



GOING INTO BUSINESS IN WEST VIRGINIA



WEST VIRGINIA



Table of Contents

Chapter 1	Getting Started.....	5
	Knowing Yourself	7
	Personal Considerations	8
	Financial Considerations	9
Chapter 2	Finding a Business.....	11
	Developing Your Own Business.....	12
	Buying an Existing Business	12
	Buying a Franchise	14
Chapter 3	Choosing a Business Location.....	17
	Location Evaluation	18
Chapter 4	Deciding on a Legal Structure	23
	A Look at Legal Organizations	24
	Advantages and Disadvantages of Forming a Corporation.....	24
	Advantages and Disadvantages of an S Corporation.....	26
	Limited Liability Company (LLC)	28
	The Pros and Cons of Partnerships.....	29
	General vs. Limited Partnerships.....	30
	Joint Venture	31
	Advantages and Disadvantages of Sole Proprietorships	31
Chapter 5	Selecting Your Insurance	33
	Plan On It	34
	Dare to Prepare.....	35
	Shopping for an Insurance Company	35
	What are the Basic Kinds of Insurance?	36
Chapter 6	Identifying Your Market.....	39
	Who is Your Customer?	40
	4 Step Marketing.....	40
	What is Your “USP?” Unique Selling Proposition	44
	Marketing Worksheet	45

Table of Contents

Chapter 7	Advertising Your Business	49
	Media Advertising	50
	Publicity	52
	Alternative Methods.....	53
	Calculating Your Advertising Budget	54
	Tips and Tactics.....	55
Chapter 8	Financing Your Business	57
	Will You Need to Borrow Money?.....	58
	How Much do You Need?	58
	What will the Lender Need to See from You?	60
	What are the Sources Available?	61
	Credit History	71
Chapter 9	Keeping Your Books: What New Business Owners Need to Know	73
	Why Keep Records?.....	74
	Kind of Records to Keep	74
	Supporting Documents.....	75
	Accounting Methods.....	76
	Business Expenses	77
	Recording Business Transactions	77
	Bookkeeping Systems.....	78
Chapter 10	Securing a Business License	79
	STEP 1: Organization - Filing with the Secretary of State	81
	STEP 2: Registration - Filing with Tax and Employer Agencies	81
	Frequently Asked Questions.....	83
	STEP 3: Local Licensing	87
	State Agencies	87
	Federal Agencies.....	91
Chapter 11	Business Planning: The Key to Your Success	93
	Why Write a Business Plan?	94
	The Winning Business Plan.....	94
	Taking the Plunge: Starting the Planning Process	96
	Tips and Tactics.....	97

Table of Contents

Chapter 12	Finding and Hiring Employees	99
	Determining Needed Skills and Abilities	100
	Setting Personnel Policies	100
	Tips and Tactics.....	101
	Finding Applicants	101
	Interviewing Job Applicants.....	102
	Evaluate Applicants’ Replies.....	102
	Hiring Employees.....	102
	Workforce Development Programs.....	104
	State and Federal Labor Legislation	107
Chapter 13	Reporting Taxes: Local, State and Federal	109
	City Taxes	110
	County Taxes.....	110
	State Taxes	111
	Development Assistance Programs	112
	Federal Taxes	114
	Business Tax Assistance	117
Chapter 14	Using West Virginia’s Business Resources	119
	Business Resources and Assistance Programs	120



Chapter 1



Getting Started

Getting Started

OWNING A BUSINESS and making it successful is one of the most satisfying and enjoyable experiences you can have. But it isn't easy. Your business will require a great deal from you — physically, emotionally and financially. Matt Alderton, Writer, Editor and Media Consultant of Logolepsy Custom Content and Communications says,

"Every successful business starts with a great idea, but not all great ideas result in a successful business. So how do successful entrepreneurs catch the right idea in a stream of clever business schemes? With patience.

- Consider all your ideas — and those of friends and family — carefully. Don't dismiss suggestions too quickly; your best idea might be your least likely one.
- Many entrepreneurs consider themselves jacks-of-all-trades; most businesses, by contrast, must be highly focused to succeed. Find a niche and be an expert rather than a generalist.
- The right business for you will be in an industry and a market where there is room for you; avoid pursuing a business that is already saturated with competition.
- Whatever business you choose, you'll have to make a living doing it. Be realistic, then, about whether you'll be happy doing it, and whether consumers will actually pay you for it.

The following exercises aren't intended to discourage you, but they are intended to get you thinking what being in business is all about. Evaluate your risks carefully and make sure that you're going into business for the right reasons. It's a big step — make certain you are ready.

KNOWING YOURSELF

Your own business — is it for you? Take a look at these pros and cons from www.toolkit.com/small_business_guide/index.aspx:

Pros

- You have the capacity to make a lot more money than you can make working for someone else.
- You'll be your own boss and make the decisions that are crucial to your business' success or failure.
- You may manage other people.
- You'll have job security; no one can fire you.
- You'll have the opportunity to put your ideas into practice.
- You may participate in every aspect of a business and gain experience in a variety of disciplines.
- You'll work directly with your customers.
- You'll benefit the local economy, such as by hiring other people to work for you.
- You'll have the personal satisfaction of creating and running a successful business.
- You'll work in a field or area that you really enjoy.
- You'll have the ability to build real retirement value (for example, by selling the business when you retire).
- You'll have the chance to put down roots in a community and to provide a sense of belonging and stability for your family.

Cons

- You may have to take a large financial risk.
- You will probably have to work long hours and may have fewer opportunities to take vacations.
- You may end up spending a lot of time attending to the details of running a business and less time on those things you really enjoy.
- You may find that your income is not steady and that there are times when you don't have much income at all.
- You may have to undertake tasks you find unpleasant, such as firing someone or refusing to hire a friend or relative.
- You may have to learn many new disciplines, such as filing and bookkeeping, inventory control, production planning, advertising and promotion, market research and general management.

Getting Started

PERSONAL CONSIDERATIONS

These questions will help you evaluate yourself as a prospective business owner. They also may identify ways you can prepare yourself for business ownership. Each question's relative importance depends on the type of business you want to start. Review them to identify your strengths and weaknesses. The more "yes" answers, the more likely you are to succeed.

	Yes	No
I like to make my own decisions and try my own ideas.	<input type="checkbox"/>	<input type="checkbox"/>
I enjoy being challenged and thrive on competition.	<input type="checkbox"/>	<input type="checkbox"/>
Common sense is one of my strong points.	<input type="checkbox"/>	<input type="checkbox"/>
I realize I may have to lower my living standards for several years.	<input type="checkbox"/>	<input type="checkbox"/>
I get things done on time and plan ahead.	<input type="checkbox"/>	<input type="checkbox"/>
I know my own business will require me to work 60-80 hours a week.	<input type="checkbox"/>	<input type="checkbox"/>
I have the energy to do all the work involved that the day-to-day operation will need: lifting, hauling, standing, walking, talking, smiling and driving.	<input type="checkbox"/>	<input type="checkbox"/>
At times I'll have to be all things to all people. I can stand the strain this creates.	<input type="checkbox"/>	<input type="checkbox"/>
I know I don't know everything and I'm ready to take advice from others.	<input type="checkbox"/>	<input type="checkbox"/>
I'm adaptable. I'm not so routine-bound that I can't change if the business requires change.	<input type="checkbox"/>	<input type="checkbox"/>
I appreciate others' points of view.	<input type="checkbox"/>	<input type="checkbox"/>
I believe in my ability to make sound decisions.	<input type="checkbox"/>	<input type="checkbox"/>
I do not give in to people to avoid a conflict.	<input type="checkbox"/>	<input type="checkbox"/>

FINANCIAL CONSIDERATIONS

	Yes	No
I have a head for figures and maintain proper records.	<input type="checkbox"/>	<input type="checkbox"/>
I am careful with my finances and have ways to save money.	<input type="checkbox"/>	<input type="checkbox"/>
I have a good credit history.	<input type="checkbox"/>	<input type="checkbox"/>
I know how to forecast sales and have the experience to use this information.	<input type="checkbox"/>	<input type="checkbox"/>
I know how to keep inventory records, report sales, and withhold employee taxes for federal, state, Social Security, unemployment and workers' compensation.	<input type="checkbox"/>	<input type="checkbox"/>
I know how to analyze financial statements for effective business management.	<input type="checkbox"/>	<input type="checkbox"/>
I know the suppliers and the assistance they can provide me.	<input type="checkbox"/>	<input type="checkbox"/>
I know how to control my inventory or staff to meet the demands of my customers and my business.	<input type="checkbox"/>	<input type="checkbox"/>
I know how to collect past-due accounts without losing customers.	<input type="checkbox"/>	<input type="checkbox"/>
I know how to determine the cost of goods sold and how to price my product or service.	<input type="checkbox"/>	<input type="checkbox"/>
I have a realistic idea of what my startup costs will be.	<input type="checkbox"/>	<input type="checkbox"/>
I am willing to get training in financial areas I am weak in.	<input type="checkbox"/>	<input type="checkbox"/>
I am willing to reassess my financial software, the professionals who assist me and my own financial knowledge annually.	<input type="checkbox"/>	<input type="checkbox"/>

Chapter 2



Finding a Business

Finding a Business

STARTING AND GROWING A BUSINESS involves a great deal of decision making. In “Getting Started,” you have made a decision on your ability to own and operate your own business. Now you are faced with three alternatives: start up a brand new business, buy an existing business or buy a franchise. Each has benefits and drawbacks. Examine the advantages and disadvantages of each option before taking the entrepreneurial leap.

DEVELOPING YOUR OWN BUSINESS

There are advantages to developing your own business. Generally, it costs less up front to start a business than to buy one and you can make use of your creative talents in developing something unique. You can address unexplored markets, choose your own location and develop your own management style and policies. You will not be buying someone else’s problems and flaws.

Most people who start their own businesses are good at what they do; but a successful entrepreneur has to provide a good product or service and understand how a business works.

There are certain inherent risks in developing your own business. You have to start from scratch. You are responsible for choosing a legal structure, a location and recordkeeping system. You must get licenses and permits, develop a customer base and create a marketing plan. At times, this can seem overwhelming. Getting help from entrepreneurial assistance programs offered by the Small Business Development Center will help you see that a business starts and develops in a logical order.

BUYING AN EXISTING BUSINESS

There are some advantages to buying an existing business: getting a good location; saving time, work and money that go into the start-up phase of business development; an organized and operating system with an established customer base.

There are several ways to find businesses for sale: trade associations and neighborhood business groups; business brokers; banks; chambers of commerce. Professional people within the community often know people who are selling or are about to sell a business. When you find a business in which you are interested, determine why it is for sale. Study the business and research its market carefully; study the trends of the specific business; learn about the competition, the surrounding neighborhood, the local business community and the current customer base.

An experienced accountant can help you analyze the seller’s financial statements and tax records in order to determine profitability and purchase price. If you have difficulty getting the financial information you need, it might be wise to move on to another opportunity.

Finding a Business

You want to know what you will be purchasing and its current value before you set a price and close a sale. You want to know if any of the company's assets have been pledged as collateral for outstanding debt, and it is wise to hire an appraiser to determine the value of the assets being purchased. Researching takes time and focuses on discovering the truth about the enterprise being considered.

There are so many questions to ask when considering the purchase of an existing business. Here are a few examples that relate to finance, marketing, ownership and operations:

- Most importantly, why is the seller selling? The answer will either raise red flags or be consistent with, and met with, no resistance when asking the information in the questions below.
- Have you asked to review the certified financial statements of income, cash flow and balance sheets for the last three years? If you borrow from a bank to purchase the venture, the bank will want to see them.
- Have you asked to see the company's (not the owner's personal) IRS returns for the last three years? The bank will.
- Have you asked for a copy of all documents of all outstanding indebtedness like notes payable, accounts payable, real estate and equipment leases? The bank will.
- Has the seller offered to stay around for awhile after the sale to help with transition, and have you discussed some compensation for his services during that transition period?
- Have you been allowed to talk with the employees, or is this sale of a confidential nature at this time? If so, why are the employees not being told of the impending sale?
- Has there been any significant turnover of employees? If so, why is that?
- Have you learned anything about the quality of customer relations at the company? Is there a close relationship between company and customers?
- Have you learned anything about the relationship between the company and its vendors? Do vendors display preferred, regular or irregular relations with the company?
- Is there a management team for this company? If so, are they aware of the impending sale, and how do they feel about it?

Finding a Business

- What are the actual conditions of the working environment? Are there any hazardous situations or is this a well-kept workplace?
- What are the actual conditions of existing fixed assets like office equipment, machinery, vehicles and the like? Do employees, managers and supervisors demonstrate good maintenance and cleanliness of company property?

There is so much more to ask, but this is a brief list designed to give you a starting point from which to begin the investigation of the venture in which you are about to invest.

You will want to examine these responses. It is a detailed matter requiring a significant explanation. Get help assessing them from your SBDC coach.

BUYING A FRANCHISE

Many small business owners have minimized their risks by investing in a franchise. Franchising is a plan of distribution under which an individually-owned business is operated as a part of a large chain. The products and services offered are standardized and the company (franchiser) gives the individual dealer (franchisee) the right to market the franchiser's products or services and to use the franchiser's trade name, trademarks, reputation and way of doing business.

You may wish to explore some of the advantages of franchise ownership:

1. Starting your own business under a name and trademark already accepted by the public.
2. Possibly receiving training and management assistance from the people who are experienced in your type of business.
3. Possibly receiving financial assistance from the franchiser.
4. Possibly purchasing equipment, products and supplies as well as advertising materials.

You should also look at some of the disadvantages:

1. You cannot make all of the rules; you lose the freedom to be your own boss and to make most of the decisions.
2. The franchiser usually charges a royalty on a percentage of your gross sales.
3. The franchiser does not share your losses.
4. You may be restricted in setting pricing, introducing new items and dropping unprofitable ones.

Finding a Business

Here are some steps to take before entering into a franchise agreement:

1. Examine your interests and abilities: what do you like to do?
2. Consult a directory of franchise opportunities.
3. Talk to franchisees for firsthand experience.
4. Contact the Federal Trade Commission to check up on your choice.
5. Consult a lawyer, accountant and a business coach, such as an SBDC representative to make sure you understand all the details and ramifications of the contract. These contracts usually last 10 to 20 years.

Here are some areas you should investigate if you are considering purchasing into a franchise:

- What is the reputation of the franchise?
- Is the company involved in litigation?
- What training and start-up assistance is offered by the franchiser?
- What continuing assistance is offered?
- What is the management structure?
- What are the operating practices of the franchise?
- What are the operating control policies?
- What are the franchise fees? Initial license fee? Continuing royalty fee? Other fees?
- Do you have the right to sell the franchise?
- What are the terms of renewal or termination?

You can prepare yourself to be successful by identifying all of the activities necessary for the development of your business, whether you buy an existing business, buy into a franchise or develop your own from start to finish.

Visit the American Franchise Association website, www.franchisee.org, to learn more about purchasing a franchise.

Chapter 3



Choosing a Business Location

Choosing a Business Location

YOUR CHOICE OF LOCATION should be made early. Base your decision on the types of products or services you provide and your target market rather than your personal convenience. Target market satisfaction is your most important consideration; your customers must be able to reach your business easily, safely and pleasantly. Other considerations are competition, sources of supply, availability of labor and square footage costs.

Business legend has it that if you build it, they will come. Building it, however, requires time and capital — and there's no guarantee that anyone will ever come. That's why smart business owners seeking a new or startup location study up on a subject they probably haven't touched since seventh grade: geography.

Your business location can make or break you, whether you own a restaurant, a retail shop or even a service business. Your company's image, your dependence on commuter or foot traffic and your budget all play a role in finding the best spot for your business. Finding the right location can:

1. Drive customer traffic.
2. Attract employees.
3. Increase credibility.
4. Make you more competitive.

LOCATION EVALUATION

One of the most effective ways to evaluate a location is to do a map analysis. Draw a map of the area in which you wish to locate; make some copies and a transparency. On the transparency, indicate the location sites available to you and number them. You will be coding information onto the duplicate maps. For instance, take a duplicate to the police department and ask about crime rates. Shade in the high crime areas on the duplicate. Use your transparency to see if any of your potential locations fall within the high crime areas. Here are some other areas of information you should gather on your duplicates:

Market: Shade in the areas in which your target market lives, shops and/or works. Lay it under your transparency to see if your customers will be able to reach you easily.

Competition: Find out your competitors' locations and try to determine their sales volume. Most businesses try to distance themselves from competition, but some types of businesses, such as restaurants and auto dealerships, seem to have great success in clusters. Service businesses succeed when they locate near a main support facility. Consumers expect to find such services in these areas, such as doctors' offices near a hospital or clinic.

Choosing a Business Location

Sources of supply: Manufacturers need to be close to suppliers and to consider transportation, labor and power costs.

Labor force: Another location consideration is employee availability. The prevailing wage rate in an area can affect your cost of doing business. Also if you run a technology firm, consider locating in an area with other high-tech businesses so you can tap into a qualified labor pool.

Cost: Space for minimal rent is not always the best reason to choose a location. Why is the rent so low? Find out about a location, how long it has been available and the history of the previous tenants. If turnover rate is high, it may be considered a “bad location.”

Some other cost considerations besides rent or mortgage are the following:

- Will you need separate insurance from the rest of your business?
- What fees and taxes will apply to your business? Check with the county clerk and city hall where you propose to locate.
- How good will this location be in two years? five? 10? What could change the desirability of the location?

Lease agreements: Read your lease agreement carefully to make sure you understand all the aspects of it. Seek counsel from an attorney to determine if the agreement suits your needs. Other things to consider:

- The length of the agreement.
- If your business fails, will you still have to pay until the lease is over?
- What share of the utilities will you have to pay?
- What insurance coverage will be expected?
- What agreement can be reached regarding renovations and additions (adding or removing walls, adding an awning, adding a sign, wall hangings or fixtures, etc.)?

Access to your location is also a prime consideration. A business location should be easy and safe to enter and exit to and from traffic. Often areas with a high traffic count are difficult to access because of factors such as one-way streets, center islands on divided highways and simply too much traffic to make it worth the stop. To get a traffic count for your proposed location, call the West Virginia Division of Highways Transportation Planning Division at (304) 558-3505 or visit their Web site at www.transportation.wv.gov/highways/programplanning/preliminary_engineering/traffic_analysis/trafficvolume/Pages/default.aspx.

Choosing a Business Location

Before beginning your location search, list your present requirements and try to project your future needs. If you plan to grow, will the location expand to suit you? Take your time to make your decision.

I require now

1.

2.

3.

4.

5.

When I grow, I will need

1.

2.

3.

4.

5.

Location is important. You need to be where your market can reach you and you can reach your suppliers easily and as inexpensively as possible. Here are some further tips:

- It's important to choose not only a profitable location, but a safe one, too. Before committing to a space, research the neighborhood to make sure it's well-lit and well-trafficked.
- Be aware of your space requirements. Hotels, restaurants, retailers, manufacturers and offices all require different things from their properties.

Chapter 4



Deciding on a Legal Structure

Deciding on a Legal Structure

THE FIRST FORMAL DECISION to be made in starting a business is to select the legal structure for the company. This decision will depend on the number of people who will control the company, how decisions are to be made, and other considerations such as liability and tax issues. The information here may help you make the decision, but it is important to consult with someone with experience who can answer your questions. Seek counsel from an accountant or attorney to determine the form of business organization that best suits your business.

A LOOK AT LEGAL ORGANIZATIONS

In some cases, the business you do may be regulated and some business types may not be acceptable. For example, the Alcoholic Beverage Control Commission will not issue a license to sell alcoholic beverages to a sole proprietorship or a member-managed limited liability company. To save time, money and frustration, take the time to find out everything you can about the requirements for your new business before you file the organization papers.

It is important to consider each form of business organization carefully to evaluate the most appropriate structure for your business. While it is possible for a business to start out under one organizational form and change to another later, proper planning can prevent difficulties caused by an unsuitable legal structure.

The success of your new business depends on planning. The following is information from Dun & Bradstreet's All Business website, www.allbusiness.com in the Structuring Your Business link.

ADVANTAGES AND DISADVANTAGES OF FORMING A CORPORATION

A **corporation** is defined as a legal entity or structure created under the authority of a state's laws, consisting of a person or group of persons who become shareholders. The entity's existence is considered separate and distinct from that of its members. Like a real person, a corporation can enter into contracts, sue and be sued, pay taxes separately from its owners, and do the other things necessary to conduct business.

Incorporation can be a complicated process. You may choose to hire an attorney to guide you through the process.

- May be for-profit or nonprofit.
- Must have at least two officers, elected at annual meeting.
- Corporation operated under charter and by-laws; law governs voting requirements for amendments and changes & record-keeping.
- May create and issue stock.

Deciding on a Legal Structure

- Law provides personal liability protection for directors and officers acting in good faith.
- Annual report, attorney-in-fact fee and corporation license tax required.
- File Articles of Incorporation for Corporations, S- and C-type.

Regardless of the tack you take, take into consideration the advantages and disadvantages listed below before you embark on incorporating your company.

Advantages

- **Limited liability.** One of the key reasons for forming a corporation is the limited liability protection provided to its owners. Because a corporation is considered a separate legal entity, the shareholders have limited liability for the corporation's debts. The personal assets of shareholders are not at risk for satisfying corporate debts or liabilities.
- **Corporate tax treatment.** Since a corporation is a separate legal entity, it pays taxes separate and apart from its owners (at least in the typical C corporation). Owners of a corporation only pay taxes on corporate profits paid to them in the form of salaries, bonuses, and dividends. The corporation pays taxes, at the corporate rate, on any profits.
- **Attractive investment.** The built-in stock structure of a corporation makes it attractive to investors.
- **Capital incentive.** The stock structure also allows corporations to attract key and talented employees by offering them an ownership interest in the form of stock options or stock.
- **Owner/employee.** A business owner who works in his or her own business may become an employee and thus be eligible for reimbursement or deduction of many types of expenses, including health and life insurance.
- **Operational structure.** Corporations have a set management structure. The owners of a corporation are shareholders, who elect a Board of Directors, which then elects the officers. Other than the election of directors, shareholders do not participate in the operations of the corporation. The Board of Directors is responsible for managing and exercising the rights and responsibilities of the corporation. The Board sets corporate policy and the strategy for the corporation, and elects officers — usually a CEO, vice president, treasurer, and secretary — to follow the policies set by the Board, and manage the corporation on a day-to-day basis. In a small corporation, the lines between the shareholders, Board of Directors, and officers tends to blur because the same people may be serving in all capacities.
- **Perpetual existence.** A corporation continues to exist until the shareholders decide to dissolve it or merge with another business.
- **Freely transferable shares.** Shares of corporations are freely transferable, because as a separate entity, the existence of a corporation is not dependent upon who the owners or investors are at any one time. A corporation continues to exist as a separate entity, and is not terminated or dissolved even when shareholders die or sell their shares. Shares of corporations are freely transferable unless shareholders have "buy-sell" agreements limiting when and to whom shares may be sold or transferred. Also, securities laws may restrict the transferability of shares.

Deciding on a Legal Structure

Disadvantages

- **Fees.** It costs money to incorporate. There are four types of fees: a fee to file the Articles of Incorporation with the Secretary of State, a first-year franchise tax prepayment, fees for various governmental filings, and attorneys' fees. But every year, tens of thousands of businesses choose to incorporate online without the use of an attorney.
- **Formalities.** The proper corporate formalities of organizing and running a corporation must be followed, to receive the benefits of being a corporation.
- **Paperwork.** Paperwork is a huge component of the corporate formalities that must be followed. Reports and tax returns must be compiled and filed in a timely fashion; business bank accounts and records must be maintained and kept separate from personal accounts and assets; records must be kept of corporate actions, including meetings of shareholders and Board of Directors; and licenses must be maintained.
- **Disclosure of names of corporate officers and directors.** Most states do not require that names of shareholders be a matter of public record; however, many states require that the names and addresses of corporate officers and directors be listed on one or more documents filed with the Secretary of State.
- **Dissolution.** Since corporations have a perpetual existence, states provide a mechanism for dissolving a corporation and liquidating its assets. Dissolution does not happen automatically. A corporation can be dissolved voluntarily or involuntarily. A corporation's officers and directors are charged with responsibility for dissolving the corporation, including gathering corporate assets, paying creditors and outstanding claims, and distributing the remaining assets to shareholders.
- **Tax consequences.** C corporations have potential double-tax consequences — once when the company makes its profit, and a second time when dividends are paid to shareholders. S corporations can mitigate this tax issue.

ADVANTAGES AND DISADVANTAGES OF AN S CORPORATION

There are two types of corporations: Regular and Subchapter S corporations. The profits of a regular corporation are taxed twice, at the corporate as well as the individual level, only if dividends are paid. A regular tax return must be filed each year to pay tax on the corporation's income. Any profits left after taxes may be given to stockholders, who must then pay tax on the amounts they receive.

The **S corporation** is treated as a partnership for tax purposes and like a corporation it enjoys limited liability. But like a partnership, it is not subject to corporate federal income tax. Although a tax return is filed, the income and expenses of the S corporation are divided among its stockholders who report the profits on their individual returns. Thus, it is taxed only once.

Deciding on a Legal Structure

Because the S corporation avoids double taxation while providing stockholders the protection of a regular corporation, this form of organization is popular among small businesses. However, Subchapter S status may create certain disadvantages that should be considered.

Specifically, an S corporation may have no more than 100 shareholders and may issue only one class of stock, thus limiting its ability both to raise capital and to attract certain investors. Meanwhile, stock in an S corporation cannot be sold to another corporation or partnership. Only individuals, estates and some trusts may own shares. Further, all shareholders must be United States residents and must consent to the S corporation election.

Finally, shareholders that own more than two percent of the corporation's stock are not eligible for tax sheltered fringe benefits allowed to regular corporations. This includes accident and health plans, group term life insurance, and employer-provided meals and lodging.

Advantages of an S Corporation

- Corporate losses can be passed through to the shareholders, and as the owner (and shareholder), you may be able to take the loss against income that appears on your personal return.
- You can have the protection of limited personal liability without having to pay corporate taxes.
- You can minimize self-employment tax and FICA tax. Your profits, as a shareholder, are not taxed in this manner.
- It's easier to raise capital as a corporation than as a sole proprietorship or partnership.

Disadvantages of an S Corporation

- Numerous regulations and requirements must be upheld by an S Corporation, including a limit on the number of shareholders (see list below).
- Like a C Corporation, it can be costly to set up and follow corporate formalities.
- Close scrutiny by the IRS of shareholder-employees, who must receive reasonable compensation (subject to employment taxes) before any nonwage distributions may be made to that shareholder-employee.

Other regulations imposed on S Corporations

- All shareholders must be U.S. citizens.
- All shareholders must vote in favor of the S Corporation.
- Benefits such as health or accident insurance for employee shareholders (with at least a 2 percent partnership) may not be deducted by the corporation.

A corporation that plans to pass through dividends regularly to shareholders may want to elect S Corporation tax status. Also, a business owner who may want to take business losses on his or her own

Deciding on a Legal Structure

personal tax return, possibly to offset income earned by his or her spouse, may opt for this type of corporation. If you do set up an S Corporation and later decide that there's a better alternative for your business, you can vote to drop S Corporation status.

Like other corporations, the S Corporation can limit the personal liability of the owners. Creditors can go after the assets of the corporation and not the owners, if there are outstanding debts. It is important, however, that the owner keeps his or her personal financial records and those of the S Corporation completely separate, to avoid legal entanglements.

LIMITED LIABILITY COMPANY (LLC)

A **Limited Liability Company (LLC)** is a form of business organization that incorporates components of both a partnership and a corporation. Specifically, this organizational structure is treated like a corporation for state law purposes and thus offers limited liability to its owners. Yet, the limited liability company is treated by the Internal Revenue Service and by the West Virginia Department of Tax and Revenue as a sole proprietor if you have one member or a partnership or corporation for multiple members for income tax purposes.

Advantages of a Limited Liability Company

- More flexible than a limited partnership or S-Corporation with similar tax advantages.
- Limited liability to the members.
- Income is taxable only once at the member's tax rate.

Disadvantages of a Limited Liability Company

- Restrictions to transferability.
- Life of the LLC varies from state to state.
- Does not have stock therefore not transferable.

Limited Liability Company (LLC)

- For-profit only.
- May be fixed term or perpetual.
- May be single-member or multiple-member company; members may have authority defined in operating agreement.
- May be member-managed or manager-managed.
- Members have equal ownership unless otherwise defined by agreement.
- Company operated under articles of organization. Additional provisions may be provided by operating agreement, or if none is written, then by the provisions of law.
- Law provides personal liability protection for members and managers acting in good faith.
- May be taxed as partnership under federal law, depending on structure.

Deciding on a Legal Structure

- Annual report and attorney-in-fact fee required.
- File Articles of Organization for Limited Liability Companies.

THE PROS AND CONS OF PARTNERSHIPS

General partnerships have many benefits, but perhaps the most compelling is the ease with which they can be set up and maintained. You do not have to register with the state and pay fees, as you do to establish a corporation or limited liability company (LLC). And because a general partnership is normally a “pass through” tax entity -- meaning the partners, and not the partnership, are taxed -- filing income tax returns is relatively easy. Unlike a regular corporation, there is no need to file separate tax returns for the corporate entity and its owners. However, although West Virginia law does not require a written partnership agreement, many organizations and government agencies such as the Small Business Administration will require the partners to have a written agreement before guaranteeing a loan. If there is no partnership agreement, the partnership is subject to the terms of the Uniform Partnership Act.

Another advantage of general partnerships is the flexibility they offer. In partnership agreements, the partners are free to set their responsibilities and benefits as they see fit or as the needs of the business dictate. The structure of the organization and the distribution of profits and losses are much more flexible in a general partnership than they are in a corporation. Because of this, an individual partner can be rewarded with higher profits for taking on more financial risk. Typically, corporations distribute dividends evenly according to the percentages of stock held by each stockholder.

Partnerships are also considered a discrete asset and as such (as opposed to a sole proprietorship) can be transferred to other people, heirs, or estates. Transference is usually limited by the terms of the partnership agreement.

But partnerships can also be risky. The business-related acts of one partner can legally bind all other partners. So it's essential that you enter into partnerships only with people you trust. It is equally essential that, no matter how much you trust your partners, you execute a written partnership agreement establishing each partner's share of profits or losses, day-to-day duties, and what happens if one partner dies or retires.

Another disadvantage of doing business as a general partnership is that all partners are potentially personally liable for all business debts and lawsuits. At a minimum, each partner is financially responsible for his or her share of the business debt. But in many cases, it is the partner with the greatest assets who loses the most if the business fails. Of course, a good insurance policy can help reduce lawsuit worries, and many small, savvy businesses don't have debt problems.

General partnerships are also limited in their ability to raise money. Other than debt financing,

Deciding on a Legal Structure

partnerships are often unable to get large chunks of cash. Although a partnerships can raise capital by selling equity interests, that's very difficult to do on a large scale because of potential personal liability and the limited resale market for partnership equity.

Bottom line: Avoid general partnerships and consider forming an LLC or an S corporation for start-up businesses.

- For-profit only.
- Must have two or more partners; partners have equal authority unless otherwise defined in partnership agreement.
- Partners have equal ownership unless otherwise defined by agreement.
- Company operated under partnership agreement .
- No personal liability protection provided by law.
- Taxed as partnership, with profits assigned according to partnership interest.
- A general partnership is not required to file with the Secretary of State. However, the law provides the option of filing.

GENERAL VS. LIMITED PARTNERSHIPS

There are two types of partnerships: general partnerships and limited partnerships (LPs). In a general partnership, each partner can incur obligations on behalf of the partnership, and each assumes unlimited liability for the partnership's debts. For example, if the partnership owns a truck, and the truck strikes and injures a pedestrian, each partner is personally liable for any damages or judgments.

This unlimited liability risk makes **limited partnerships** an attractive alternative to general partnerships. In an LP, there is usually just one general partner (although there can be more). The other partners are called "limited partners." The general partner has full management responsibility runs the day-to-day operations of the business. A limited partner cannot incur obligations on behalf of the partnership and does not participate in the firm's daily operations or management. In fact, a limited partner's role usually involves nothing more than making an initial capital investment in exchange for a share of the firm's profits.

While the general partner wields most of the power, they also bear the lion's share of the liability. A limited partner's liability, on the other hand, cannot exceed their financial contribution to the partnership. So, if a truck owned by a limited partnership accidentally injures someone, the damaged party could go after the general partner's personal assets but could only go after a limited partner's actual investment in the partnership.

As a result, a limited partnership offers two key advantages: It gives the general partner the freedom to run the business without interference, and it protects the limited partners if something goes wrong.

Deciding on a Legal Structure

Limited partners may choose to get more involved in a partnership's daily operations, but they do so at their own risk. In the eyes of the law, their involvement may make them a general partner and strip them of their limited liability.

Partnership

- For-profit only.
- Must have at least one general partner and one limited partner; partners have equal authority unless otherwise defined in partnership agreement.
- Partners have equal ownership unless otherwise defined by agreement.
- Company operated under partnership agreement.
- No personal liability protection provided by law.
- Taxed as partnership, with profits assigned according to partnership interest .
- Annual report and attorney-in-fact fee required.
- File Statement of Registration for Limited Partnerships and Limited Liability Partnerships.

JOINT VENTURE

Joint venture is a partnership of one or more sole proprietorships, partnerships, or corporations for the purpose of pursuing a specific business activity or transaction. The main advantage of a joint venture is that existing businesses can join together without having to form a new entity and without having any continuing obligations to each other beyond the joint venture agreement. The primary disadvantage is that parties of the joint venture are liable for the actions of each partner.

ADVANTAGES AND DISADVANTAGES OF SOLE PROPRIETORSHIPS

The most common and simplest form of business is a **sole proprietorship**. Many small businesses operating in the United States are sole proprietorships. An individual proprietor owns and manages the business and is responsible for all business transactions. The owner is also personally responsible for all debts and liabilities incurred by the business. A sole proprietor can own the business for any duration of time and sell it when he or she sees fit. As owner, a sole proprietor can even pass a business down to his or her heirs.

In this type of business, the owner pays taxes on income from the business as part of his or her personal income tax payments.

Sole proprietors need to comply with licensing requirements of West Virginia, as well as local regulations

Deciding on a Legal Structure

and zoning ordinances. The paperwork and formalities, however, are substantially less than those of corporations, allowing sole proprietors to open a business quickly and with relative ease — from a bureaucratic standpoint. It can also be less costly to start a business as a sole proprietor, which is attractive to many new business owners who often find it difficult to attract investors.

Advantages of a Sole Proprietorship

- A sole proprietor has complete control and decision-making power over the business.
- Sale or transfer can take place at the discretion of the sole proprietor.
- No corporate tax payments.
- Minimal legal costs to forming a sole proprietorship.
- Few formal business requirements.

Disadvantages of a Sole Proprietorship

The sole proprietor of the business can be held personally liable for the debts and obligations of the business. Additionally, this risk extends to any liabilities incurred as a result of acts committed by employees of the company.

- All responsibilities and business decisions fall on the shoulders of the sole proprietor.
- Investors won't usually invest in sole proprietorships.

NOTE: If the business is conducted under a fictitious name, it's up to the sole proprietor to file all applicable forms under the fictitious name or under doing business as (DBA). This, however, does not mean that the business is a separate entity from a legal standpoint. The sole proprietor remains liable even if he or she is doing business under a fictitious name.

Most sole proprietors rely on loans and personal assets to initially finance their business. Some will elect to incorporate once the business has started to grow, while other business owners maintain their sole proprietorship for many years

Sole Proprietorship

- For-profit only.
- May only have one owner.
- Company operated under business franchise registration requirements.
- No personal liability protection provided by law.
- Profits taxed as individual income.
- A sole proprietorship is not required to file with the Secretary of State.

Remember, this is general information. It is important to consult with someone with experience who can answer your questions. For more detailed information, visit the West Virginia Secretary of State's Web site, www.sos.wv.gov.

Chapter 5



Selecting Your Insurance

Selecting Your Insurance

AT SOME POINT DURING THE FORMATION OF A BUSINESS, the question of insurance needs will arise. In fact, if you are writing a business plan, costs for this coverage will have to be addressed in your plan.

Sheree R. Curry, an award-winning business journalist and former staff reporter at Fortune Magazine and who specializes in management best practices, asks, “Are you prepared if disaster were to strike your business? More than 1 in 4 businesses will experience a significant crisis in a given year, according to a survey conducted by Continuity Insights magazine and KPMG Risk Advisory Services. Of those businesses that experience a disaster and have no emergency plan, 43 percent never reopen, according to *The Hartford’s Guide to Emergency Preparedness Planning*, published by The Hartford Financial Services Group, an investment and insurance company. Of those that do reopen, only 29 percent are still operating two years after opening.”

Ms. Curry has provided the following information:

A business crisis isn’t always fire, flood or hurricane; sometimes it’s simply having your computer systems knocked out for a period of time that can cause a significant loss in sales or a key employee that can suddenly no longer work and no one else knows his or her job.

Plan on It

So plan for the unplanned and test your plan. In this age of mobile technology, could your business be run from a backup location? Does more than one person know how to do a job or have permission to do important business functions like sign checks, make orders for supplies and pay employees?

Here’s just a few tips to consider:

- Make duplicates of important communications materials. Keep copies of certain important materials at home: checks for business account, company letterhead, envelopes, important phone numbers and passwords.
- Keep copies of important records in a remote location. Even though you keep important documents in a safe-deposit box, the bank, too, can be damaged by a disaster. “This type of record loss happens more frequently than people think, and reconstruction is a major inconvenience,” explains Connie Bracher, disaster chair for the California Society of Enrolled Agents and a tax preparer at Acorn Bookkeeping & Tax Service in Crestline, California. “Important documents should be copied and stored in another part of the country with a brother or sister, or in a safe-deposit box in another state.”
- Run through a test drill of your disaster plan. As the poet Robert Burns wrote, “the best laid plans of mice and men go oft awry.” Don’t plan on using a communication system (handheld radios) to contact employees only to find they do not have the range necessary.

Selecting Your Insurance

- Prepare multiple contingency plans. If your primary plan depends on other locations or people being available during your disaster and they are also struck, you need to quickly come up with a Plan B.
- Don't skimp on insurance. Small companies tend to skimp on insurance coverage, especially when it comes to things like business income interruption insurance. If they do get insurance, they get the least amount they can. It is very cheap to buy additional coverage, but is extremely expensive to pay for ongoing expenses out of your pocket. Determine the kinds of risks you can do something about prepare for them as best you can.

Dare to Prepare

You're ready to handle a disaster and save your business if you can answer yes to the following questions:

- Have you identified the impact an outage would have on employees, customers and business interfaces?
- Have you determined how long your company can afford to be inoperable before your business is critically affected should one or more of your services or operations experience disruption?
- Have you developed, documented and tested a comprehensive business continuity plan for facilities, employees, processes, systems, data and networks that address recovery and restoration and internal communications, with other offices and customers?
- Have you determined how your business will operate should key business partners and vendors be affected by a disruption or disaster?

The most innocent business owner can find himself or herself involved in legal actions against the business. In addition to liability, there are many other insurance considerations such as fire, flood, theft, auto, workers' compensation, health, etc. that need to be considered. In addition to these concerns during the lifetime of the owner, considerations should be made for the untimely or unexpected death of the owner(s). There may be a need for life insurance and a buy-sell agreement to safeguard your heirs.

SHOPPING FOR AN INSURANCE COMPANY

Shopping for an insurance company is like shopping for a bank. Careful research will help determine what company can best serve your needs.

Call your current personal insurance carrier to see what kinds of business insurance are offered. Check with independent agents who can shop various carriers for the coverage you need. If your needs are unique because of your type of business, look through trade journals. Many carriers of special types of insurance advertise in these journals to reach their target market. Some businesses require a special policy or carrier, such as farm businesses. A business based out of your home will not be covered by your homeowner's policy. Check with your carrier before beginning operations.

Selecting Your Insurance

WHAT ARE THE BASIC KINDS OF INSURANCE?

There are many types of insurance, more than any business could possibly afford or truly need. Most small businesses buy what is generally known as a Business Owner's Policy (BOP). The policy generally includes property, liability and criminal coverage and various specialty needs of the business. The advantage to a BOP is that it usually costs less than if each type of coverage was purchased separately.

The following is a brief listing of categories or types of insurance that a company should consider for its individual needs.

Property and Liability Insurance

- General liability.
- Property damage liability.
- Fire.
- Earthquake/Flood.
- Theft.
- Fidelity bonds (protects against employee dishonesty).
- Surety bonds.
- Boiler and machinery coverage.
- Product liability.
- Business interruption.
- Vehicle.

Umbrella

If you run a business of any kind-especially one that comes into contact with clients-then you should look into purchasing commercial or business umbrella insurance. This type of insurance is a secondary "excess liability" policy that protects business owners from lawsuits with settlements exceeding their usual insurance policies. Certain businesses are at higher risk of being sued for large amounts-bars, restaurants, sports arenas, large office buildings, and anywhere large amounts of people gather and may potentially be injured or otherwise harmed.

Sometimes accidents can happen in your businesses that are not directly your fault, but a court may decide that you are responsible for the financial damages. Your building may have a leak that results in personal injury to an employee or client, or one of your employees may give some bad advice that leads a client to sue.

Life Insurance

Health Insurance

Securing affordable health care is a challenge for most small business owners today. The **West Virginia Small Business Plan** works to enable eligible small businesses better access to health care plans at lower rates.

West Virginia Small Business Plan partners with health care providers and private insurance sector to reduce premiums.

Selecting Your Insurance

Depending on the type of coverage chosen and employee profiles, uninsured small businesses could save up to 22 percent on health insurance.

Your company is eligible if it:

- Has 2-50 employees.
- Has been without company sponsored health insurance for at least the past 12 consecutive months.
- Pays at least 50 percent of the cost of individual coverage.
- Enrolls at least 75 percent of its eligible employees in the program.

An eligible employee does not have health insurance coverage through other means, such as a spouse's policy. Individual health insurance is not company-sponsored, so employees with individual health coverage are eligible.

To find out more about the West Virginia Small Business Plan, call the SBDC business "Ask ME!" line at 888-982-7232 or visit the West Virginia Small Business Plan's web site at www.wvsbp.org.

Mountain State businesses have other options as well. The National Association for the Self Employed (NASE) is a membership organization that provides its members with access to health and life insurance coverage. For details, call NASE at 800-649-6273 or visit www.nase.org.

The American Small Office Home Office (SOHO) has partnered with Web-direct employee benefits broker Digital Insurance. For more information, visit the Digital Insurance product site www.myincompass.com.

Short and Long-term Disability

Employee Benefits

Insurance coverage is a complicated subject. For example, the U.S. Congress passed the Patient Protection and Affordable Care Act, known more commonly as HealthCare Reform Act. According to Wikipedia the Free Encyclopedia, the Patient Protection and Affordable Care Act provides for the phased introduction over four years of a comprehensive system of mandated health insurance with reforms designed to eliminate "some of the worst practices of the insurance companies." The system preserves private insurance and private health care providers and provides more subsidies to enable the poor to buy insurance. However, at this time, the provisions of the act are under review and not in place.

Chapter 6



Identifying Your Market

Identifying Your Market

NO MATTER HOW GOOD you think your product or service is, what the customer thinks is what really counts. Even if your product or service is well liked, you need to be sure that your customers will buy from you often enough, and in large enough quantities, to consistently generate the revenues needed to support and maintain your business. That is why a marketing plan is vital to your success.

Planning, for the most part, isn't fun. But if you don't plan your marketing, you'll spend lots more than you have to. And likely not have the results you want for your efforts. Planning is the first step to marketing smart!

There are only three ways to increase sales:

- Get more customers.
- Get current customers to buy more often.
- Get current customers to spend more on each visit.

Customers — this is the key. It's cheaper to keep a customer than add a new one; so what can you do to maintain your customer base?

WHO IS YOUR CUSTOMER?

Most businesses sell to consumers via the Internet, or person to person. That's the consumer market: business to consumer. But there are two other types of markets: The industrial market (business to business) and the reseller market. These additional markets maybe something to think about to expand your sales, but they take different marketing strategies.

4 STEP MARKETING

Why would a customer want to buy your product or service? Do you fill a need? Are you convenient? Do you help solve a problem? Let's go through this four-step plan to help you narrow your marketing.

1. Identify why your customer wants to buy your product or service.

Can you identify the opportunity or problem your product or service will solve for a customer? If not, you need to try and figure it out.

This is Problem Number 1 when starting to develop a marketing strategy for your business. Most people will point to a feature, and expect customers to "get it." However, what really sells, either a service or a product, is the benefit of the product, not its features.

Identifying Your Market

According to Allen Weiss, founder and publisher of *MarketingProfs.com*, the first thing to note is that product features reside in the product, while benefits reside in the customer. For example:

- A car can have 4-wheel drive (a concrete attribute) and provide a benefit to a customer of being able to go various places.
- A computer can have a microprocessor with a fast clock speed (a concrete attribute) and provide the benefit of being able to get your job done faster.

Benefits are always abstract, and they are often the result of a cluster of product attributes, some of which may be abstract attributes. For example, think of safety (say in a car). There is a cluster of concrete product attributes (e.g., air bags, brakes, and body construction) that give rise to the more abstract concept of the benefit of safety. But note that “safety” can also be applied to the car (so it’s an abstract product attribute). Many times, abstract product attributes are closely related to benefits. When they are, you do not get much benefit out of making a distinction between attributes and benefits.

Given this discussion, you can see that it is often easier to think about what a customer buys by thinking along the continuum of concrete versus abstract ideas, regardless of whether we label it an attribute or a benefit.

- 2. Segment your overall market.** Research your market and break it out into market segmentation: Geographic [location]; Demographic [age, education, et al]; Psychographic [gender and lifestyle]; and Behavioristic. To help with your market research you might use SBDCNet at sbdcnet.org.

Geographic: People buy from stores within five miles of where they live; how wide an area do you serve?

Demographics: Age, education, income, minority status.

Psychographic: According to Nilofer Merchant, the CEO of Rubicon Consulting in Silicone Valley, after doing good research and finding some natural “clumps” of interests, usages, priorities, or purchase drivers, we typically end up with three to five segments for any particular product, service, or solution area. For example, most technology firms catering to consumers have four or so groups that look like this:

- Technology enthusiasts. Typically male, 30–45 years old.
- Families with children. Price-sensitive, focused on protection and safety.
- Older with money. They may tend to be price insensitive but need guidance on what to purchase and how to use/service it.
- Teens and entertainment addicts. Low threshold for boredom, on the go, want the latest.

Identifying Your Market

Generally you can identify difference in purchasing:

- Male/female.
- Healthy lifestyle.
- Conservative with money.

Behavioristic: brand loyalty; shopping for bargains and using coupons. Did you know that:

- Women make 83 percent of all buying decisions.
- American women write 80 percent of all checks and pay 61 percent of all bills.

What is the impact of this on your advertising? But we're not all alike. Our broader world is changing so that users can be a market of one: not a part of some bigger market segment, but a singular person, unique and appealing, to market to in and of himself or herself. Rather than knowing of an individual's interest in photography, you might also know that they care about many things at once.

For example:

- Cleaning products that are non-chemical.
- Furless dogs to avoid allergic reactions.
- Fonts that are sans serif.
- High-quality paper and ink.
- Fountain pens that don't dry out while you're waiting for inspiration.
- Shoes in patent, peep toe styles.
- E-mail access 24/7 from anywhere.

This list may seem unrelated to a marketer of any one product, but what is incredibly important and relevant is *this is how people really are*. It's vitally important to marketing effectiveness. And this is why it is critical that you know your customers!

- 3. Research your market.** What effect did 9/11 have on businesses? The weather, the economy, holiday sales; some of these things you can not foresee. But if some weather event happens, do you need to do some quick advertising to say you are open? Consider external factors, like weather, road construction, and other things you have no control over. How can you use advertising to help reach customers despite external factors?

When researching, again use SBDCNet, Census.gov, maybe surveys, interviews, certainly observe your customers. And ask them! Only 9 percent of the population refuses to give personal data when asked.

Identifying Your Market

You can conduct much of your market research using online services and information. Start with the major consumer online services, which offer access to business databases. Here are a few to get you started:

- **KnowThis.com's** marketing virtual library includes a tab on the site called "Web links" that contains links to a wide variety of market research web resources.
- **BizMiners.com** lets you choose national market research reports for 16,000 industries in 300 U.S. markets, local research reports for 16,000 industries in 250 metro markets, or financial profiles for 10,000 U.S. industries. The reports are available online for a nominal cost.
- **MarketResearch.com** has more than 250,000 research reports from hundreds of sources consolidated into one accessible collection that's updated daily. No subscription fee is required, and you pay only for the parts of the report you need with its "Buy by the Section" feature. After paying, the information is delivered online to your personal library on the site.

Join any state or national/international trade associations and use any data they can give you on trends. If you use distributors or wholesalers, ask them about trends for your area. Certainly the Internet is a source of news. Don't forget local, state or national business publications.

4. Identify your competition. Competition is not bad; it just means there is a need for your product or service. Look at Wendy's: they will traditionally build a new location only if there's a McDonald's close. Why? Kids want McDonald's! But parents can pick up a Happy Meal, and then take themselves over to Wendy's. So not only is competition a sign that there is demand for your product or service, it also means that you may have the ability to benefit from your competitors' weaknesses.

- How are you different from your competitor? e.g. hours, services, etc.
- What do you do that is unique?
- What value do you offer? Being the cheapest will lose you more customers than you gain. Think of value in terms of additional value.
- What is the image of your company?
- What is the public perception of the quality and honesty of your business?

Wal-Mart is a competitor, but there is one thing to learn from them: **P.O.C.K.E.T.S.**

- **Price:** Quality and needs of customers.
- **Operations:** Continually improve.
- **Culture:** Your philosophy.
- **Key product:** Diversify, ask customers.
- **Expenses:** Profit sharing for employees.
- **Talent:** Hire the best.
- **Service:** is #1.

Identifying Your Market

These ideas are from an Edward Jones-sponsored Webinar, “Service is #1 at Wal-Mart.” You might disagree, but these are their corporate ideals that are not necessarily translating down into store operations. But that doesn’t mean they’re bad ideals.

WHAT IS YOUR “USP?” UNIQUE SELLING PROPOSITION

Most businesses know their uniqueness. They’ll even tell you their point of difference in a conversation. Yet, you won’t find it on the front page of their Web site. It’s swept under the carpet in their brochures and newsletters. When they stand up to speak, they forget to make it an important part of the spiel.

Get your uniqueness where it can be seen on a consistent basis. Not hidden under a bushel. In one concise statement, communicate your business’ most compelling offer and benefit so the customer can answer “What’s in it for me?”

Invent your USP. The owners of the following businesses all invented their own uniqueness.

- Subway — Seven subs with “6 grams of fat or less.” When did a restaurant start telling you how much fat was in their food?
- Federal Express — When it absolutely, positively has to be there overnight. Overnight delivery was a new concept when Fed Ex started.
- Domino’s Pizza — 30 minutes, or it’s free! Pizza in 30 minutes? Before Domino’s, it didn’t happen.

Consumers see or hear more than 2,200 messages each day. Make yours stand out in the crowd. Use the marketing worksheet at the end of this chapter to begin looking at what tools are available, what you have done, what you are doing and what you can do. How many of these tools are inexpensive and effective?

Use the marketing information you gather in your plan to develop an advertising budget, which is discussed in the following chapter. Contact your local SBDC for help in putting your marketing plan together. Find your local center on the SBDC Web site, wvsbdc.wvcommerce.org or call the Business Ask Me! Line toll free at 888-982-7232.

The marketing information contained here is based on comprehensive research and best practices identified from national and international marketing experts and sources.

Identifying Your Market

MARKETING WORKSHEET

Name of Business

	What have you done?	What are you doing?	What might you do?
MARKETING TOOLS			
Logo			
Slogan			
Name			
How to reach you			
Business cards			
Brochures			
Fliers			
Web site			
E-mail signature			
Answering machine			
Voice mail			
Answering service			
Signs			
800 number			
PRINT			
Brochures			
Print media- papers			
Yellow pages			
Magazines			
Newsletter			
Val-pak			

	What have you done?	What are you doing?	What might you do?
BROADCAST			
Radio			
TV			
Cable			
Movie			
OUTDOOR			
Signs			
Cabs/mass transit			
Vehicle			
TELEMARKETING			
COMPUTER			
Web site			
Links			
CLOTHING			
DIRECT MAIL			
Mailing lists			
Letters			
Postcards			
Datalogs			
Coupons			
Brochures			
Newsletters			

	What have you done?	What are you doing?	What might you do?
CO-OP ADVERTISING			
Wholesalers			
Others			
NETWORKING			
Meetings			
Sponsorships			
POINT OF SALE			
Invoice			
Displays			
AFTER SALE			
Thank you cards			
CUSTOMER SERVICE			

Chapter 7



Advertising Your Business

Advertising Your Business

ADVERTISING IS THE MEANS for getting information about your product or service to the buying public. While developing your marketing plan as described in the previous chapter, you identified your potential customers in your area of service. Now you must determine the best methods for reaching them. While this is an inclusive chapter, we suggest consulting with an advertising agency.

MEDIA ADVERTISING

Media advertising and publicity can be obtained through interviews, articles and paid ads in newspapers, magazines and on radio and television.

Newspaper advertising reaches large audiences, has a short life span, is relatively inexpensive and is quickly and easily changed.

Magazine advertising is often thought to be too expensive for a small business, but you don't have to run your ads in the entire edition. You can reach specific geographic and demographic markets by placing your ad in a regional edition.

Radio advertising is usually local, reaches a pre-selected audience, can be changed frequently, is limited to brief copy, is relatively expensive and can be repeated frequently. It is priced according to the length of the message, time of broadcast and frequency.

Television advertising reaches large marketing areas, is relatively expensive and is limited to brief copy. This form of advertising is usually highly professional and is priced according to length of message, time of broadcast, frequency, time of year and whether the station is a network or independent.

An Internet marketing strategy is something that absolutely every modern-day small business start-up needs. While a good starting point is a Web site, Internet marketing requires more than a couple of static Web pages. Instead, successful Internet marketing mandates a dynamic and well-rounded Web presence that builds relationships in addition to sales. A comprehensive Internet marketing strategy replaces newspaper ads with banner ads, yellow pages with search engines, snail mail with e-mail, town squares with social networks and sales letters with custom content. A Web site allows you and your business to have an ongoing "conversation" with customers.

Along with a dynamic web page, reaching your audience wherever they are requires a presence on the social networking pages today. Business EZine says marketing via social media can be defined as a method of marketing, communication with the public, customer service and sales using just one or a multiple of social networking websites, internet communities, wikis, blogs or another form of online media. Some social media that are famous and good for marketing include LinkedIn, Flickr, Facebook, Wikipedia, YouTube, Orkut and Twitter.

Advertising Your Business

Here are five tips from Susan Gunelius, CEO of KeySplash Creative Inc., a marketing communications company, that anyone can apply to their social media marketing efforts today and start seeing positive results almost immediately.

1. **Make it easy and non-threatening for your audience to participate.** Not only does your content matter on the social web but your personality matters, too. You need to be accessible and approachable in all of your social media marketing communications. Talk with peoples that makes it clear that you want them to join the conversation. This applies to your employees as well. Your employees are your best brand advocates. Make it easy for them to talk about your business on the social web by providing simple guidelines for them to follow. Go to Ask.com and type in social media and blogging policies to develop your own business' guidelines.
2. **Write share-worthy content.** The more amazing content that you publish online through your social media profiles, the more people will want to share it with their audiences. That leads to far more online exposure for you, your business and your brand than you can get on your own. Of course, not every piece of content that you publish on social sites has to be share-worthy, but you should try to publish as much as possible.
3. **Acknowledge and recognize your audience.** The power of social media marketing comes from the relationships you develop with your online audience (who will become brand advocates and will talk about your business, champion it, and defend it against naysayers). With that in mind, you must acknowledge people when they reach out to you. Would you ignore a person who walked up to you at a networking event and spoke to you? Hopefully, your answer to that question is, "no." No one likes to be ignored, and social media conversations shouldn't be treated differently from in-person conversations. Many of the most successful marketers make a point of responding to every e-mail, blog comment, tweet and so on that is directed at them. So recognize your audience, and make them feel important.
4. **Integrate all of your marketing efforts.** All of your marketing efforts should work together to present consistent brand messages and lead to your ultimate marketing goals. For example, feed your blog content to your Twitter and Facebook profiles using a tool like www.Twitterfeed.com. Promote your Facebook, Twitter and LinkedIn profiles by including "Follow Me" buttons in your blog's sidebar that link to your profiles. Include your Twitter ID in your printed ads and link to your blog and social media profiles in your e-mail signature. The key is to surround your audience with branded experiences and let them select how they want to interact with your business and brand. Give them options and make it easy for them to join the conversation in the way that they choose.

Advertising Your Business

5. **Don't try to keep up with the Jones.** Just because your competitor is doing something on the social web doesn't mean that you need to do the same. By blindly following your competitor's path, you're marketing scared and without purpose. Plus, it's probable that your competitor's initiatives won't help you meet your goals at all. While it's essential that you monitor your competitor's social media marketing activities, you should analyze them against your own goals before implementing any of them yourself.

PUBLICITY

In addition to paid advertising, don't overlook publicity. It creates news about your business. Research your local media and call them to see if they would do a feature on your business or whether they could use you as a resource in your field of expertise.

It is not enough to just tell them about your business. You must be prepared to present a unique angle. The information you submit and the ideas with which you approach the media must be timely, important and interesting to a large segment of their audience.

You may wish to submit a news release to let people know who you are and what you have to offer. News releases should be short and contain important facts. News releases follow the inverted pyramid style, most important information in the first paragraphs diminishing down to least important in the final paragraphs.

There are three keys to a successful press release:

- A quality news angle (never send a press release if you don't have real news).
- A well-written release (following proper formatting, writing styles, etc.).
- A tailored press release distribution plan (there isn't a one-size-fits-all solution to distribution).

Press Release Components

Release time – The top of a press release should either have "FOR IMMEDIATE RELEASE" or an embargo date listed (EMBARGOED UNTIL DATE) if the news isn't to be published immediately.

Headline – The headline is like the title of your press release. It should grab the reader's attention, make them want to click or read more, and still manage to introduce the news angle itself.

Summary – Press release summaries are popular in online press release distribution. This should be a two to four sentence summary of the news, expanding on the headline but not as detailed as the press release body. When using offline press release distribution methods, this can be substituted with a one-line sub-heading.

Advertising Your Business

Dateline – The dateline of a press release comes directly before (but on the same line as) the opening body paragraph. It will include the hometown of the company issuing the news release as well as the release date.

Press Release Body – The first body paragraph of a press release should briefly answer the questions of who, what, when, where, and why. Following paragraphs will include supporting details and often a quote from a representative of the company.

Boilerplate – A press release boilerplate is a short backgrounder on the issuing company, person, or organization, generally no longer than one paragraph.

Call to Action – The call to action invites the reader to get in touch with you for any additional details they may need in writing a story.

Contact Information – At a bare minimum include a media contact name, phone number, and e-mail address. It never hurts to include a mailing address, cell, or fax number as well.

Closing – All news releases should contain a closing mark (often ### or -30-), which signifies to the reader that there's nothing more to come. If a release goes to a second page, the first page should be marked with something like -more- to make it clear that another page will follow. You can list any addenda (such as photos) just before the closing.

To get a free press release format, visit <http://freepressreleasewriting.com/> for some templates you can download.

ALTERNATIVE METHODS

There are other means of getting the message about your business to your customers. Here are some alternative ideas:

- Community involvement or sponsorship: Membership in local clubs and organizations can give your business exposure.
- Direct mail: Goes into your target market's home or business and into their hands.
- Telemarketing: Using the telephone to contact new customers or to maintain contact with current customers can be an effective way to reach your market.
- Networking: Exchanging information about your business whenever possible at meetings, receptions and other social gatherings.
- Promotional gimmicks.
- Trade shows: Displaying information about your business at shows that tap into your market is well worth the investment in time and money.

Advertising Your Business

- Discounts.
- Yellow Pages listing.

Pay attention to advertising and promotions for your business. How you spend your advertising budget is more important than how much you spend. Spend it wisely.

CALCULATING YOUR ADVERTISING BUDGET

According to Work.com, taking the time and effort to calculate your ad budget will help you:

- Ensure that you're not wasting money by either overspending or under-spending.
- Better manage your total budget.
- Determine whether you need additional capital to build your brand (and how much you'll need).
- Learn how to measure return on your advertising investments.
- View advertising not as an expense, but as an investment that ensures your company's success.

There are several different ways to calculate your ad budget.

Many small businesses simply use a percentage of revenue as their guide for how much to spend on advertising. If you're going to use this method, you need to figure out two things: what percentage, and what revenue? Rather than generalizing (5 percent revenue) it's better to use your industry's average percentage as a guide. For the most accurate number, base the percentage on an average of the last few years' revenues, or on the average of last year's revenues and your projection of next year's revenues. To find your industry's average percentage of revenue spent on advertising, search the Dun & Bradstreet Web site, www.dnb.com/us/.

The unit-of-sales method relies on your experience, plus averages for your industry, of how much it costs to sell a certain specific product. Determine the number of such products you want to sell, multiply that number (1000 widgets X five cents per widget) and you'll get your total budget (\$50). The unit of sales method works well for companies with only a few different products to sell, and for product lines with limited or circumscribed availability (an artist can make X number of carvings per year with one apprentice, for example).

Your need in the unit-of-sales method is to get good key numbers — try your industry trade association. Search for it on the U.S. government's Consumer Action Web site, www.consumeraction.gov/trade.shtml.

Tie advertising investments to rent expenses. Entrepreneur magazine suggests an unusual way to calculate ad budgets, which should work well for retailers and others whose facilities play a role (any role, limited or significant) in their brand identity. The calculation, which is slightly too complex to repeat

Advertising Your Business

here, will provide you with a very specific budget range. Use the tutorial, “A New Way to Calculate Your Ad Budget,” at Entrepreneur.com Web site, www.entrepreneur.com. Search for the tutorial title.

Another way is to calculate your budget by task and objective. Although this method is the hardest one to use, most experts agree that it’s the most accurate way to come up with the right ad budget. It’s hard because you must first create a marketing plan. What are your objectives? Rank them in order of importance, because you may find that you can’t afford to achieve all of them. Determine: 1) who you want to reach, 2) how frequently you want to reach them, 3) where (through which combination of media) you’ll get the best exposure, and 4) how much it will cost. Add it all up. Too much money? Reduce your objectives.

To use the task and objective method, you need a good marketing plan. If you need a marketing plan outline and want professional help, contact your local SBDC coach.

Online tools make it easier. There are a variety of calculators online, geared to different industries. Just plug in your numbers and go!

Want to figure out how much your advertising impressions will cost? Marketing Today’s Advertising CPM (cost-per-thousand) calculator, http://marketingtoday.com/tools/cpm_calculator.htm is useful. Search engine marketers can figure out keyword ROI on the Marketing Today Web site, www.marketingtoday.com/tools/roi_calculator.htm.

We should also mention pay-per-click. Nothing has made the analysts who work in the advertising industry happier than the rise of pay-per-click ads and other search engine marketing techniques, because it’s easy to measure their return on investment.

For a great tutorial on measuring your pay-per-click ROI, or “return on ad spend” (ROAS) see Google Adwords Learning Center, www.google.com/adwords/learningcenter/.

Tips and Tactics

- Test your ads; measure the ROI; tweak them, and measure again. It’s the only way you’ll really know what works.
- Trying to build market share? You’ll have to spend more than the industry average percentage of sales on advertising.
- Keep an eye on what your competitors are doing. Maintain a reserve ad fund for those times when you must respond to unusual or highly competitive conditions.

Chapter 8



Financing Your Business

Financing Your Business

WILL YOU NEED TO BORROW MONEY? Much emphasis is placed on the importance of researching the feasibility of your proposed business and then planning for its operation. Of equal importance is whether outside financing is needed to get the business started or if financing can be acquired.

Too many entrepreneurs try to start and operate a business without enough money. Tragically, many small businesses fail each year because of insufficient funds. To avoid this dilemma analyze three questions:

1. How much money do you have?
2. How much money will you need to start your business?
3. How much money will you need to stay in business?

A variety of funding sources exists to assist small businesses in the start-up phase and throughout their development and expansion. The following section examines the types of funding sources that are available to small business owners. For assistance in identifying the funding sources for which your business may be eligible or for additional information on any of the financing programs listed here, contact the Small Business Development Center.

HOW MUCH DO YOU NEED?

Preparing a projected monthly cash-flow worksheet in the initial planning stages of the business is a good way to determine the amount of capital needed to establish and maintain your business. The cash-flow statement allows you to incorporate anticipated start-up expenses (as well as the requested loan amount) into the first year's financial forecast to show a clearer picture of the company's projected financial position.

The cash-flow statement is also useful in determining whether outside financing will be needed to start the business, and how much will be required. In most cases, revenues generated by a business in its initial months of operation are not enough to meet its debt obligations. Thus, additional "working capital" is needed to keep the business operating until revenues reach the break-even point, or a level at which sales can sustain business.

It is a good idea to request enough financing to cover all anticipated start-up costs, plus enough working capital to meet all monthly operating expenses, including the loan payment, for the first three to six months. The number of months of working capital needed will depend on the type of business you are starting. Keep in mind that the higher the loan amount, the higher the monthly payment.

Financing Your Business

To get some idea on how much money you will need, you should prepare a list of the things you'll need for your business. Use the chart below to begin getting some figures together for how much it will cost to start your business and how you will use the money.

Land		\$
Building		\$
Decorating/remodeling		\$
Fixtures		\$
Equipment		\$
Installing fixtures/equipment		\$
Furniture		\$
Software		\$
Office Supplies		\$
Beginning inventory costs		\$
Legal/professional fees		\$
Licenses/permits		\$
Telephone/utility deposits		\$
Insurance		\$
Internet/Web connection fees		\$
Pre-opening training of staff		\$
Signs		\$
Advertising for grand opening		\$
Working capital		\$
TOTAL COSTS		\$
Cash/non-cash contribution from owner		\$
AMOUNT OF LOAN		\$

Financing Your Business

Review and complete a projected cash-flow worksheet and then take a look at your anticipated monthly expenditures for the business. Then look at your estimated monthly business income. Can you expect to generate enough revenue to cover the amount of money required to establish and maintain your business? If not, you may need to reconsider.

WHAT WILL THE LENDER NEED TO SEE FROM YOU?

Virtually all banks and the U.S. Small Business Administration (SBA) require a portion of the loan to be an equity injection from the owners of the business. This can vary depending on the type of business being contemplated as well as the strength of the entrepreneur. The remaining capital obtained generally is from a conventional lending institution, a private investor or from one of the alternative funding sources listed in the next section.

Regardless of what funding source is used, the lender typically will require some information from the prospective borrower concerning the proposed business. This information is examined carefully by the lending agency to assist in evaluating the loan request. Have a loan proposal prepared before approaching the lending agency so that you can make a strong first impression. Remember, the prospective lender will be evaluating not only your business idea, but you as a potential business owner.

When you meet with a lender, know exactly how much financing is needed, what terms are desired and how the money will be used. Additionally, it is wise to have the following information on hand:

- Business plan (see *Chapter 11, Business Planning: The Key to Your Success*, in this book).
- Business financial statements and tax returns for the last three years and interim financial statements within 90 days of being current (existing businesses only).
- Projected income statement (for at least three years) by month.
- Projected balance sheet (for at least one year).
- Projected cash flow budget (for at least one year) by month.
- Personal financial statement (dated within 90 days of the loan request).
- Personal tax returns.
- Listing of major equipment with written estimates.

Visit the SCORE web site, www.score.org/resources/search?text=financial+statements+templates.html and download the templates you need to create your financial information.

Many economic development professionals throughout West Virginia are available to assist you at no charge in developing the information required in the loan request. Contact an accountant or consult the SBDC.

WHAT ARE THE SOURCES AVAILABLE?

Personal assets and investments by family and friends provide a major share of financing — an average of 20 percent to 30 percent of all funds — for business start-ups. Formal business loans also play an important part in business financing, particularly for existing companies.

The following section lists some funding sources available to small business owners. Many funding programs, particularly low-interest loan pools, will finance only a portion of the total loan amount requested, or place restrictions on the types of businesses or uses for loan funds. Subsequently, business owners often combine one or more of the funding sources listed so at least some portion of the total loan amount is obtained at a lower interest rate, with the remaining capital secured from more conventional lending sources at the current market rate.

For more assistance in identifying the funding sources for which your business may be eligible, consult the SBDC.

Bank Financing

The primary source of funding for a small business is your local bank. It is the bank that initiates the guarantee process with state and federal agencies and it is the bank that is actually lending the money. Without the expertise and commitment to economic growth of the commercial bankers of West Virginia, businesses large or small would have extremely limited options for obtaining money for their business needs.

Your local bank commercial loan officer will work closely with you in finding a source of funding that is appropriate for your financing needs, whether it is a direct loan from the bank itself or participation in a guarantee loan program with a state or federal agency. The loan officer also coordinates with the other sources of funding listed above to help you obtain your finances in a reasonable time period and at rates that are suitable for your business.

Whether you need financing for starting a business or expanding and improving an existing business, please contact your local commercial bank first for assistance with your lending needs.

Federal Financing

The government's principal agency for small business lending is the SBA. It offers a variety of loan programs to eligible small businesses that cannot borrow on reasonable terms from conventional lenders without government help. The primary lending tool of SBA is the Guaranty Loan.

Due to the changing economic situation, for the latest information on SBA loan programs or any other loan program listed below, contact your local SBDC business coach.

Financing Your Business

Small Business Administration

SBA provides a number of financial assistance programs for small businesses, including debt financing, surety bonds, and equity financing. Even though SBA does not loan money directly to small business owners, they play an important role for people who want to finance or grow their business. When you apply for a SBA-backed loan at your local bank or credit union, you are asking SBA to provide a guarantee that you will repay your loan as promised.

Guaranteed Loan Programs (Debt Financing)

SBA Guaranteed Loan Programs set the guidelines for loans made by its partners (lenders, community development organizations, and microlending institutions). The SBA guarantees that these loans will be repaid, thus eliminating some of the risk to the lending partners. So when a business applies for an SBA loan, it is actually applying for a commercial loan, structured according to SBA requirements with an SBA guaranty.

Financing programs include:

7(a) Loans

The **7(a) loan** program is the backbone of the SBA financing programs. A borrower can receive up to \$5 million gross with an 85% guaranty for loans of \$150,000 or less and a 75% guaranty on amounts greater than \$150,000; there is a \$375 million maximum guaranty.

Eligible uses of funds include acquisition and expansion of assets such as land, building and equipment; working capital and more.

SBAExpress

The **SBAExpress** program gives small business borrowers an accelerated turnaround time for SBA's review. You will receive a response to your application within 36 hours. In addition, lower interest rates are often available to you when you apply through an Express program.

Patriot Express

The SBA's **Patriot Express Loan** is for veterans and members of the military community wanting to establish or expand small businesses. Eligible military members include veterans; service-disabled veterans; active-duty service members eligible for the military's Transition Assistance Program; Reservists and National Guard members; current spouses of any of the above and the widowed spouse of a service member or veteran who died during service or of a service-connected disability.

Loan proceeds can be used for most business purposes, including start up costs; equipment, business-occupied real-estate and inventory purchases; working capital; expansion; preparing your business for the possibility of your deployment; setting up to sell goods and services to the government and recovery from declared disasters. Rates for loans are generally 2.25 percent to 4.75 percent over prime depending upon the size and maturity of the loan.

Financing Your Business

Small Loan Advantage and Community Advantage 7(a) Loan Initiatives

SBA introduced two new initiatives in February, 2011, aimed at expanding access to capital for small businesses and entrepreneurs in underserved communities.

Small Loan Advantage and Community Advantage Loans offer a streamlined application process for SBA 7(a) loans up to \$250,000. Both programs have a maximum loan size of \$250,000 with a guarantee of 85 percent for loans up to \$150,000 and 75 percent for those greater than \$150,000. Most Small Loan Advantage loans can be approved in a matter of minutes through electronic submission (e-Tran); non-delegated Small Loan Advantage loans will be approved within 5 to 10 days. Most Community Advantage loans will be approved within 5 to 10 days. Small Loan Advantage features streamlined paperwork, with a two-page application for borrowers and lenders can use their own note and guaranty agreement; Community Advantage features streamlined paperwork, with a two-page application for borrowers.

Small Loan Advantage is open to financial institutions participating in SBA's Preferred Lender Program (PLP). Community Advantage is open to Community Development Financial Institutions, SBA's Certified Development Companies and SBA's nonprofit microlending intermediaries.

Rural Lender Advantage

The **Small/Rural Lender Advantage (S/RLA)** is designed to accommodate the unique loan processing needs of small community/rural-based lenders by simplifying and streamlining loan application process and procedures, particularly for smaller SBA loans.

Key features are a streamlined 7(a) process for small loans (\$350,000 or less) and a one page application (two sided) for very small loans with key, but limited additional information required for loans above \$50,000. Guarantees of 85 percent for loans of \$150,000 or less and 75 percent for loans greater than \$150,000 with expedited processing of routine loans within 3-5 days.

Bonding Program (Surety Bonds)

SBA's **Surety Bond Guarantee (SBG)** Program helps small business contractors who cannot obtain surety bonds through regular commercial channels. SBA can guarantee bonds for contracts up to \$5 million, covering bid, performance and payment bonds, and in some cases up to \$10 million for certain contracts.

Venture Capital Program (Equity Financing)

SBA's **Small Business Investment Company (SBIC) Program** is a public-private investment partnership through which the SBA provides venture capital to small businesses. SBICs are privately owned and managed investment funds, similar to venture capital, private equity and private debt funds in terms of how they operate and their ultimate objective to generate high returns for their investors. However, unlike those funds, SBICs limit their investments to qualified small business concerns as defined by SBA regulations.

Financing Your Business

There are other, specialty programs, such as Export Express Loans and Export Working Capital, International Trade Loans and Disaster Loans.

For more information, contact the SBDC nearest you. Or, you may reach the SBA directly at the following locations or visit their Web site at www.sba.gov:

SBA District Office
Clarksburg Federal Building
320 West Pike St.
Suite 330
Clarksburg, WV 26301
(304) 623-5631

SBA Branch Office
405 Capitol St.
Suite 412
Charleston, WV 25301
(304) 347-5220

CDC/504 Loan Program

The **Certified Development Company (CDC)/504 Program** provides small businesses with long-term, fixed-rate financing to acquire major fixed assets for expansion or modernization. CDCs work with SBA and private sector lenders; typically, a CDC/504 project includes:

- A loan secured from a private sector lender with a senior lien covering up to 50 percent of the project cost
- A loan secured from a CDC (backed by a 100 percent SBA-guaranteed debenture) with a junior lien covering up to 40 percent of the project cost
- A contribution from the borrower of at least 10 percent of the project cost (equity)

This means that 100% of the project cost is covered either by contribution of equity by the borrower, or the senior or junior lien.

Proceeds from 504 loans must be used for fixed asset projects, such as purchase of land, including existing buildings; cost of improvements; construction of new facilities or modernizing, renovating or converting existing facilities and purchase of long-term machinery and equipment. Proceeds cannot be used for working capital or inventory, consolidating or repaying debt, or refinancing or businesses engaged in speculation or investment in rental real estate.

To be eligible for a CDC/504 loan, your business must be operated for profit and fall within the size standards set by the SBA as small; that is, it does not have a tangible net worth in excess of \$7.5 million and does not have an average net income in excess of \$2.5 million after taxes for the preceding two years. Generally, your business must create or retain one job for every \$65,000 provided by the SBA, except for small manufacturers which have a \$100,000 job creation or retention.

Generally, the project assets being financed are used as collateral. Personal guaranties of the principal owners are also required. Interest rates on 504 loans are pegged to an increment above the current

Financing Your Business

market rate for 5-year and 10-year U.S. Treasury issues. Maturities of 10 and 20 years are available. Fees total approximately 3 percent of the debenture and may be financed with the loan.

West Virginia's 504 lenders are:

**West Virginia Economic
Development Authority**

Northgate Business Park
Greenway Building 160
Association Drive
Charleston, WV 25311-1217
(304) 558-3650
www.wveda.org

**Regional Economic
Development Partnership
(RED Partnership)**

1310 Market St.
Third Floor
P.O. Box 1029
Wheeling, WV 26003
(304) 232-7722
www.redp.org

Business Finance Group

535 Winter Camp Trail
Hedgesville, WV 25427
(800) 434-9427
www.businessfinancegroup.org

All SBDC centers assist you and your lender in packaging such loans with T-Soft and Optimist 7 software.

US Department of Agriculture: Rural Development

The USDA Rural Development is dedicated to increasing the economic opportunity and improving the quality of life for all rural Americans. To accomplish this, Rural Development coordinates Federal assistance in rural areas of West Virginia.

Rural Development provides technical assistance and funding programs to rural Americans. Those programs are:

B&I Guaranteed Loan Program

A business located in a rural community may qualify for special financing. The U.S. Department of Agriculture (USDA) currently maintains a **Business and Industry (B&I) Guaranteed Loan Program**, with guarantees of up to 80 percent of a loan made by a commercial lender. Proceeds may be used for working capital, machinery and equipment, buildings and real estate and certain types of debt refinancing.

B&I loans can be guaranteed in rural cities up to 50,000 population; priority is given to applications for loans in rural communities of 25,000 or less. Loan proceeds can be used for business acquisitions; construction; expansion; repair and development costs; purchase of equipment; machinery or supplies; startup costs and working capital and refinancing for viable projects under certain conditions. Loan guarantee limits are 80% up to \$5 million, 70% over \$5 million to \$10 million and 60% over \$10 million to \$25 million.

Like SBA loans, you need to go through your local bank or financial institution to apply for a B&I loan.

Financing Your Business

The Renewable Energy and Energy Efficiency Program

The Renewable Energy and Energy Efficiency Program, offers grants and guaranteed loans to help farmers, ranchers, and rural small businesses purchase renewable energy systems and make energy efficiency improvements.

Farmers, ranchers, and rural small businesses with a demonstrated financial need are eligible for this program. Farmers and ranchers must directly engage in the production of agricultural products and obtain at least 50% of their gross income from their agriculture business.

Rural small businesses must meet the definition of a small business according to the SBA small size standards and be headquartered in a rural area. The private entity may include a sole proprietorship, partnership, corporation, and a cooperative.

Value-Added Producer Grants (VAPG)

Eligible applicants are independent producers, farmer and rancher cooperatives, agricultural producer groups, and majority-controlled producer-based business ventures.

Grants may be used for planning activities and working capital for marketing value-added agricultural products and for farm-based renewable energy. The maximum amount that can be awarded is \$500,000, and all VAPG funds must be matched by an equal amount of funds from the applicant or a third party.

Value-Added Products are defined as 1) changing the physical state or form of the agricultural product; 2) physically segregating an agricultural product or commodity in a manner that results in the enhancement of the value of the product or commodity; 3) producing an agricultural product or commodity in a manner that enhances its value; or 4) using an agricultural product or commodity to produce renewable energy on a farm or ranch.

USDA/Rural Development

1550 Earl Core Road, Suite 101
Morgantown, WV 26505
(304) 284-4860 • Toll free: (800) 295-8228
www.rurdev.usda.gov/wv/

State Financing

The West Virginia Economic Development Authority (WVEDA) is the state's mechanism for providing low interest financing to new and existing business owners whose projects will benefit the state economically through long-term job creation. The programs include direct and indirect loans.

Financing Your Business

Direct Loan Programs

The WVEDA can provide up to 45 percent in financing fixed assets by providing low-interest, direct loans to expanding state businesses and firms locating in West Virginia. Loan term is generally 15 years for real estate intensive projects and five to 10 years for equipment projects. Loan proceeds may be used for the acquisition of land, buildings and equipment. Working capital loans and the refinancing of existing debt are not eligible.

Loan Insurance

The loan insurance program provides funding through participating commercial banks to assist firms that cannot obtain conventional bank financing. This program insures up to 80 percent of a bank loan for a maximum loan term of four years. Loan proceeds may be used for any business purpose except the refinancing of existing debt.

Industrial Revenue Bonds

This program provides for customized financing through federal tax-exempt industrial revenue bonds. Of the state's bond allocation, \$57,492,750 is reserved for small manufacturing projects; \$16,426,500 for qualifying projects in Enterprise Communities, and \$90,345,750 for exempt facility projects.

Linked Deposit Loan Program

The program allows small, for-profit state employers with 50 or fewer employees and gross annual receipts of \$5 million or less to apply for a linked deposit loan with an interest rate of 1 percent above published New York Prime, up to \$250,000.

In order to apply for a Linked Deposit Loan, you must work with your local SBDC business coach. For contact information for your local office, call the Business Ask Me! Line toll free at (888) 982-7232 or find your local office listing in *Chapter 14: Using West Virginia's Business Resources*.

Because a participating lender must apply to the state on your behalf for the Loan Insurance, check with your banker before considering either of these loans.

For information on any of these programs, contact:

West Virginia Economic Development Authority

Northgate Business Park
Greenway Building
160 Association Drive
Charleston, WV 25311-1217
(304) 558-3650
www.wveda.org

Financing Your Business

Venture Capital

Venture capital companies are certified investors who will contribute capital into a small business in exchange for some level of control in the company and a return on their investment. This is not easy money. Most venture capital companies are interested in projects requiring an investment of \$150,000 to \$200,000 or more, and expect a return of three to five times their original investment within five to seven years.

Before approaching a venture capital company, you should prepare a thorough business proposal that supports the qualifications of your management team and have a strong and realistic financial plan.

While most venture capital funds will invest in any business, some funds are target certain geographic areas or particular industries. Work with your SBDC business coach to select the right fund to approach.

Venture capital investment companies must be approved by the West Virginia Economic Development Authority. **The West Virginia Jobs Investment Trust** is currently the most active venture capital fund in West Virginia. For a complete list of other approved funds, contact the Authority; the information is above.

West Virginia Jobs Investment Trust
Venture Capital Company
1012 Kanawha Boulevard, E., Fifth floor
Charleston, WV 25301
(304) 345-6200
www.wvjit.org

Additional Financing Programs

The **Natural Capital Investment Fund** (NCIF) is a business loan fund that provides debt and equity financing to small businesses located in North Carolina, Northeast Tennessee, Southwest Virginia and West Virginia.

The NCIF provides flexible financing and investments and targeted technical assistance to a variety of environmentally-related businesses, which range from small crafts enterprises and specialty food manufacturers to multi-million dollar forest products enterprises. They also finance and invest in businesses involved with Environmental & Green Products/Services.

Sectors of particular interest include: heritage and recreation-based tourism; value-added and sustainable agriculture; water/wastewater treatment; sustainable forestry and forest products; integrated waste management; and technology that promotes improved efficiency and safety in industrial processing.

Financing Your Business

For more information, contact:

Natural Capital Investment Fund

Business Lender

Cell (304) 228-3121

Fax: (304) 870-2205

Local Financing Programs

Some local and regional development organizations offer financial assistance to small businesses, particularly if the operation will result in job creation, retention or revitalization of the community.

Additionally, county and local governments may offer loan programs for business owners. Contact your local Chamber of Commerce or government offices for information on the scope of services available in your community.

The **Small Business Innovation Research (SBIR)** and the **Small Business Technology Transfer (STTR)** programs are federal initiatives that provide over \$1 billion in research and development grants and contracts each year to small businesses to develop new products and services based on advanced technologies. These programs provide excellent opportunities to nurture the development of innovative businesses in West Virginia.

The SBDC serves as the centralized source for information and technical assistance regarding the SBIR/STTR program for West Virginia-based small technology businesses and entrepreneurs.

In an effort to propel technologies, teams and companies that have a proven track record and a technology or innovation with a high degree of potential, the SBDC has initiated an Award Matching Program in conjunction with the federal SBIR and STTR efforts. If a West Virginia-based small business has been successful at Phase I or Phase II the SBDC may be able to match a percentage of the award. To learn more about this funding opportunity, visit the SBDC Web site at wvsbdc.wvcommerce.org. The SBDC also works with other providers of technical and financial assistance across the state.

Grants

The truth about federal grants: Right off the top — The U.S. government currently does not provide grants for starting or expanding a small business. However, the government does offer plenty of free help planning how to start or improve your business and in securing Small Business Administration-backed small business loans.

Most federal grants are awarded to organizations planning major projects of benefit to their community. For example, a neighborhood street paving project; a statewide program to retrain displaced workers; or a project to attract new businesses to a depressed downtown area.

Financing Your Business

Some state grants are available. To find out more, contact your local SBDC business coach and make an appointment to review your eligibility.

The following are grants from two state organizations that assist small business owners.

The Division of Culture and History

The Division of Culture and History is home to the State Museum and Theater, the State Archives and Collections, and a library for genealogical research. The Division includes the West Virginia Commission on the Arts and the State Historic Preservation Office.

Through a long range planning process, the West Virginia Division of Culture and History (WVDCH), on behalf of the West Virginia Commission on the Arts (WVCA), worked closely with artists, communities, arts organizations and arts educators to identify arts needs of West Virginians. With direction from the governor and the West Virginia Legislature, the WVCA has adopted a number of programs to address those needs.

The following table lists grant programs for individual artisans and crafters:

Professional Development. February 1. Up to 75% of project cost and up to 50% for subsequent years. Provides support for professional and emerging artists seeking ways to expand and/or improve their own work, or share their expertise. Helps art organizations better meet the need of under-served artists.

Training and Travel Fund. No later than 6 weeks prior to the event. Up to 50% of eligible expenses; funds decrease for repeat visit to same event. Provides funding support on a reimbursement basis to attend training opportunities.

There many other grants for arts organizations and educators. Call (304) 558-0220 or go to www.wvculture.org/arts/grantsindex.html to see a complete listing and access online application forms.

Tourism Advertising Partnership Program (MAPP)

The Tourism Matching Advertising Partnership Program is a reimbursable partnership program that provides matching funds for innovative and effective direct advertising projects that increase visitation and travel expenditures in the State of West Virginia impacting the economic growth of the travel industry.

There are various eligibility criteria and levels of awards. For complete information, definitions and forms, call Tourism at (304) 558-2200, extension 59325 or go to wvcommerce.org/travel/industryinformation/mapp/default.aspx.

CREDIT HISTORY

When a small business requests a loan, one of the first things a lender looks at is personal and business credit history. So before you even start the process of preparing a loan request, you want to make sure your credit is good.

Get your personal credit report from one of the **credit bureaus**, such as TransUnion, Equifax or Experian or through a credit report service, such as annualcreditreport.com. You should initiate this step well in advance of seeking a loan. Personal credit reports may contain errors or be out of date, and it can take three to four weeks for errors to be corrected. It's up to you to see that corrections are made, so make sure you check regularly on progress. You want to make sure that when the lender pulls your credit report, all the errors have been corrected and your history is up to date.

Once you obtain your credit report, check to make sure that all personal information (your name, Social Security number and address) is correct. Then examine the rest of the report carefully. It contains a list of all the credit you obtained in the past (for example, for credit cards, mortgages, student loans), with information on how you paid that credit. Any item indicating that you have had a problem in paying will be toward the top of the list. These are the credits that may affect your ability to obtain a loan.

If you have been late by a month on an occasional payment, this probably will not adversely affect your credit. But it is likely that you will have difficulty in obtaining a loan if you are continuously late in paying your credit, have a credit that was never paid, have a judgment against you, or have declared bankruptcy in the last seven years.

A person may have a period of bad credit as a result of divorce, medical crisis, or some other significant event. If you can show that your credit was good before and after this event and that you have tried to pay back those debts incurred in the period of bad credit, you should be able to obtain a loan. It is best if you write an explanation of your credit problems and how you have rectified them, and attach this to your credit report in your loan package.

Financing Your Business

Also, work with your local Consumer Credit Counseling service to help repair and improve your credit. Find your local office in the list below:

1219 Ohio Avenue
Dunbar, WV
304-720-3640

109 East Main Street
Suite 102
Beckley, WV
304-255-2499

Green Valley
Business Center
Bluefield, WV
304-325-5143

Mt. Vernon Plaza
3985 Teays Valley
Hurricane, WV
304-201-5017

699 Stratton Street
Logan, WV
304-752-4520

142 North Queen Street
Suite 106
Martinsburg, WV
304-596-2434

1025 Main Street
Suite 310
Wheeling, WV
304-230-1162

Chapter 9



Keeping Your Books: What New Business Owners Need to Know

Keeping Your Books

WHY KEEP RECORDS? Everyone in business must keep records. According to the U.S. Internal Revenue Service, good records will help you do the following:

Monitor the progress of your business. You need good records to monitor the progress of your business. Records can show whether your business is improving, which items are selling, or what changes you need to make. Good records can increase the likelihood of business success.

Prepare your financial statements. You need good records to prepare accurate financial statements. These include income (profit and loss) statements and balance sheets. These statements can help you in dealing with your bank or creditors and help you manage your business.

- An income statement shows the income and expenses of the business for a given period of time.
- A balance sheet shows the assets, liabilities and your equity in the business on a given date.

Identify source of receipts. You will receive money or property from many sources. Your records can identify the source of your receipts. You need this information to separate business from non-business receipts and taxable from nontaxable income.

Keep track of deductible expenses. You may forget expenses when you prepare your tax return unless you record them when they occur.

Prepare your tax returns. You need good records to prepare your tax returns. These records must support the income, expenses, and credits you report. Generally, these are the same records you use to monitor your business and prepare your financial statements.

Support items reported on tax returns. You must keep your business records available at all times for inspection. If the IRS examines any of your tax returns, you may be asked to explain the items reported. A complete set of records will speed up the examination.

KINDS OF RECORDS TO KEEP

The business you are in affects the type of records you need to keep for federal tax purposes. You should set up your recordkeeping system using an accounting method that clearly shows your income for your tax year.

Your recordkeeping system should include a summary of your business transactions. This summary is ordinarily made in your books (for example, accounting journals and ledgers). Your books must show your gross income, as well as your deductions and credits. For most small businesses, the business checkbook is the main source for entries in the business books. In addition, you must keep supporting documents.

SUPPORTING DOCUMENTS

Purchases, sales, payroll, and other transactions you have in your business generate supporting documents. Supporting documents include sales slips, paid bills, invoices, receipts, deposit slips and canceled checks. These documents contain information you need to record in your books. It is important to keep these documents because they support the entries in your books and on your tax return.

Gross receipts. Documents that show gross receipts include:

- Cash register tapes.
- Bank deposit slips.
- Receipt books.
- Invoices.
- Credit card charge slips.
- Forms 1099-MISC.

Purchases. Purchases are the items you buy and resell to customers. If you are a manufacturer or producer, this includes the cost of all raw materials or parts purchased for manufacture into finished products. Your supporting documents include the following:

- Canceled checks.
- Cash register tape receipts.
- Credit card sales slips.
- Invoices.

These records will help you determine the value of your inventory at the end of the year.

Expenses. Expenses are the costs you incur (other than purchases) to carry on your business.

Documents for expenses include the following:

- Canceled checks.
- Cash register tapes.
- Account statements.
- Credit card sales slips.
- Invoices.
- Petty cash slips for small cash payments.

Travel, transportation, entertainment, and gift expenses.

Employment taxes. There are specific employment tax records you must keep. For a complete list of records, refer to the U.S. Internal Revenue Web site, www.irs.gov, the WV Tax Department Web site, www.wva.state.wv.us/wvtax/withholdingTaxForms.aspx and consult with a CPA. Employment taxes include Federal Income, Social Security, and Medicare Taxes.

Keeping Your Books

Federal Income, Social Security, and Medicare Taxes. You generally must withhold federal income tax from your employee's wages. To figure how much federal income tax to withhold from each wage payment, use the employee's Form W-4 (discussed later in Chapter 12 under Hiring Employees).

Social Security and Medicare taxes pay for benefits that workers and their families receive under the Federal Insurance Contributions Act (FICA). Social Security tax pays for benefits under the old-age, survivors, and disability insurance part of FICA. Medicare tax pays for benefits under the hospital insurance part of FICA. You withhold part of these taxes from your employee's wages and you pay a matching amount yourself.

Federal Unemployment (FUTA) Tax. The federal unemployment tax is part of the federal and state program under the Federal Unemployment Tax Act (FUTA) that pays unemployment compensation to workers who lose their jobs. You report and pay FUTA tax separately from Social Security and Medicare taxes and withheld income tax. You pay FUTA tax only from your own funds. Employees do not pay this tax or have it withheld from their pay.

Report federal unemployment tax on Form 940, Employer's Annual Federal Unemployment (FUTA)

Assets. Assets are the property, such as machinery and furniture you own and use in your business.

ACCOUNTING METHODS

An accounting method is a set of rules used to determine when and how income and expenses are reported. You choose an accounting method for your business when you file your first income tax return. There are two basic accounting methods.

1. Cash method. Under the cash method, you report income in the tax year you receive it. You usually deduct or capitalize expenses in the tax year you pay them.
2. Accrual method. Under an accrual method, you generally report income in the tax year you earn it, even though you may receive payment in a later year. You deduct or capitalize expenses in the tax year you incur them, whether or not you pay them that year.

If you need inventories to show income correctly, you must generally use an accrual method of accounting for purchases and sales. Inventories include goods held for sale in the normal course of business. They also include raw materials and supplies that will physically become a part of merchandise intended for sale.

Keeping Your Books

You must use the same accounting method to figure your taxable income and to keep your books. Also, you must use an accounting method that clearly shows your income. In general, any accounting method that consistently uses accounting principles suitable for your trade or business clearly shows income. An accounting method clearly shows income only if it treats all items of gross income and expenses the same from year to year.

BUSINESS EXPENSES

You can deduct business expenses on your income tax return. These are the current operating costs of running your business. To be deductible, a business expense must be both ordinary and necessary. An ordinary expense is one that is common and accepted in your field of business, trade, or profession. A necessary expense is one that is helpful and appropriate for your business, trade, or profession. An expense does not have to be indispensable to be considered necessary.

The following are some expenses that are of interest to people starting a business:

- Business start-up costs.
- Depreciation.
- Business use of your home.
- Car and truck expenses.
- Actual expenses.

RECORDING BUSINESS TRANSACTIONS

A good recordkeeping system includes a summary of your business transactions. Business transactions are ordinarily summarized in books called journals and ledgers. You can buy them at your local stationery or office supply store.

Whether you keep journals and ledgers and how you keep them depends on the type of business you are in. For example, a recordkeeping system for a small business might include the following items.

- Business checkbook.
- Daily summary of cash receipts.
- Monthly summary of cash receipts.
- Check disbursements journal.
- Depreciation worksheet.
- Employee compensation record.

Keeping Your Books

BOOKKEEPING SYSTEM

Computerized System. There are computer software packages you can use for recordkeeping. They can be purchased in many retail stores or downloaded from the manufacturers' Web site. These packages are very helpful and relatively easy to use; they require very little knowledge of bookkeeping and accounting.

If you use a computerized system, you must be able to produce sufficient legible records to support and verify entries made on your return and determine your correct tax liability. You must also keep all machine-sensible records and a complete description of the computerized portion of your recordkeeping system.

If you are uncomfortable using a computerized system, a manual system of recording financial transactions for your business must be kept. Talk to an accountant about setting up a system that meets your business needs.

Chapter 10



Securing a Business License

Securing a Business License

GETTING YOUR BUSINESS OFF TO A GOOD START depends on you. That means filing with the proper federal, state and local agencies.

Choosing the form of business is a big decision which will affect how the business is owned and operated, who will be liable for the debts and obligations of the business, who will have a right to the assets of the business and your tax status. The legal forms a business can have were reviewed and compared in *Chapter 4: Deciding on a Legal Structure*. Once that decision is made, you can begin your business registration.

There are three simple steps in registering your business.

1. File with the Secretary of State — www.sos.wv.gov.
2. Register with the state tax and employer agencies.
3. File copies with your local city or county agencies.

Filing your business information can be done in two ways: through an online registration method or by submitting completed forms to the various federal and state agencies. The online method uses the interactive Web site, www.business4wv.com.

The **Business4WV system** automates and streamlines the complex process of new business registration. The system allows new businesses to complete and track their basic registration utilizing a single Web site instead of coordinating independently with the Secretary of State, State Tax Department, Bureau of Employment Programs (Unemployment Compensation) and the private insurance providers for workers compensation. Business4WV simplifies business registration by collecting customer information through a dynamic online interview. As the interview proceeds, the responses of you, the business owner, drive the process — dynamically eliminating irrelevant questions and collecting only required and essential information. Business4WV also provides a coordinated back-office processing center where agency personnel review each registration application and interact with you, the owner, through a messaging center to quickly resolve problems with a filing. The registration moves through each agency's review process employing custom-designed workflow and provides constant visibility of the status of the application to the customer and other involved agencies. Upon acceptance by an agency, data are transferred to the agency's internal database systems.

To learn more about Business4WV, go to www.business4wv.com and begin learning about this vital resource for the West Virginia entrepreneur. You also can contact your local SBDC office or call the Business Ask Me! Line toll free at (888) 982-7232.

Securing a Business License

STEP 1: ORGANIZATION

Filing with the Secretary of State

If you decide to file your business registration by submitting individual forms to the various agencies, you begin by registering with the Secretary of State.

If the business has employees or is a corporation, association, limited liability company, limited partnership or limited liability partnership, you will need to obtain a Federal Employer Identification Number (FEIN), which is assigned by the Internal Revenue Service. To request the SS-4 forms to obtain a taxpayer FEIN identification number from the Internal Revenue Service, call 800-829-4933 or visit the IRS Web site at www.irs.gov. If you are starting a sole proprietorship or a general partnership, you do not have to file with the Secretary of State or get an FEIN.

Once you obtain your FEIN, you must first file organization papers with the Secretary of State whether you are based inside or outside of the state. Obtain the correct form to organize the business, or have your attorney or accountant prepare the filings. To obtain forms, call (304) 558-8000, or visit the Secretary of State's Web site at www.sos.wv.gov. The forms are downloadable and there are helpful links to get information and ask questions.

Choose a business name and make sure it is available before your filings are prepared. If you are forming a corporation, association, limited liability company, limited partnership or limited liability partnership, you must use a name that is distinguishable from any other name that is registered or reserved with the West Virginia Secretary of State by any other company.

You can file to reserve your business name on the Secretary of State's Web site or at any of the walk-in tax offices. A registration specialist will help you obtain a seven-calendar day or 120-calendar day hold on an available name. Upon completion and approval of all forms required by the Secretary of State's Office, you will receive a control number which must be entered on your business registration application with the West Virginia Tax Department. The registration application will not be processed without this control number.

STEP 2: REGISTRATION

Filing with Tax and Employer Agencies

Every person or company intending to do business in this state, including every individual who is self-employed or hires employees, must obtain a business registration certificate from the West Virginia State Tax Department. Certain types of exclusions are individuals in the employ of their son, daughter or spouse or a child under 18 in the employ of the child's father or mother.

Securing a Business License

File a Business Registration Certificate (Form WV/BUS-APP) with the West Virginia State Tax Department. This is a permit to conduct business in the state and must be displayed at all times at the place of business. A separate certificate is required for each fixed business location from which property or services are offered for sale or lease or at which customer accounts may be opened, closed or serviced.

Contractors also must have a copy of their Business Registration Certificate available at each of their construction sites until the work at that site is completed. The State Tax Department has simplified the process of licensing a business in West Virginia. There is a single application to register with all of the state agencies. To get a licensing application, call the State Tax Department at (800) 982-8297 or go to the Tax Department Web site, www.wva.state.wv.us/wvtax/businessRegistrationTaxForms.aspx. Click on Business Registration and follow the directions.

Many businesses perform work that is regulated. The work you do may require one or more special licenses or permits. For example, if you indicate on the business license registration form that you are doing construction-related work, the Contractor's Licensing Board will send you an application form.

Other licenses are listed on the application. Review the list carefully to determine if you need licenses or permits for the type of business you will operate. If you perform a specialized service which you believe might require a license but don't find it listed, call the agency most likely to handle that service to inquire. Call the Secretary of State's office or visit the Secretary of State's Web site at www.sos.wv.gov to find a list of businesses requiring additional licensing by the state, county and municipal agencies.

If you are registering a new business, reopening an old business, or purchasing an existing business, in whole or in part, state law requires employers to obtain workers' compensation coverage for its employees in case of workplace injury. If you employ even one person in West Virginia, except in very rare circumstances, you are required by law to obtain coverage. Failure to obtain and maintain proper Workers' Compensation Insurance coverage will subject you to a number of consequences, including the following:

- Administrative fines by the Insurance Commissioner up to \$10,000.
- Loss of immunity against civil liability (you may be sued by your employee).
- Immediate revocation of business license and permits.
- Business may be enjoined from continuing operation.
- Business and personal liability for all workers' compensation claims paid plus attorneys' fees.

Employers must apply directly to a private carrier for this insurance coverage. For information regarding available insurers, contact the Office of the West Virginia Insurance Commissioner. The information is below. Current application for workers' compensation insurance and other business licenses and permits applicable to your business may be accessed via the Internet at www.business4wv.com.

Securing a Business License

Offices of the Insurance Commissioner

Employer Coverage Unit
1124 Smith St.
PO Box 50540
Charleston, West Virginia 25305-1682
www.wvinsurance.gov
(304) 558-6279

FREQUENTLY ASKED QUESTIONS

Who is required to register?

Any person who is engaging in any business activity in the state of West Virginia must register with the West Virginia Tax Department.

Are all businesses required to obtain a West Virginia Business Registration Certificate?

No. Persons engaged in the following activities are not required to register if they engage solely in these activities.

1. Judicial sales directed by law or court order.
2. Sales for delinquent taxes of real or personal property.
3. The conduct of a charitable raffle licensed under West Virginia Code § 47-20 or charitable raffle licensed under West Virginia Code § 47-21.
4. The conduct of a horse or dog race meeting by any racing association licensed under West Virginia Code § 19-23.
5. The operation or maintenance of the pari-mutual system of wagering during the conduct of a licensed horse or dog race meeting.
6. The sale of any commodity during the conduct of a licensed horse or dog race meeting.
7. The services of owners, trainers or jockeys which are essential to the effective conduct of a licensed horse or dog race meeting.
8. Occasional or casual sales of property or services by persons not engaged in a business activity.

Additionally, any person engaging in a business activity who:

1. Is not required by law to collect or withhold a tax.
2. Does not claim exemption from payment of the West Virginia Consumers Sales and Service Tax or Use Tax.
3. Had a gross income from business activity of \$4,000 dollars or less from operations in all states during the Income Tax year most recently completed is also not required to obtain a Business Registration Certificate.

In order to claim this exemption from registration, all three conditions must be met.

Securing a Business License

What is the fee for obtaining a Business Registration Certificate?

The fee for obtaining a Business Registration Certificate is \$30. A separate certificate is required for each fixed business location from which property or services are offered for sale or lease or at which customer accounts may be opened, closed or serviced. The Business Registration fee cannot be prorated.

Must everyone pay the \$30 Business Registration Fee?

No. Any person who is engaging in any business activity in this State is required to obtain a Business Registration Certificate, but is not required to pay the \$30 Business Registration Fee if they meet one of the following conditions:

1. An organization which qualifies, or would qualify, for exemption from federal income taxes under section 501 of the Internal Revenue Code of 1986, as amended.
2. This state, or a political subdivision thereof, selling tangible personal property, admissions or services when those activities compete with or may compete with the activities of another person.
3. The United States, or any agency or instrumentally thereof, which is exempt from taxation by the states.
4. A person engaged in the business of agriculture or farming.
5. A foreign retailer, who is not engaging in a business in this state, who volunteers to collect and remit use tax on sales to West Virginia customers.
6. An out-of-state company that does not have nexus in West Virginia and employs a West Virginia resident.
7. A West Virginia private household employing domestic help.

How do I Register?

You can register online at www.business4wv.com or complete the Application for Registration Certificate (Form WV/BUS-APP).

How do I obtain this application?

This application can be obtained by writing the West Virginia State Tax Department in care of the Taxpayer Services Division, P.O. Box 3784, Charleston, West Virginia 25337-3784 or by calling the automated form ordering system at (304) 344-2068 or 1-800-422-2075.

The application can also be obtained in person at any of our offices located in the following cities:

Securing a Business License

Beckley Regional Office

Suite 109 407 Neville St.
Beckley West Virginia 25801
Telephone: (304) 256-6764

Martinsburg Regional Office

397 Mid Atlantic Parkway Suite 2
Martinsburg West Virginia 25401
Telephone: (304) 267-0022

Huntington Regional Office

2699 Park Ave. Suite 230
Huntington West Virginia 25704
Telephone: (304) 528-5568

Charleston Office

1206 Quarrier St.
Charleston West Virginia 25301
Telephone: (304) 558-3333 or
Toll-free 1-800-WVA-TAXS
(1-800-982-8297)

Parkersburg Regional Office

400 5th St.
Parkersburg West Virginia 26101
Telephone: (304) 420-4570

Wheeling Regional Office

40 14th St.
Wheeling West Virginia 26003
Telephone: (304) 238-1152

Clarksburg Regional Office

Huntington Bank Building
Suite 201
230 West Pike St.
Clarksburg West Virginia 26301
Telephone: (304) 627-2109

What happens after I have completed the application and mailed it to the West Virginia State Tax Department?

Upon receipt of your Application for Registration Certificate, we will determine what tax return forms you should receive by reviewing the application. After we receive your completed application, you will receive your West Virginia Business Registration Certificate. Tax reporting forms are computer addressed and will be mailed to you prior to their due dates.

What do I do with the West Virginia Business Registration Certificate?

The Business Registration Certificate must be posted conspicuously in the place where you are conducting business. Businesses that sell tangible personal property or services from or out of one or more vehicles must carry a copy of their Business Registration Certificate in each vehicle and publicly display it while business is conducted from or out of the vehicle.

Any person engaging in any contracting business or activity must have a copy of their Business Registration Certificate available at each construction site in West Virginia until their work is complete at that site.

How long is my Business Registration Certificate valid?

As of July 1, 2010, business registration is permanent; businesses will not have to renew their registration. However, to reinstate a revoked or suspended business license, a fee of \$100 will be collected as a penalty on or after July 1, 2010.

Securing a Business License

What if I don't obtain a Business Registration Certificate before commencing business?

Engaging in business within the state of West Virginia without obtaining a Business Registration Certificate when required by law is a serious offense and could subject you to penalties of up to \$100 a day for each day you continue to operate your business without a license.

The Tax Department provides a consolidated view of taxpayer accounts. This will be implemented over a five phase process. To protect taxpayer confidential identification number(s), an account number is assigned to each tax type that the taxpayer is responsible for filing. The tax account number is eight digits, specific to each individual tax type (account) and will be on all documentation issued from the department.

This unique tax ID number allows the Tax Department to effectively monitor accounts and advise taxpayers of their account activity. All documents requesting payment have a payment voucher on the bottom of each notice that can be cut off for easy remittance.

You can use the Internet to safely and securely e-file certain West Virginia tax returns. To begin using on-line filing applications for businesses, you must first complete Form WV/EFT-5 **On-line Electronic Funds Transfer Application**. Once you have registered for Electronic Funds Transfers, you may begin to file many business taxes on-line. For more information, go to the **MyTaxes** website at <https://mytaxes.wvtax.gov>.

You can now file the following taxes online:

- Consumer Sales and Service Tax
- Direct Pay Consumers Sales and Use Tax
- Use Tax
- (Combined) Sales and Use Tax
- Special District Excise Tax
- Corporation Net Income / Business Franchise Taxes
- On-line Estimated Tax Payment
- On-line Tentative Tax Return
- Withholding Tax
- Employer's Return of West Virginia Income Tax

West Virginia has changed several areas of taxation that entrepreneurs should be aware of. For complete, current information on these and other tax responsibilities, please go to the Tax Department Web site, www.wvtax.gov or speak with your accountant. You can get information on those changes in *Chapter 13, Reporting Taxes: State, Local and Federal Taxes*.

Securing a Business License

STEP 3: LOCAL LICENSING

In addition to state licensing, many cities, counties and municipalities throughout West Virginia have additional registration requirements that may affect your business. Contact the local mayor's office and the county assessor's office in the location in which you have an interest for information on local or county taxes and licensing that may be needed for your business. Corporations, limited liability companies, limited partnerships and limited liability partnerships organized through the Secretary of State must also file copies of their state forms with the local county clerks' office where they are located. You can also call the Secretary of State's office or visit the Secretary of State's Web site at www.sos.wv.gov to find a list of businesses requiring additional licensing by the state, county and municipal agencies.

For more information on registering your business, go to the West Virginia Tax Department Web site at www.wvtax.gov or call toll free 1-800-982-8297 or go to the Small Business Development Center Web site at <http://wvsbdc.wvcommerce.org/wvsbdc/default.aspx> or call the Business "Ask ME!" Line toll free at 888-982-7232.

The following pages have a listing of the state and federal regulatory agencies that most commonly affect small to medium-sized businesses. If you believe that your proposed business may be subject to regulations imposed by these agencies, you will need to contact that particular licensing agency for additional assistance.

State Agencies

Alcohol Beverage Control Administration

The Alcohol Beverage Control Administration licenses and regulates businesses and events that involve the distribution or sale of alcoholic beverages.

**Alcoholic Beverage Control
Administration**
322 70th St., SE
Charleston, WV 25304-2900
(304) 558- 2481
Toll Free: (800) 642-8208
<http://portal.wvabca.com/>

Department of Agriculture

The Department of Agriculture licenses and oversees businesses involved in the manufacture, distribution or sale of agricultural products.

**Regulatory and
Environmental Affairs Division
Department of Agriculture**
State Capitol Complex
Building 1, Room E-28
Charleston, WV 25305-0170
(304) 558-2208
www.wvagriculture.org

Securing a Business License

Department of Health and Human Resources

The West Virginia Department of Health and Human Resources regulates businesses involved in environmental and health care facilities and services. Businesses concerned with environmental health should contact:

Office of Environmental Health Services
Department of Health and Human Resources
Bureau of Public Health
350 Capitol Street Room 3130
Charleston, WV 25301-3713
(304) 558- 2981
www.wvdhhr.org/oehs

Businesses concerned with child/adult day care, health facilities or health-related services should contact:

Health Facility Licensure
Department of Health and Human Resources
Bureau of Public Health
408 Leon Sullivan Way
Charleston, WV 25301
(304) 558-0050
www.wvdhhr.org/ohflac

Department of Environmental Protection

West Virginia's Department of Environmental Protection regulates business activities that may impact air, land or water resources. Certain activities or quantities of air emissions may require a pre-construction permit. If your business will vent or release anything to the atmosphere,

contact the Division of Air Quality to discuss potential permitting needs.

Because you must obtain a permit prior to construction, it is recommended that you submit an application at least three to six months in advance.

Division of Air Quality
Department of Environmental Protection
601 57th St., SE
Charleston, WV 25304-2345
(304) 926-0475
www.dep.wv.gov/daq

Building a facility in many situations requires a storm water construction permit from the Division of Water and Waste Management. A separate permit also is required if the intended facility will discharge any liquids to the surface or underground, have materials stored outside, or if the establishment will be conducting certain kinds of activities. If hazardous waste generation, collection, transportation, treatment, storage or disposal is a part of your business plan — a permit may be required. This division also administers permits dealing with solid waste issues.

Division of Water and Waste Management
Department of Environmental Protection
601 57th St., SE
Charleston, WV 25304-2345
(304) 926-0495
www.dep.wv.gov/WWE

Securing a Business License

Division of Forestry

The Forestry Division regulates the buying and selling of ginseng to ensure the protection of this endangered species. The division also licenses timber buyers, log buyers and loggers along with providing training and certification for the certified logger program in accordance with the Logging Sediment Control Act of 1992. The division also promotes and aids small businesses involved in forest industries by publishing a series of directories with information on forest products suppliers and distributors.

Division of Forestry

Department of Commerce
1900 Kanawha Boulevard, East
Charleston, WV 25305-0180
(304) 558-2788
www.wvforestry.com

Division of Labor

The Weights and Measures Section of the Division of Labor regulates the measurement of items sold by weight or volume at the point of sale. Businesses that sell items by the pound or ton are subject to regulation.

Weights and Measures Section

Department of Commerce
Division of Labor
570 MacCorkle Ave., West
St. Albans, WV 25177
(304) 722-0602
www.wvlabor.org

The Wage and Hour Section of the Division of Labor establishes minimum wage standards and payment of overtime for hourly employees.

In addition, the division requires that newly established businesses prone to industry layoffs, such as construction firms, post a Wage Bond with the state to ensure that employees of those businesses are paid for hours worked.

Wage and Hour Section

Department of Commerce

Division of Labor
State Capitol Complex
Building 6, Room B749
Charleston, WV 25305
(304) 558-7890
www.wvlabor.org

The Contractor Licensing Board regulates all independent contractors who perform work on construction projects of \$1,000 or more in West Virginia. The board is charged with ensuring that anyone performing construction contracting work is skilled and that he or she conforms to established bidding and construction practices. Construction contractors operating in the state must file an application with the Division of Labor to verify that they are registered with the West Virginia Tax Department, Workers' Compensation and Unemployment Insurance, if applicable. New contractors filing after Oct. 1, 1991, also must take a competency test to certify their skill in performing contracting work. An annual \$90 fee is required for all licensed contractors. A contractor is defined as anyone who offers to or submits a bid to construct, alter, repair, improve, move or demolish any building, road or structure in exchange for wages or other compensation if that individual is not performing the work as an employee of another and the work performed will be valued at \$2,500 or more.

Securing a Business License

Contractors subject to licensing:

- Electrical contractor.
- General building contractor.
- General engineering contractor.
- Heating, ventilating and cooling contractor.
- Multifamily building contractor.
- Piping contractor.
- Plumbing contractor.
- Residential building contractor.
- Specialty contractor.

To obtain more information, including an application for a Contractors License, contact:

Contractor Licensing Board
Department of Commerce
Division of Labor
1900 Kanawha Boulevard, East
Charleston, WV 25305
(304) 558-7890
www.wvlabor.org

Division of Natural Resources

The Division of Natural Resources oversees the issuance of permits for business activities that potentially impact wildlife and the environment. The division's primary focus is wildlife protection and law enforcement through conservation officers.

Public Information Officer
Department of Commerce
Division of Natural Resources
324 Fourth Ave
South Charleston, WV 25303
(304) 558-2784
www.wvdnr.gov

Public Service Commission

The Transportation Administration and the Transportation Enforcement Divisions of the Public Service Commission continue to work closely to accomplish the mission of each respective division.

The Motor Carrier Section enforces economic regulations (limited to transportation of passengers, household goods movers and solid waste for rates, territory and registration as it relates to intrastate carriers, and also third party towing for rates only on tows requested by anyone other than the owner or driver of the vehicle). The Motor Carrier Section is responsible for issuing permits and certificates, maintaining insurance records and other administrative operations.

The Safety Enforcement Section enforces economic regulations (limited to the transportation of passengers, household good movers and solid waste for rates, territory and registration, and also third party towing for rates only on tows requested by anyone other than the owner or driver of the vehicle). This section also enforces safety regulations (adopted the Federal Motor Carrier Safety Regulations) over interstate and intrastate commercial motor vehicles (private and for-hire).

The Weight Enforcement Officers perform weight and oversize inspections of the commercial motor vehicles operated on all state maintained highways. Inspections are performed on a daily basis in the enforcement officer's assigned work area and at regional road check sites in coordination with Transportation Enforcement inspectors.

Securing a Business License

WV Public Service Commission

201 Brooks Street
Charleston, WV 25301
Toll Free: (800) 344-5113
(304) 340-0810
www.psc.state.wv.us/

Secretary of State

The Secretary of State administers the formation and dissolution of all corporations, limited partnerships, trusts and limited liability companies in West Virginia. This office also maintains copies of rules and regulations of other state licensing agencies to which your business may be subject.

Secretary of State

State Capitol Complex
Building 1, Suite 157-K
Charleston, WV 25305-0770
(304) 558-6000
Corporations Division
(304) 558-8000

www.sos.wv.com

Federal Agencies

U.S. Department of Transportation, Office of Motor Carriers

The U.S. Department of Transportation, Office of Motor Carriers enforces federal motor carrier safety regulations and hazardous material regulations for businesses that operate commercial motor vehicles in interstate commerce. Any business owner who operates a delivery van or truck may be subject to regulation.

Office of Motor Carriers

U.S. Department of Transportation
700 Washington St., East
Geary Plaza, Suite 205
Charleston, WV 25301
(304) 347-5935
www.fmcsa.dot.gov

Chapter 11

West Virginia

My Account Sign In Search:

how may we help?

BUSINESS TRAINING?

Learn how to make your business succeed.
View Training & Workshop Calendar: [view](#)

about us
getting started
grow smart
online resource center
services & programs
training calendar
contact us

Related links:
Locations
Business ask me time

New Business

Established Business

High-Tech OPPORTUNITIES FOR ADVANCED TECHNOLOGIES

LATEST NEWS

Jefferson County hotel wins quality award
The Holiday Inn Express of Charles Town/Kanawha was awarded a Quality Excellence Award during the 2010 International Hotelier Group (IHG)...

Governor to address economic development workshop in Wood County
Register now for April 1 session in Parkersburg PARKERSBURG, W.Va. - Gov. Earl Ray Tomblin will deliver the keynote address at an economic...

WEST VIRGINIA EXPORTS GROW TO RECORD LEVEL
CHARLESTON, W.Va. - West Virginia's exports in 2010 reached a record level \$5.4 billion. The state's all-time-high performance exceeded \$3...

GOVERNOR TO ADDRESS WORKSHOP ON ECONOMIC DEVELOPMENT
Regional Series kicks off March 22 in Wheeling WHEELING, W.Va. -

SMALL BUSINESS HELP?

Three-step Jump Start
PLAY VIDEO

Services for Small Business

Easy Steps FOR STARTING YOUR BUSINESS

IDENTIFY business type

Business Planning: The Key to Your Success

Business Planning

WHY WRITE A BUSINESS PLAN? After you've given some careful consideration to the business, you're ready to begin putting your ideas on paper. That means writing a business plan — a formal document explaining in some detail your plans to develop a financially successful business.

If you think the business plan is just a lot of paperwork, think again. It's important for three reasons.

- Preparing a business plan forces you to think through carefully every aspect of your business.
- If you need outside capital, the business plan will be one of the first things that the lender or investor wants to see.
- It is important to have a plan for internal use so you can make decisions in a systematic manner.

According to Work.com, a well-crafted business plan is far more than just a written document — it forms the cornerstone of your business. It can help you grow more effectively, with greater focus and reduced risk. It is also a useful marketing tool for raising capital or recruiting partners, advisors, or key hires.

Most importantly, it is the “process” of developing your plan that provides great value. By applying a structured approach, you will know the market, your customers, and the competition, and you will have real insight into the levers that drive profitability in your business.

THE WINNING BUSINESS PLAN

A good business plan provides a tool to fully evaluate your business idea to see if it makes sense. The business plan says a lot about you as a potential business owner, including how much you know about the business you want to open.

There are four major elements of a business plan. The written plan should be concise and to the point.

1. Description of the Business

Give a description of your business that explains the nature of the business and its activities. Convey your vision of the business, your mission statement and describe how it will grow and profit. Describe your product or service, location, hours of operation, size, square footage, and inventory requirements such as storage space. Also give industry trends and growth potential.

2. Marketing Plan

Identify your target market (your potential customers). Who are you selling to or who will buy your product or service? What is the size of the group? If there are segments or divisions of the target market, describe them by geography, demographics and psychological factors.

How will you reach your market? Describe how you will get the customer to purchase your product or service. State your sales strategy, pricing policy, promotional ideas, and advertising campaign. How are you reaching your target market? Radio, print, flyers, TV, etc.? If you plan to offer customer service, explain. This could include guarantees, warranties, repairs, special services, delivery and installation. Sample promotional material could be included in this section.

Competitive analysis is necessary to evaluate the business playing field and identify a niche for your product or service. List your four major competitors by name. Describe their strengths and weaknesses. How will you compete against established businesses? State your competitive advantage. Can you deliver a higher or better quality service than your competitors?

3. Organization Plan

Discuss the ownership of the business and the legal structure. Include legal agreements such as articles of incorporation or partnership agreements. List the skills and experience you bring to the business, especially management experience. Include a resume. Explain how the business will be managed on a day-to-day basis. Discuss insurance, the lease or any rental agreements. How will your business records be maintained? How will you compensate yourself? List business consultants such as a lawyer, CPA and insurance professional. Explain the personnel needed to run the business. List job titles, duties and wages. Discuss how you will hire your employees and explain personnel procedures. List benefits such as group health insurance and the costs.

4. Financial Plan

Too many entrepreneurs try to start and operate a business without enough money. Request enough financing to cover all anticipated start-up costs, plus enough working capital to meet all monthly operating expenses, including the loan payment, for the first six months.

Business Planning

Review the list of start-up costs you made in Financing Your Business. For this section of your business plan, you should clearly state your loan request and what you are contributing in money or some other form. List other funding sources if appropriate and include what you already have or have paid for.

Project income (sales) and expenses by month for one year. Include information explaining assumptions used and justifications for the figures in the projections.

In order to complete the presentation of the business plan, add a one-page summary and a cover sheet. The cover page should include the name of the owners, address and phone number, as well as the company name.

TAKING THE PLUNGE: STARTING THE PLANNING PROCESS

Get Organized, Get Focused, Get Started

The first step is to get yourself committed to building a plan. It is often useful to have a dedicated time set aside each week to work on the plan, with goals and deadlines to hit. Building a solid plan takes time and effort; know this upfront. Most importantly, you must commit to putting things down on paper (or for the technology-minded, using an on-line business plan outline); in this manner, the plan will begin to take shape. It should be treated as a living document, but also used to narrow the scope and keep you focused on things that matter.

Just getting the first words down can be the hardest step you take. There are sample plans available online as well as downloadable outline software. Some have a fee associated with them; some are free.

A site with sample plans both free or to purchase is www.bplans.com, a division of Palo Alto Software. This site allows you to view many different sample plans in a wide variety of industries as well as to purchase their business planning software to write your own. The decision is yours.

Some sites with free downloadable business plan outlines are New England Business Service, Inc. (NEBS) www.nebs.com/nebsEcat/business_tools/bptemplate/index.jsp. This tool is interactive and allows you to create and save your business plan. Another resource is SCORE, a nonprofit resource partner with the U.S. Small Business Administration (SBA). SCORE's template gallery has business plans, marketing plans and financial worksheets that are interactive and can be downloaded. Go to <http://www.score.org/resources/search?text=business+plan+template> to see all the available items.

Revise, Refine, Repeat

The best plans are not done overnight, and they do not sit on a shelf. Rather, the best plans — the ones that ultimately help guide your business to success — are constantly massaged, enhanced, revised, and reworked. To borrow a cliché, “the journey is the destination.” Once you have a solid draft, let it ferment for a week, then review it with fresh (and critical) eyes. In addition, you should aim to hone your plan as new information becomes available, and as you test your original assumptions in the market.

Get Help, Gain Perspective

Many startups — and sole owners in particular — suffer from “forest for the trees” syndrome, meaning they focus too much on the minutiae of their business, and have a hard time seeing how their business fits into the broader competitive and market landscape. The remedy is to get external advice on your business plan and strategy from trusted third parties. Advisors may include business attorneys, industry analysts, and mentors, owners of companies who have “been there, done that.” Naturally, consultants who have experience in solving startup business problems can be very valuable. Contact the Small Business Development Center toll free at (888) 982-7232 for the business coach nearest you.

Tips and Tactics

Helpful advice for making the most of your business plan:

- Commit to building a business plan. The return you will gain — in focus, investor preparation, and business insight — will be many times the effort invested.
- Treat your plan as a living document. It will help keep you on track, and serve as a means to continually hone your business model.
- Get help, advice, and feedback. Input from professional advisors translates into a better business plan — and ultimately, a more successful business.

Chapter 12



Finding and Hiring Employees

Finding and Hiring Employees

HOW DO YOU ATTRACT KEY EMPLOYEES? Staffing your firm is of critical importance to businesses of all shapes and sizes. All firms take the same risk in hiring an employee. The smaller the firm, however, the less it is able to afford the time and costs involved in hiring and firing the wrong employees.

Larger companies have developed effective hiring techniques and procedures to lessen this risk. If owners and managers of small firms wish to manage their operations more effectively, some of these staffing techniques could be applied:

Determining Needed Skills and Abilities

The trick to getting the right person for the job is in determining what skills are needed to perform the job. Match the applicant's skills and experience to the job requirements.

Once a job description is set, decide what skills the prospective employee must have and the lowest acceptable skill level.

When you start to look for someone to fill the job, make sure that you know what skills you need and what skills are the minimum acceptable, as determined by what kind of training you can provide.

Setting Personnel Policies

When your business is small, making sure workers know all the policies, processes and rules is easy. But as your company grows, you need to put your operational procedures in writing.

Work.com says an employee manual effectively accomplishes this by informing your workers what is expected, and also ensures that your business complies with state and federal employment laws. You can include information about the company and its history to give your workers a sense of company pride.

Here are some things you need to consider in developing an effective manual for your workers:

1. Decide on the contents.
2. Find an expert to actually create the manual or if you have the resources, create it in-house.
3. Review it for accuracy and legality.

Here are some of the best contacts and resources to help you get it done.

First, decide what the manual should cover. At the very least, you need to spell out your policies regarding hiring, firing, workplace decorum, company benefits, employee privacy and performance appraisal system. No manual can ever be totally comprehensive; individual worker needs will undoubtedly produce circumstances that aren't in your guide. You can, however, create a handbook that covers the situations that will affect most of your employees. TemplateZone.com offers a list of the types

Finding and Hiring Employees

of points a manual should cover and supplies small business software for employee handbook creation. Personnel Policy Service, Inc., helps businesses create employee manuals with sound policies.

You can get a legal opinion. If you're not an expert in labor law, human resources or employee relations, you might want to hire a specialist. Many companies provide a combination of payroll, benefits, regulatory compliance and employee training services.

You can "do it yourself" with computer software. If hiring an outside firm is beyond your budget, check into the various computer template programs that will guide you in creating an employee handbook. Template Zone, Write Express and JIAN all offer such programs for a fee.

Whichever option you choose to create your employee manual, make sure the final product is reviewed and approved by attorneys. You want to ensure that your handbook's language is appropriate.

Tips and Tactics

Helpful advice for making the most of this guide:

- A manual is not set in stone. Policy adjustments can and should be made as your company's situation changes.
- Whenever you make any changes, be sure to again run them by your attorney.
- Save printing costs by putting your employee manual on your company's intranet or making it available at your Web site, with secure company/employee-only access protections.
- Periodically remind your workers to refer to the manual.
- Make sure you get a signed employee acknowledgement of receipt of the handbook. The worker does not have to attest to reading it, but that he/she received it.

Finding Applicants

When you know the kind of skills you need in your new employee, you are ready to contact sources that can help you recruit job applicants.

West Virginia has an employment service that features local offices, known as WorkForce West Virginia centers, to help businesses with hiring needs and problems. To access this resource, call WorkForce West Virginia at 800-252-JOBS (5627) or visit their Web site at www.workforcewv.org. The employment service will screen applicants with aptitude tests (if any are available for the skills you need). Passing scores indicate the applicant's ability to learn the work. Be as specific as you can about the skills your business requires.

Other sources of recruiting applicants are Help Wanted signs or newspaper advertisements. Both methods attract a large group of job seekers to screen at your convenience.

Finding and Hiring Employees

Job applicants are readily available from local schools or colleges. The local high school or college may have a distributive education department allowing the students to work in your business part-time while learning about selling and merchandising in their school or college courses. Many part-time students stay with the business after they graduate.

You also may find job applicants by contacting friends, neighbors, customers, suppliers, present employees and local associations such as the Chamber of Commerce or other service clubs. Your choice of recruitment method depends on your type of business, your location and you. Many sources are available to you and a combination may serve your needs best. The important thing is to find the right applicant with the correct skills for the job you want to fill.

Remember that the Civil Rights Act of 1964 prohibits discrimination in employment practices due to race, religion, sex, national origin, color, handicap or sexual preference. Public Law 90-202 prohibits discrimination on the basis of age, with respect to individuals who are at least 40 but less than 70. Federal laws also prohibit discrimination against the physically handicapped.

Interviewing Job Applicants

Find out as much as you can about the applicant's work history, especially work habits and skills; get the applicant to talk about himself/herself and about his/her work habits. Ask each applicant specific questions: What did you do on your last job? How did you do it? Why was it done?

Evaluate Applicants' Replies

Do they know what they are talking about? Are they evasive or unskilled in the job tasks? Can they account for discrepancies?

Next, verify the information. A previous employer is usually the best source and sometimes will provide information over the telephone; but it is usually best to request your information in writing. To help ensure a prompt reply, ask previous employers a few specific questions about the applicant that can be answered with a yes or no check mark, or with a very short answer. For example: How long did the employee work for you? Was his or her work poor, average or excellent? Why did the employee leave?

After you have verified the information for all your applicants, you are ready to make your selection. The right employee can help you make money; the wrong employee will cost you much wasted time and materials, and may even drive away your customers.

Hiring Employees

Have the employees you hire fill out Form I-9 and Form W-4. If your employees qualify for and want to receive advanced earned income credit payments, they must give you a completed Form W-5.

Finding and Hiring Employees

Form I-9. You must verify that each new employee is legally eligible to work in the United States. Both you and the employee must complete the U.S. Citizenship and Immigration Services (USCIS) Form I-9, Employment Eligibility Verification required by the Immigration Reform and Control Act of 1986. All U.S. employers are responsible for completion and retention of Form I-9 for each individual they hire for employment in the United States. This includes citizens and non-citizens. On the form, the employer must verify the employment eligibility and identity documents presented by the employee and record the document information on the Form I-9. A Form I-9 may be obtained by contacting the Citizenship and Immigration Services at (800) 375-5283 or visiting their Web site at www.uscis.gov and clicking on Forms. You can get the form from USCIS offices or from the USCIS Web site at www.uscis.gov then click on Forms. Call the USCIS at 1-800-375-5283 for more information about your responsibilities.

Form W-4. Each employee must fill out Form W-4, Employee's Withholding Allowance Certificate. You will use the filing status and withholding allowances shown on this form to figure the amount of income tax to withhold from your employee's wages.

The State Tax Department has policies on the filing and remitting of income tax withheld. The due dates for returns and payments closely follow the IRS schedule.

Employers will receive a booklet containing 12 remittance vouchers, one for each monthly payment that must be remitted to the West Virginia Tax Department. The Tax Department encourages the use of <https://mytaxes.wvtax.gov/> to make these payments as opposed to sending the vouchers and payment through the mail. Employers who file a quarterly return for 250 or more employees must file electronically.

Employers will receive quarterly returns separate from the booklet. Again, the Tax Department encourages the use of <https://mytaxes.wvtax.gov/> to file these returns instead of sending them in the mail.

Employers must continue to file an annual reconciliation of West Virginia Personal Income Tax Withheld (Form WV/IT-103) together with Tax Division copies of all withholding tax statements for that preceding calendar year. The reconciliation must be filed separately from the employer's quarterly return.

Visit www.wvtax.gov/withholdingTaxForms.html and choose WV/IT-105-Specifications for filing W-2 forms electronically. Employers who are filing for 250 or more employees are required to file electronically.

Employers who withhold less than \$600 annually or employ certain domestic and household employees will continue to file the annual return and pay the withheld amount annually, and are not required to file a quarterly return.

Finding and Hiring Employees

The annual return is form WV/IT-101A and will be available at www.wvtax.gov/withholdingTaxForms.html.

For more information, contact the Tax Department toll free at (800) 982-8297.

Form W-5. An eligible employee who has a qualifying child is entitled to receive advance earned income credit (EIC) payments with his or her pay during the year. To get these payments, the employee must give you a properly completed Form W-5, Earned Income Credit Advance Payment Certificate. You are required to make advance EIC payments to employees who give you a completed and signed Form W-5.

Form W-2 Wage Reporting. After the calendar year is over, you must furnish copies of Form W-2, Wage and Tax Statement, to each employee to whom you paid wages during the year. You must also send copies to the Social Security Administration.

Personal Responsibility and Work Opportunity Reconciliation Act. This law helps improve child-support collections and lower public assistance. Employers are required to report certain information about employees who are newly hired, rehired, or who return to work after a separation of employment. Visit the West Virginia New Hire Reporting Center on the web at www.wv-newhire.com for complete information and reporting requirements or call (877) 625-4675.

WORKFORCE DEVELOPMENT PROGRAMS

Once you have found your employees, getting them up to speed in your organization can require training. Here are some programs designed to help with that.

WorkForce West Virginia

WorkForce West Virginia is a network of work force development services designed to provide employees and employers the opportunity to compete in a global economy. WorkForce West Virginia makes available education and training to ensure employees have the skills needed to meet the needs of current and future employers. WorkForce West Virginia is a one-stop center for work force resources, including job opportunities, unemployment compensation, training, tax incentives and labor market information. All services are available at 13 comprehensive career centers throughout the state. In addition, WorkForce West Virginia has the largest online database of job seekers and job openings in the state at www.workforcewv.org.

Finding and Hiring Employees

Here are some of the programs designed to meet the needs of businesses for new and existing workers:

- **WorkKeys® Career Readiness Certificates**
The nationally-recognized WorkKeys® Career Readiness Certificates from WorkForce West Virginia aid in the process of matching qualified job seekers with jobs while assuring businesses that the state of West Virginia has a ready and skilled work force
- **Governor’s Guaranteed Work Force Program**
West Virginia’s key customized training program. This flexible program offers customized training assistance to eligible companies by providing funding that directly supports the transfer of knowledge and skills. Companies must create a minimum of 10 net new jobs within a 12-month period.
- **The Workforce Investment Act (WIA) Program**
This customized training program is available to employers that hire individuals that meet specific program requirements. This program targets job seekers that are either economically disadvantaged or displaced due to job shifting in the region.
- **West Virginia Advance Program**
This flexible program offers customized job training awards to new and existing businesses. The program offers development and delivery of training services that will support a company’s startup and ongoing employee development initiatives through a local Community and Technical College.
- **The Workforce Development Initiative Program**
This program encourages working partnerships between area community and technical colleges and the business community. The program requires a one-to-one match from the private sector.

West Virginia Manufacturing Extension Partnership (MEP)

The mission of the West Virginia Manufacturing Extension Partnership, Inc. (WVMEP) is to strengthen manufacturing in West Virginia. Expert in their individual disciplines, WVMEP’s team works directly with every appropriate level in your organization, to improve production, marketing, quality systems, information systems, health and safety, manufacturing management, product design and development, industrial engineering, and general manufacturing.

In addition to assisting manufacturers with management, quality systems, product and market development, MEP also provides training on a variety of subjects, including safety and quality systems. Coaches are located across the state. For more information, call toll free (800) MEP-4MFG or go to www.wvmep.com.

Finding and Hiring Employees

Center for Entrepreneurial Studies and Development, Inc. (CESD)

The Center for Entrepreneurial Studies and Development, Inc., (CESD)'s mission is to support West Virginia's economy by improving the state's existing workforce and the organizations that employ these workers through training, technical assistance, and the development of innovative strategies for business development.

Affiliated with West Virginia University, CESD provides technical training and employee development. CESD also operates the Discovery Lab where inventors can obtain assistance. For more information, call (304) 293-5551 or go to www.cesd.wvu.edu.

Office of Adult Education and Workforce Development

Working in partnership with K-12 educators, colleges, and universities, the Office of Adult Education and Workforce Development is committed to preparing adult students to be competitive in the 21st Century workplace. Workplace Education classes are provided under the direction of the State Adult Basic Education Program and are designed to provide customized basic skill programs, **WorkKeys** job profiling, and/or pre-employment LINKS (Lifelong Instruction in New Knowledge and Skills) programs for new or expanding industry.

Through the vocational-technical centers located statewide, technical skills training is available in the fields of agriculture, business, marketing, trade and industrial, health, home economics and hotel/hospitality.

Call the local county vocational director nearest you or call (304) 558-0280. Visit their Web site at <http://wvde.state.wv.us/abe/>.

Community and Technical Colleges

Your local community and technical college may also have training available for you and your employees. Find the location nearest you by visiting their Web site, www.wvctcs.org.

Finding and Hiring Employees

STATE AND FEDERAL LABOR LEGISLATION

Worker's Compensation

If you are registering a new business, reopening an old business, or purchasing an existing business, in whole or in part, State law requires employers to obtain workers' compensation coverage for its employees in case of workplace injury. Workers' compensation insurance will be available from private insurers licensed in this state to provide such coverage. For information regarding available insurers, contact the Office of the West Virginia Insurance Commissioner. Specific requirements for obtaining Workers' Compensation Insurance coverage may be answered by the private insurance carrier.

Offices of the Insurance Commissioner

Employer Coverage Unit
1124 Smith Street
Post Office Box 11682
Charleston, West Virginia 25339-1682
www.wvinsurance.gov
304 558-6279, Ext. 1202

Unemployment Compensation

Businesses that employ one or more persons may be liable for Unemployment Compensation Tax, which provides benefits to eligible persons who become involuntarily unemployed. Not all types of work are considered employment for the purpose of unemployment compensation coverage, nor are all employers liable for paying unemployment tax. Generally, employers incur liability by employing at least one worker for some part of a day in each of 20 weeks of a calendar year or by paying wages of \$1,500 or more in any calendar quarter. Special exemptions do apply, however. More information on the Unemployment Compensation Tax, including a copy of an Employer's Handbook on Unemployment Compensation, is available at any regional employment office or by contacting:

Unemployment Compensation Division

112 California Ave.
Charleston, WV 25305-0112
(304) 558-7024
www.workforcewv.org and click on Employers

Finding and Hiring Employees

Federal Employer Identification Number (FEIN)

Getting your Federal Employer's Identification Number or FEIN was explained earlier in Securing a Business License. If you have even one employee, you must register for this number.

Occupational Safety and Health Act of 1970

The Occupational Safety and Health Administration (OSHA), administered by the U.S. Department of Labor, sets the nation's standards for safety and health in the workplace. If you plan to hire employees, you will need to determine what, if any, steps you must take to comply with federal and state safety standards at your place of business. For information on the state's free OSHA consultation program, contact the Director of the Safety Section, West Virginia Division of Labor, (304) 558-7890 or visit www.wvlabor.org.

Additional information on OSHA also may be obtained by contacting:

Occupational Safety and Health
U.S. Department of Labor
405 Capitol St., Suite 407
Charleston, WV, 25301
(304) 347-5937
www.osha.gov.

Chapter 13



Reporting Taxes: Local, State and Federal

Reporting Taxes

AS AN ENTREPRENEUR, you should know some basic facts about the taxes your business will be paying: when, where and if you have to file. Failure to follow state, local and federal tax rules can result in substantial interest and penalties.

This chapter will brief you on the most common state and federal taxes, as well as the forms to which most small and medium-sized firms are subject. Keep in mind that this chapter is meant to be a source of general information and is not a substitute for tax laws or regulations. If you have questions about your business tax obligations, see your accountant.

CITY TAXES

Business and Occupation Tax (B&O Tax)

The major source of revenue for most West Virginia cities is a broadly based municipal business and occupation (B&O) tax, which is imposed for the privilege of engaging in certain business activities. The B&O Tax is generally determined as a percentage of gross receipts and allows no deductions for losses to the business. Different tax rates may be imposed for different types of business activities; rates may vary from city to city.

Before beginning your business, you should contact the mayor's office or the treasurer's office in the city in which the business will operate to determine whether the business will be subject to a local B&O tax or whether additional registration or licensing requirements apply. Certain cities may impose registration taxes or license or fire service fees.

A list of municipalities can be found online at the Business4WV.com web site, www.business4wv.com. Click on Contacts.

COUNTY TAXES

Property Taxes

Property Taxes are administered by and paid to each of our 55 county governments. Each county, municipality and board of education can impose its own rates of property taxation depending upon the class and location of the property.

Businesses are subject to a personal property tax on all furniture, fixture, equipment and inventory used in the business. In addition, if you own the building where you operate your business, you will have to pay real estate taxes on the building. If you have questions concerning property taxes, you should contact the county assessor of the county in which the property is located. There are new inventory requirements from manufacturers in 2008. Ask your county assessor for more information.

STATE TAXES

As mentioned in Chapter 10, the Tax Department has a consolidated view of taxpayer accounts through the MyTaxes reporting system. To use the online filing applications for businesses, you must first complete the Online Electronic Funds Transfer Application (Form WV/EFT-5).

Once you have registered for Electronic Funds Transfers, you may begin to file the following online:

Taxpayers who must pay the Sales and Use, and Withholding taxes can view, file and pay those taxes on the Tax Department's new, secure Web site called mytaxes.wvtax.gov.

- Online Combined Estimated Corporation Net Income/Business Franchise Tax Payment (Form WV/CNF-120 ES).
- Online Tentative Combined Corporation Net Income/Business Franchise Tax Return (Form WV/CNF-120 T).

Personal & Corporate Net Income Tax

West Virginia's personal income tax and corporate net income taxes have been updated to be in line with federal income taxes. Businesses may claim a 50 percent bonus depreciation deduction on new investments. Small business' maximum allowable deductions for new capital investments are \$250,000.

The gradual phase-down of the Business Franchise tax will continue and there will be a net tax reduction and the tax will be eliminated in 2015. The Business Franchise Tax rate will drop

from 0.34% to 0.27% effective January 1, 2012. In addition, there are reductions in the Corporate Net Income Tax rate which are estimated to provide additional tax savings. The Corporation Net Income Tax rate will decrease from 8.5% to 7.75% effective January 1, 2012.

Consumers' Sales and Service Tax (CSST) and Use Tax

West Virginia has consumers' sales and service tax and a use tax. Sales of goods and service to a manufacturer for direct use in manufacturing are exempt from CSST (for in-state purchases) and from the use tax (for out-of-state purchases).

The Streamlined Sales and Use Tax Agreement

The Streamlined Sales and Use Tax Agreement is a multi-state simplification of varying sales and use tax laws. The agreement is the joint effort of 44 states, the District of Columbia, local governments along with members of the business community to develop measures to design and implement a system that simplifies the collection and remittance of sales and use tax between retailers and states.

Individuals and companies seeking more information on the Streamlined Sales and Use Tax Agreement and the streamlined system can refer to the Web site at www.streamlinedsalestax.org or contact the West Virginia State Tax Department, Taxpayer Services Division at (304) 558-3333 or 1-800-982-8297.

A single return for the Sales and Use Tax allows for combined tax assessments and requires electronic filing of all tax returns for those taxpayers who pay more than \$100,000 a year for any single tax.

Reporting Taxes

To file, use the following online:

- Online Sales and Use Tax Return (Forms WV/CST-200 and/or WV/CST-220).
- Online Direct Pay Sales and Use Tax Return (Form WV/CST-210).

For more information on these and any other tax-related or licensing matters, contact the West Virginia State Tax Department, Taxpayer Services Division at (304) 558-3333 or 1-800-982-8297 or visit the Tax Department Web site at www.wvtax.gov or speak with your accountant.

Severance Taxes

Severance taxes are levied on the production of natural resources including ordinary processing commonly employed by the industry to obtain a salable natural resource product. The oil and gas production privilege will end at the well-mouth; the timber production privilege ends once the tree is severed, de-limbed, and topped; the limestone or sandstone production privilege ends immediately after severance from the earth; and the coal production privilege includes certain coal processing activities.

Personal Income Tax

Personal Income Tax is imposed on the taxable income of all West Virginia resident individuals, estates and trusts, as well as on the income that non-residents gain from West Virginia sources.

The starting point for determining West Virginia taxable income is the federal adjusted gross income. Business owners, except for C Corporation owners, must list the amount of income from the business on their personal income tax return, and will be taxed accordingly.

Payroll Taxes

Every employer making payment of any wages subject to the West Virginia personal income tax is required to deduct and withhold the tax from each worker's wages and then remit it to the West Virginia Tax Department. In addition, employers are liable for workers compensation taxes and state unemployment taxes on any wages paid to employees.

DEVELOPMENT ASSISTANCE PROGRAMS

In addition to loan programs, West Virginia is providing development assistance in the form of tax credits and incentives. This development assistance can reduce startup and operating costs and provide for enhanced productivity.

Corporate Headquarters Credit

Companies that relocate their corporate headquarters to West Virginia are eligible for state tax credits if 15 new jobs (including relocated employees) are created within the first year. The credit can offset up to 100 percent of the tax liability for business and occupation tax, business franchise tax, corporate net income tax, and personal income tax on certain pass through income, for a period of up to 13 years.

Economic Opportunity Credit

For qualified companies that create at least 20 new jobs (10 jobs in the case of qualified small business) as a result of their business expansion project, the State's Economic Opportunity Tax Credit can offset up to 80 percent of specified business taxes for a period of up to 13 years. If a qualified company that creates the requisite

number of jobs pays an annual median wage higher than the statewide average non-farm payroll wage, then the qualified company can offset up to 100 percent of the specified taxes for up to 13 years.

For eligible businesses creating less than 20 new jobs within specified time limits and less than 10 new jobs per year, a \$3,000 credit is allowed per new job for five years, providing the new job pays at least \$32,000 per year and the employee has employer-provided health insurance benefits. The \$32,000 figure is adjusted annually for cost-of-living.

“Five-for-Ten” Program

The program provides property tax valuation for new investment property of manufacturers that make qualified capital improvements of more than \$50 million to an existing manufacturing facility having an original investment asset cost base of at least \$100 million. Under this program, the new capital addition is valued at 5 percent of original cost for the first 10 years after it is placed on the property tax rolls.

Manufacturing Investment Credit

A tax credit is allowed against up to 60 percent of corporate net income tax and business franchise tax based on qualified investment in eligible manufacturing property, with no new job creation required.

Manufacturing Sales Tax Exemption

Purchases of materials and equipment purchased for direct use in manufacturing are exempt from the 6 percent state sales and use tax, including building materials and process equipment purchased for construction of a manufacturing facility.

Strategic R&D Credit

The Strategic Research and Development Tax Credit can offset up to 100 percent of corporate net income tax and business franchise tax, based on qualified expenditures for R&D projects.

Sales Tax Exemption for E-Commerce Vendors

Some computer-related sales of tangible personal property and services are exempt from the consumer sales and services tax.

High-Technology Business Property Valuation Act

Tangible personal property, including servers, directly used in a high technology business or in an internet advertising business is valued for property tax purposes at 5 percent of the original cost of the property. In addition, sales tax is eliminated from all purchases of prewritten computer software, computers, computer hardware, servers, building materials and tangible personal property, for direct use in a high technology business or internet advertising business.

Tax Increment Financing

Allows increases in property tax based on the improvement associated with qualified economic development and public improvement projects to assist with their long-term financing.

Reporting Taxes

Warehouse “Freeport” Tax Exemption

The **Freeport Amendment** exempts property from the West Virginia ad valorem property tax in two ways:

- (1) Manufactured products produced in West Virginia and stored in the state for a short time before moving into interstate commerce are exempt from property tax.
- (2) Goods transported into West Virginia from outside of the state, which are held for a short time in a warehouse and then shipped to a destination outside of West Virginia, are exempt from the property tax.

The exemption does not apply to inventories of raw materials or goods in process.

Lodging Exemptions

For lodging stays in excess of 30 consecutive days per person at the same facility, there is an exemption from the state Consumers Sales and Service Tax (6 percent) and exemption from the Local Hotel/Motel Tax (varies per region).

West Virginia Film Industry Investment Act

Up to 31 percent of direct production and post-production expenditures can be converted to transferable tax credits to offset state taxes.

High-Tech Manufacturing Credit

Businesses that manufacture certain computers and peripheral equipment, electronic components or semi-conductors and which create at least 20 new jobs within one year after placement of qualified investment into service, can receive a tax credit to offset 100 percent of the business and occupation tax, business franchise tax, corporate net income tax, and personal income tax on certain pass through income for 20 consecutive years.

Manufacturing Inventory Credit

Offsets the business franchise tax and corporate net income tax in the amount of property tax paid on raw materials, goods in process and finished goods manufacturing inventory.

Additional Incentives

Also, new tax incentives for retail establishments offering alternative fuel products, the use of alternative fuel vehicles and manufacturing activities associated with by-products of the Marcellus Shale industry take effect in 2011.

FEDERAL TAXES

Income Taxes

Income taxes are assessed on the taxable income of businesses. The business organization structure (Sole Proprietorship, Partnership, Corporation or Limited Liability Company) will determine whether a separate tax return is required or the business return is part of the owner's individual tax return.

Payroll Taxes

Payroll taxes are due on any wages paid to employees and taxes withheld from salaries. There are additional taxes due by the employer which include the employer's share of FICA (Social Security and Medicare Taxes) and federal unemployment.

To know exactly which taxes apply to your business, check with your accountant, the Small Business Development Center nearest you or visit the IRS Web site at www.irs.gov and click on Businesses and go to the West Virginia Tax Department Web site at www.wvtax.gov and click on *Frequently Asked Questions*.

Federal Tax Incentives

West Virginia has adopted federal provisions for 100% bonus depreciation and enhanced Section 179 expensing in 2011 under the American Recovery and Reinvestment Act.

Incentives for Employers

The **Affordable Care Act**, the health reform legislation passed into law a year ago, is giving small businesses important tools to help them compete, create jobs and drive economic growth. It's critical that small businesses take full advantage of the new benefits and consumer protections of the law and understand the positive impact health reform will have on their operations. The SBA and the entire Administration is committed to working with the small business community to ensure that they know about tools in the Affordable Care Act that will help small businesses start-up, succeed, and grow.

Already, the Affordable Care Act is providing tax credits of up to 35 percent of employee premium costs, helping small business owners reinvest

thousands of dollars to grow their business and create jobs at tax time.

Eligibility for Tax Credits

Generally, tax credits are available for small business owners who:

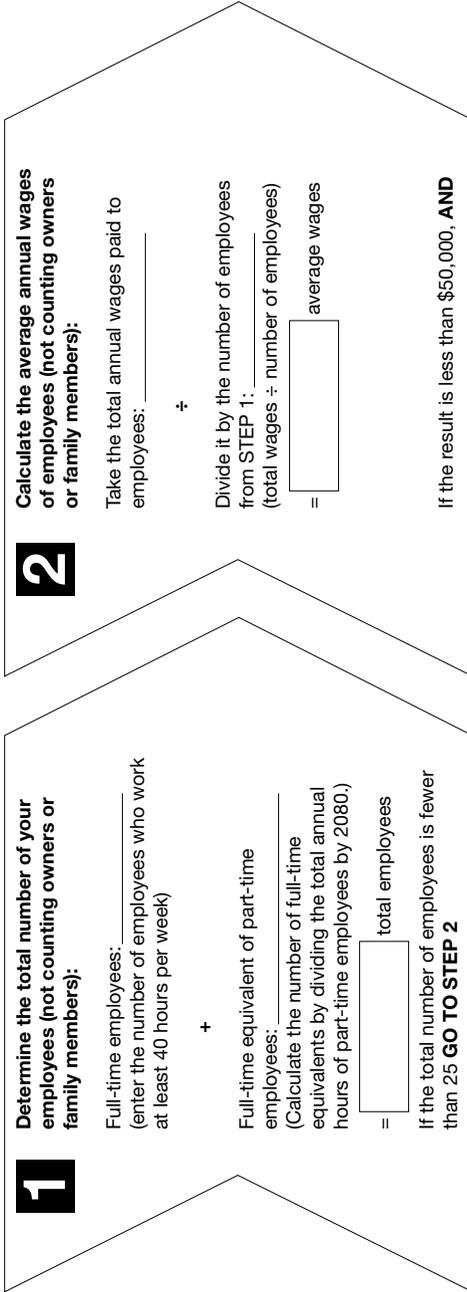
- Have started or continued health insurance coverage for employees in 2010
- Contribute at least 50 percent of employee premiums at the single coverage rate
- Have fewer than 25 full-time employee equivalents (part-time employees are counted proportionately)
- Pay their employees an average of less than \$50,000

The IRS has provided a simple three-step worksheet (below and at www.irs.gov/pub/irs-utl/3_simple_steps.pdf) to help determine your eligibility:

Reporting Taxes

3 SIMPLE STEPS

If you are a small employer (business or tax-exempt) that provides health insurance coverage to your employees, determine if you may qualify for the **Small Business Health Care Tax Credit** by following these three simple steps:



you may be able to claim the Small Business Health Care Tax Credit.
Find out more information at [IRS.gov](https://www.irs.gov)



For small businesses, the maximum tax credit is 35 percent of the business' premium costs. On Jan. 1, 2014, these rates will increase to 50 percent and 35 percent, respectively. These credits phase out for firms with average wages over \$25,000 and for firms with the equivalent of more than 10 full-time employee equivalents.

BUSINESS TAX ASSISTANCE

United States Internal Revenue Service (IRS)

Taxpayer Education sponsors free small business tax workshops. It also provides free instructional material to schools and other agencies for use in conducting workshops. For free IRS forms and publications visit the IRS Web site at www.irs.gov or call (800) 829-3676. For business tax questions call (800) 829-1040.

West Virginia Tax Department

West Virginia Tax Department provides information and offers many incentives to encourage the location of business and industry in the state. It also furnishes detailed tax packages and provides tax comparisons between West Virginia and other localities. For more information, write to:

West Virginia Tax Department
1206 Quarrier St.
Charleston, WV 25301
(304) 558-3333 or (800) 982-8297
www.wvtax.gov

Chapter 14



*Using West Virginia's
Business Resources*

Using West Virginia's Business Resources

WEST VIRGINIA MAINTAINS a staff of business assistance professionals to offer a number of development incentives that create a climate favorable to attracting new business into the state. Through the West Virginia Development Office, the state offers a comprehensive business assistance program. It offers assistance to domestic and international businesses, ranging from pre-venture counseling for new business start-ups to locating new facilities and expanding existing businesses.

The Development Office is an economic assistance “umbrella,” which covers the state’s other business resource programs. As such, the Development Office can provide information on a wide range of business topics, including licensing, taxes, site selection, labor and wages, and industrial and employee training programs. Special incentives administered by the Development Office include super tax credits, small business tax credits and financial assistance programs especially tailored to the needs of small businesses.

This chapter provides a listing of business resources and incentives available to assist new and existing businesses in West Virginia. To get additional information or assistance in identifying the business resource or incentive most appropriate for your business, contact:

West Virginia Development Office
State Capitol Complex
Building 6, Room 553
Charleston, WV 25305
(304) 558-2234
www.wvcommerce.org/business

BUSINESS RESOURCES AND ASSISTANCE PROGRAMS

Business and Industrial Development Division

The Business and Industrial Development Division works to strengthen West Virginia’s business climate, to retain and expand existing industries and to attract new business into the state.

The division provides development assistance to existing business and industry to help retain and expand those companies in the state. Site location assistance is an integral part of the Business and Industrial Development program.

For more information on the resources available for businesses and the assistance programs, go to <http://wvcommerce.org/business> and click on any of the links listed.

Using West Virginia's Business Resources

International Division

The International Division spearheads marketing efforts through trade and investment representatives at the West Virginia offices in Asia and Europe. Go to the West Virginia Development Office Web site wvcommerce.org/business for complete information on the services of the International Division.

Small Business Development Center (SBDC)

The Small Business Development Center (SBDC) is a statewide network providing assistance in all 55 counties. Business coaches provide free confidential assistance in the creation of new business as well as to assist existing businesses with problem-solving and expansion issues.

The SBDC can provide all of the preliminary information and paperwork needed to open a business legally, including information on licensing, taxes, insurance, recordkeeping and the forms needed for hiring employees. SBDC also operates the Business "Ask ME!" line. Businesses anywhere in-state or out of state can call the toll-free number (888) 982-7232 (1-888-WVA-SBDC) to connect with information on business services available in the state. The program was designed to enhance delivery of essential services and resources to West Virginia's entrepreneurs. The Business "Ask ME!" Line is staffed during normal work hours, 8:30 a.m. to 4:30 p.m., Monday through Friday.

SBDC can also assist with evaluating a business idea for feasibility and projected success. Areas of consideration include an examination of proposed products or services, potential competitors, pricing, location, marketing and management. If outside financing is needed, staff will assist in determining the loan amount required, identifying suitable funding sources and preparing a loan request or application.

All of these services are available to existing businesses. The SBDC will assist businesses in analyzing cash flow, determining better marketing strategies, planning for expansion of product lines or work force, and analyzing other small business requirements. Using the latest in computer software, they can compare a company to industry standards, find problem areas and make suggested improvements using real-time "what if" scenario changes.

Program Lead Center

State Capitol Complex

Building 6, Room 652

Charleston, WV 25305-0311

(304) 558-2960

(888) 982-7232

www.wvsbdc.org

Using West Virginia's Business Resources

Charleston Area Alliance

1116 Smith Street, Suite 401
Charleston, WV 25301
(304) 558-2960

Eastern Panhandle

142 North Queen St.
Martinsburg, WV 25401
(304) 596-6642

Potomac Highlands

PO Box 209
223 N. Main Street, Suite 102
Moorefield, WV 26836
(304) 530-4964

MountWest Community & Technical College Center

348 15th St.
Huntington, WV 25701
(304) 399-1040

Pierpont Community & Technical College

320 Adams St., Suite G-01
Fairmont, WV 26554
(304) 367-4931

Pierpont Community & Technical College

Upshur Center
99 Edmiston Way, Suite 204
Buckhannon, WV 26201
(304) 439-1290

Region 1 Workforce – Welch

110 Park Avenue
Welch, WV 24801
(304) 767-0532

Region 1 Workforce / The Business Center

602 New River Town Center
Beckley, WV 25801
(304) 255-4022

Region 1 Workforce – Summersville

830 Northside Drive, Suite 166
Summersville, WV 26651
(304) 872-0020

Southern West Virginia Community & Technical College Center

2900 Dempsey Branch Road
Mt. Gay, WV 25637
(304) 767-0532

West Virginia Northern Community College Center

1704 Market St.
Wheeling, WV 26003-3699
(304) 214-8973

West Virginia University – Morgantown

Chestnut Ridge Research Building
886 Chestnut Ridge Road
Morgantown, WV 26506
(304) 293-5839

West Virginia University – Parkersburg

300 Campus Drive
Parkersburg, WV 26104
(304) 424-8391

Using West Virginia's Business Resources

Community Development Division

The Community Development Division of the West Virginia Development Office encourages strong civic engagement in the administration of programs designed to improve the quality of life in communities throughout West Virginia.

State and federal funding sources and programs promote private-sector investment, revitalize commercial and residential areas, provide public services and facilities, and assist state and local governments in developing solutions within our communities.

Another important program of the Community Development Division is the West Virginia Main Street Program. The program provides technical assistance to designated state programs that continue to meet the national criteria for recognition as Main Street communities. The Main Street program uses a common-sense approach to tackle the complex issue of downtown and neighborhood commercial district revitalization, capitalizing on the history and the resources of the community itself.

For more information, contact:

Community Development Division
West Virginia Development Office
State Capitol Complex
1900 Kanawha Blvd. E.
Charleston, WV 25305
(304) 558-4010
<http://wvcommerce.org/business>

As we said in the beginning, owning your own business is the most exciting and enjoyable thing...if you do it right. This guide can help you do that. **Good luck!**



West Virginia Development Office
Small Business Development Center

In partnership with the Region 1 Workforce Investment Board, the U.S. Small Business Administration and the West Virginia Community and Technical College System.



West Virginia Development Office
Small Business Development Center

State Capitol Complex • Building 6, Room 652
Charleston, West Virginia 25305-0311

1-888-WVA-SBDC (982-7232)
www.wvsbdc.org



Funded in part through a
Cooperative Agreement with the
U.S. Small Business Administration.

The Small Business Development Center is a division of the West Virginia Development Office and works with colleges, universities and other host institutions to provide free business consulting and technical assistance at Small Business Development Centers (SBDC) statewide. The SBDC is a program supported by the U.S. Small Business Administration (SBA) and extended to the public on a non-discriminatory basis. The SBA cannot endorse any products, opinions or services of any external parties or activities. Workshops, seminars and conferences are held in disabled-accessible locations. Arrangements for people with disabilities will be made if requested in advance.