labor*
 - Phone: 1.800.669.3362 or 202.663.4900
 - www.dol.gov/osbp/sbrefa/poster/matrix.htm
- **Employee Polygraph Protection Act** U.S. Department of Labor*
 - Phone: 1.800.669.3362 or 202.663.4900
 - www.dol.gov/osbp/sbrefa/poster/matrix.htm

*The U.S. Department of Labor has a website, www.dol.gov/osbp/sbrefa/poster/matrix.htm, which instructs employers of various types and sizes on the federal job posting requirements.

APPENDIX C (CONTINUED)

The State of Michigan, Department of Energy, Labor & Economic Growth, requires employers to display the following posters at the workplace:

Annual Summary of Injuries and Illnesses Form 300A (Form 300A is required to be posted from February 1 to April 30)	517.322.1851
Occupational Safety and Health Posters	517.322.1809
Notice to Employees (UIA)	800.638.3994
Wage and Employment Standards Posters*	517.322.1825

The State of Michigan, Department of Civil Rights, requires employers to display the following poster 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	866.669.3362
Fair Labor Standards.....	866.487.9243
Minimum Wage	866.487.9243
Federal Job Safety & Health Protection.....	202.693.1888
Michigan Relay Center (Voice Mail and TDD)	800.649.3777

* 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.

APPENDIX D

SMALL BUSINESS & TECHNOLOGY DEVELOPMENT CENTERS (MI-SBTDCs)

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

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

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

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

For more information, contact the Michigan MI-SBTDCs online at <http://www.misbtdc.org> or call your regional office for information about one of over 30 satellite locations nearest you.

MI-SBTDC HOSTED BY:

Region & Phone #	Counties Served	Host Institution
1 -- 906.789.0558	Alger, Baraga, Chippewa, Delta, Dickinson, Gogebic, Houghton, Iron, Keweenaw, Luce, Mackinac, Marquette, Menominee, Ontonagon, Schoolcraft	Michigan Works!
2 -- 231.922.3780	Antrim, Benzie, Charlevoix, Emmet, Grand Traverse, Kalkaska, Leelanau, Manistee, Missaukee, Wexford	Northwest Michigan Council of Governments
3 -- 800.562.4808	Alcona, Alpena, Cheboygan, Crawford, Iosco, Montmorency, Ogemaw, Oscoda, Otsego, Presque Isle, Roscommon	Alpena Community College
4 -- 989.386.6630	Clare, Gladwin, Gratiot, Isabella, Lake, Mason, Mecosta, Montcalm, Newaygo, Oceana, Osceola	Mid Michigan Community College
5 -- 989.686.9597	Arenac, Bay, Huron, Midland, Saginaw, Sanilac, Tuscola	Delta College Corporate Services
6 -- 810.762.9660	Genesee, Lapeer	Kettering University
7 -- 616.331.7370	Kent, Muskegon, Ottawa	Grand Valley State University
8 -- 517.483.1921	Clinton, Eaton, Ingham, Ionia, Livingston, Shiawassee	Lansing Community College
8 -- 989.723.5149	Satellite Office	Shiawassee Regional Chamber of Commerce

APPENDIX D (CONTINUED)

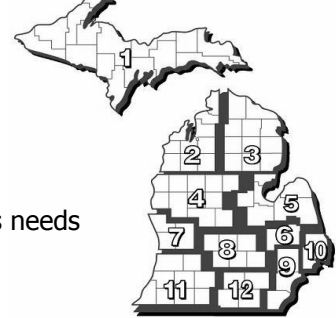
Region & Phone #	Counties Served	Host Institution
9 -- 734.487.0355	Monroe, Oakland, Wayne	Eastern Michigan University
10 -- 586.469.5118	Macomb, St. Clair	Macomb Co. Dept. of Plan. & Economic Development
11 -- 269.387.6004	Allegan, Barry, Berrien, Branch, Calhoun, Cass, Kalamazoo, St. Joseph, Van Buren	Western Michigan University
12 -- 734.547.9170	Hillsdale, Jackson, Lenawee, Washtenaw	Washtenaw Community College

BIZ RESOURCE CENTERS (BRCs)

The Biz Resource Centers offer:

- one-stop locations where current and future small business owners can receive business assistance and advice
- the latest computer technology, hardware and software, and extensive small business reference library of hard copy books and publications
- software for a variety of business applications, addressing diverse business needs

BRC Statewide Locations:



Region	Host	Location	Telephone*
1	Ishpeming – Main Street Program	Ishpeming	906.486.6853
1	Michigan Works!	Escanaba	906.789.9732
1	Michigan Works!	Marquette	906.228.3075
1	Michigan Works!	Sault Ste. Marie	906.635.1752
1	Finlandia University	Hancock	906.487.7344
2	Boyne District Library	Boyne City	231.582.7861
2	Michigan Works!/Little Traverse Bay Bands	Petoskey	231.347.5150
2	Michigan Works!	Traverse City	800.442.1074
2	East Jordan District Library	East Jordan	231.536.7131
2	Charlevoix Public Library	Charlevoix	231.547.2651
3	Alpena Community College	Alpena	989.358.7252
4	Michigan Works!/MMCC M-TEC Office	Gladwin	989.240.0059
4	MMCC M-TEC Building	Harrison	989.386.6624
4	Montcalm CC M-TEC	Greenville	616.754.7706
4	Pere Marquette District Library	Clare	989.386.7576
5	Michigan Works!	Saginaw	989.249.5232
5	Michigan Works!	Bay City	989.667.0500
5	Michigan Works!	Midland	989.631.3073
5	Michigan Works!	Standish	989.846.2111
6	Kettering University	Flint	810.762.9660
7	Hackley Public Library	Muskegon	231.722.7275
8	Lansing Regional Chamber of Commerce	Lansing	517.487.6340
8	Portland District Library	Portland	517.647.6981
9	Schoolcraft College	Livonia	734.462.4438
9	Michigan Works!/Downriver Community Conference	Southgate	734.362.3442
9	Detroit One Stop Business Resource Center	Detroit	313.967.9295
10	Michigan Works!	Clinton Township	586.263.1501
10	MBPA/MFBA	Warren	586.393.8800
11	Niles Main Street	Niles	269.687.4332
11	Marshall District Library	Marshall	269.781.7821
12	EMU/Washtenaw CC	Ypsilanti	734.487.0355
12	Michigan Works!	Hillsdale	517.437.3381
12	Michigan Works!	Jackson	517.841.5627
12	Michigan Works!	Adrian	517.266.5627

APPENDIX E

SCORE

COUNSELORS TO AMERICA'S SMALL BUSINESS

SCORE is a non-profit organization with over 375 offices nationwide and more than 10,500 working and retired business executives and business owners who volunteer their time to help new and existing small business entrepreneurs. For more than 40 years, SCORE has been the premier, free business counseling and advice service in the United States. SCORE's expert counselors provide no cost business advice on anything from how to write a business plan, to cash flow management, to growing an existing business. Business owners can access SCORE counseling services via face-to-face sessions or online at www.score.org. SCORE also offers low-cost business training workshops and seminars on a range of topics at local SCORE offices. SCORE is a resource partner of the SBA and partners with other business resource organizations.

You can visit the national SCORE website at www.score.org or the Michigan SCORE website at www.scoremichigan.com. The Michigan SCORE website lists the SCORE offices and branches throughout Michigan and includes their contact information.

APPENDIX F

INDEX OF STATE AND FEDERAL GOVERNMENT WEB SITES

STATE GOVERNMENT:

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

Web site: www.michigan.gov/mdcr

Michigan Department of Energy, Labor & Economic Growth – Information, forms, and publications related to health, safety, economic/cultural well being.

Web site: www.michigan.gov/dleg

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

Web site: www.michigan.gov/miosha

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

Web site: www.michigan.gov/corporations

Office of Occupational Safety & Health Administration - 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. Heading: General Industry Safety & Health.

Web site: www.michigan.gov/miosha

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

Web site: www.michigan.gov/wca

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

Web site: www.michigan.gov/buymichiganfirst

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

Web site: www.michigan.gov/taxes

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

Web site: www.michiganworks.org/

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

Web site: www.mi-newhire.com

Michigan Unemployment Insurance Agency – Information on unemployment insurance services.

Web site: www.michigan.gov/uia

APPENDIX F (CONTINUED)

FEDERAL GOVERNMENT:

Internal Revenue Service – Information, forms, and publications regarding business and personal taxes.
Web site: www.irs.gov

SS4 – Application for Employer Identification Number (EIN)
Web site: www.irs.gov (Keyword/Search Term: SS-4)

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

U. S. Department of Labor – Summary of federally required workplace posters.
Web site: www.dol.gov/osbp/sbrefa/poster/matrix.htm

U. S. Patent and Trademark Office – Registration forms for trademarks and service marks.
Web site: www.uspto.gov
Web site: www.freepatentsonline.com – Provides fast, easy-to-use access to millions of patents and patent applications.

U. S. Copyright Office – Information, forms, and publications regarding United States Copyright laws.
Web site: www.copyright.gov

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

Web site: www.sba.gov
Michigan District Office: www.sba.gov/mi

OTHER ORGANIZATIONS:

Michigan Small Business & Technology Development Centers (MI-SBTDCs) – Information about the services provided by the SBTDCs, and a list of the Regional and Satellite Centers.
Web site: <http://www.misbtdc.org>

Michigan Service Corps of Retired Executives (SCORE) - Information about SCORE, a listing of regional chapters, and a schedule of available workshops.
Web site: www.scoremichigan.com

APPENDIX G

ABOUT THE SMALL BUSINESS ADMINISTRATION (SBA)

U.S. Small Business Administration (SBA)
Michigan District Office
477 Michigan Avenue, Room 515, McNamara Building
Detroit, Michigan 48226
Phone: 313.226.6075
Fax: 313.226.4769
Web site: www.sba.gov
Michigan web site: www.sba.gov/mi/
E-mail: Michigan@sba.gov

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

WHAT IS A SMALL BUSINESS?

Independently owned and operated

For-profit business

Meets SBA size standards (maximum) that are based on either number of employees or average annual sales. In general they are as follows:

Manufacturing Generally not more than 500 employees

Wholesale Not more than 100 employees

Retail or Service Average (3 year) annual sales or receipts of not more than \$6.0 million to \$29.0 million, depending on business type

Construction Average (3 year) annual sales or receipts of not more than \$12.0 million to \$28.5 million, depending on the specific business type

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 800.827.5722.

GOVERNMENT CONTRACTING

SBA helps small businesses obtain a representative share of federal contracts through a variety of programs including assistance locating government contracts and prime subcontracts. Visit SBA's Office of Government Contracting online at www.sba.gov/gc or www.ccr.gov SBA programs include:

APPENDIX G (CONTINUED)

8(a)-Minority Enterprise Development Program: a business development program for small businesses at least 51 percent owned, managed, and controlled by individual(s) who are socially and economically disadvantaged citizen of the United States. The firm must also meet SBA's size standards and must have been established for two years before applying.

Small Disadvantaged Business Certification (SDB) Program: to qualify as an SDB, a firm must be owned and controlled by one or more individuals who are socially and economically disadvantaged. Under the new rule, before a small business concern can become eligible to receive benefit as an SDB, it must be certified as a SDB through a self-certification process that can be accessed online at www.ccr.gov.

ENTREPRENEURIAL DEVELOPMENT

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

Small Business & Technology Development Centers (SBTDCs): 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 616.331.7480 or toll free 877.873.4567 or refer to Appendix D.

SCORE, Counselors to America's Small Businesses: This non-profit organization is comprised of working and retired business executives and business owners who share their management and technical expertise with small business owners. To locate the SCORE office closest to you, please visit their web site at www.scoremichigan.com.

U.S. Export Assistance Centers (USEACs) A cooperative effort between the SBA, U.S. Department of Commerce and Export-Import Bank to provide free trade counseling and advise on all facets of the export process. There are four USEACs in Michigan: Detroit 313.226.3650, Pontiac 248.975.9600, Grand Rapids 616.458.3564, and Ypsilanti 734.487.2359.

Women Business Centers (WBCs): SBA funded microenterprise organizations created to help women become self-sufficient through self-employment. Each center provides a wide range of services customized for female entrepreneurs starting or growing a business. While assistance may vary between WBCs, typically each provides basic programs such as economic literacy training and business planning, to more specialized topics such as government contracting and certification. SBA also maintains an On-Line Women's Business Center full of information compiled from WBCs across the country on topics such as financing and accounting, marketing, management, technology and procurement. Michigan WBCs are:

Grand Rapids Opportunities for Women (GROW) in Grand Rapids at 616.458.3404 or online at www.growbusiness.org. GROW offers Business Readiness, Start-up, and Business Plan classes and Economic Self-Sufficiency training and asset building through its Matched Savings Program plus counseling, workshop and networking opportunities. GROW is actively involved in providing training for home-based daycare providers in business management and setting up financial management systems.

Detroit Entrepreneurship Institute, Inc. (DEI) in Detroit at 313.877.9060 or online at www.deibus.org. DEI features multi-week entrepreneurial courses, business consulting, marketing assistance, a business library and computer lab.

Cornerstone Alliance in Benton Harbor at 269.925.6100 or online at www.cornerstonewbc.com. Provides the entrepreneurial training needed to start a small business, as well as the follow-up services needed to sustain and expand a business. Programs and counseling are offered in at least two languages

APPENDIX G (CONTINUED)

(English and Spanish). Their program has four components: personal readiness assessment, business readiness assessment, entrepreneurial training/business plan development, and follow-up services. Follow-up services include one-on-one business counseling, seminars, a microloan fund, technical assistance, and networking opportunities.

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 \$1,500,000 and the maximum loan size is \$2,000,000. Loans of \$150,000 or less carry a maximum 85 percent guaranty rate. Loans exceeding \$150,000 have a maximum guaranty of 75 percent. The maximum interest rate permitted is 2.75 percent over prime with higher rates permitted on loans \$50,000 and under.

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

SBAExpress: *SBAExpress* is available for loans up to \$350,000. The SBA guarantees up to 50 percent of the loan. Like most 7(A) loans, maturities are usually five to seven years for working capital and up to 25 years for real estate and equipment. Revolving lines of credit are allowed for a maximum of five years. This program allows lenders to use their own forms and procedures and provides an expedited approval process.

Patriot Express: This pilot initiative targets veterans and others in the military community who want to establish or expand a small business. Patriot Express loans may go up to \$500,000 and qualify for SBA's maximum guaranty of up to 85 percent for loans of \$150,000 or less and up to 75 percent for loans above \$150,000 to \$500,000. For loans above \$350,000, lenders will be required to take all collateral available. As with *SBAExpress* loans, Patriot Express will use a streamlined, centralized, and expedited SBA loan process relying heavily on ETran and electronic applications, which results in an almost immediate SBA response.

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.

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.

SBA 504 Loan 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 that 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.

APPENDIX G (CONTINUED)

HOW TO GET ON-LINE

SBA's on-line classroom – www.sba.gov/services/training/index.html

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:

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

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.

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.

Growing Your Business on the Web – information about the technologies, software and products you will need for your Internet strategy.

HOW TO MARKET YOUR BUSINESS ON-LINE

On-line Women Business Center – www.sba.gov/onlinewbc/

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.

Central Contractor Registration (CCR) – www.ccr.gov/

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

APPENDIX H

ACRONYMNS

Americans with Disabilities Act	ADA
BIZ Resource Centers	BRCs
Business Information Centers	BICs
Central Contractor Registration	CCR
Consultation Education & Training	CET
Department of Environmental Quality	DEQ
Department of Energy, Labor and Economic Growth	DELEG
Doing Business As	DBA
Employer Identification Number	EIN
Equal Employment Opportunity Act	EEO
Export Working Capital Program	EWCP
Federal Insurance Contributions Act	FICA
Federal Unemployment Tax Agreement	FUTA
Historical Underutilized Business Zones	HUB Zones
Industrial Revenue Bond Program	IDRB
Internal Revenue Service	IRS
Limited Liability Company	LLC
Michigan Certified Development Corporation	MCDC
Michigan Economic Development Corporation	MEDC
Michigan Strategic Fund	MSF
Nonprofit Corporation	NPC
Professional Service Corporation	PC
Procurement Technical Assistance Centers	PTACs
Service Corps of Retired Executives	SCORE
Single Business Tax	SBT
Small Business Investment Companies	SBICs
Small Business & Technology Development Centers	MI-SBTDCs
Small Disadvantaged Business Certification Program	SDB
Unemployment Insurance Agency	UIA
United States Small Business Administration	SBA
Venture Capital	VC
Women Business Centers	WBCs
Workers' Compensation Agency	WCA

APPENDIX I TYPES OF BUSINESS ENTITIES

ITEM	REGULATION	START-UP COSTS	ENTITY	LIFE	LIABILITY	TRANSFER OF INTEREST	MANAGEMENT	TAXATION
Sole Proprietorship	Least regulated	Least expensive	Not separate from proprietor	Life of person	Unlimited liability	Assets must be transferred	Easiest-one owner controls	No double taxation
Copartnership	Limited regulation	Relatively inexpensive	Not separate from partners	Agreed term: Life of any partner	Partners personally liable for debts and obligations of the partnership	New agreement generally required	Unanimity of partners	Each partner taxed on his/her share of income
Limited Liability Partnership	Limited regulation	Relatively inexpensive	Not separate from partners	Agreed term: Life of any partner annual renewal of LLP status	Partners personally liable for debts and obligations of partnership except for negligent act by a partner, not under the partner's direct supervision or control	New agreement generally required	Unanimity of partners	Each partner taxed on his/her share of income
Limited Partnership	Limited regulation	Relatively inexpensive	Separate from partners	Agreed term: Life of any general partner	General partners liable for all obligations; Limited partners liable to extent of contribution	In accordance with limited partnership agreement	Agreement of partners usually required	Each partner taxed on his/her share of income
Limited Liability Company	Limited regulation	Relatively inexpensive	Separate from members	Perpetual	Liability limited to the assets of the company	In accordance with operating agreement	Members may participate or select managers	May choose to be taxed as a partnership or sole proprietorship
Corporation	Most regulated	Most expensive to form	Separate legal entity	Perpetual	No individual liability	Most transferable	Authorization of a specified percent of directors required	Double taxation



Funded in part through a cooperative agreement with the U.S. Small Business Administration. All opinions, conclusions or recommendations expressed are those of the author(s) and do not necessarily reflect the views of the SBA.