



NORTH METRO DENVER *Small Business Development Center*

Start-up Orientation

North Metro Small Business Development Center
(SBDC)

Presented by:

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About the Presenter

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*North Metro Small Business
Development Center*

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- ☐ Services offered by the SBDC
- ☐ Free
- ☐ One on One Counseling
- ☐ Training and Education
- ☐ Resources
- ☐ Contacts
- ☐ Financial Assistance Support



Mission Statement

✧ To help businesses start, grow, and prosper.

What We' ll Cover

The Major Start-Up Components

☐ Legal Components

- Business entity, registrations, insurance licenses etc.

☐ Branding

- Values
- Marketing
- Market Research
- Target market, secondary research, primary research

☐ Organizational Structure

- Record keeping, data collection, management, system, etc.

☐ Taxes

- Federal, State, City and special taxes

Are You Ready?

U.S. Small Business Profile



93.1%

have annual revenues of less than \$250,000



57.1%

have revenues of less than \$25,000



51.6%
business are home-based

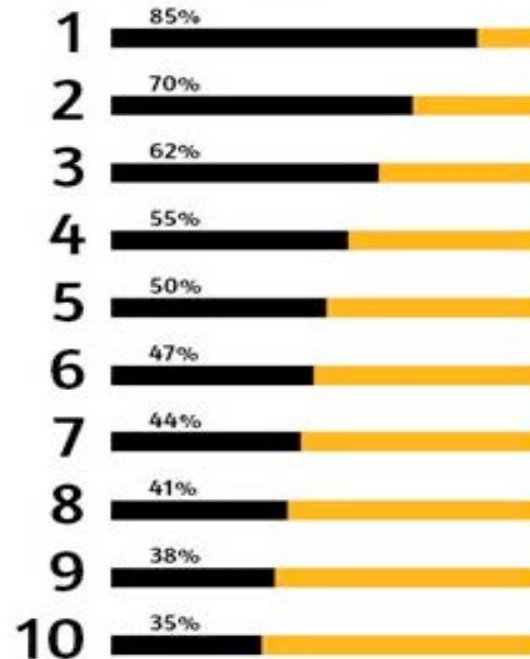


62.9%
of home-based businesses have no employees

Success Rates

Years 1 Through 10

Businesses that make it past the hurdles of the first few years have a much greater chance of long-term success.





LEGAL STRUCTURES

Legal Structures

- ☐ **Sole Proprietorship**
- ☐ **General Partnership**
- ☐ **Limited Partnership**
- ☐ **Corporation**
 - ✧ **S-Corporation**
 - ✧ **C-Corporation**

Sole Proprietorship

Single Owner

Owner can't receive wages

Taxes Liability is on The Individual

Can Register as “Doing Business As”

Must be registered if DBA

☐ Pros

- Inexpensive
- Anyone can do it
- No Registration needed
- but recommended
- Pass through Taxation

☐ Cons

- Inseparable From Owner
- Unlimited Liability
- Business Dissolves Upon death of owner
- Owner responsible for taxes

General Partnership

Two or more sole proprietors

Owner can't receive wages

Taxes Liability is on The Individuals

Must register if a DBA

Agreements strongly Recommended

☐ Pros

- Inexpensive
- Brings more capital to business
- No Registration needed but recommended

☐ Cons

- Inseparable from owner
- Unlimited Liability
- Liable for Partners' acts
- Dissolves upon change or death of partner
- Owners responsible for taxes

Limited Liability Companies

Owner can't receive wages

Taxes Liability is on The Individual

Must be registered

Must separate personal assets from business

- ☐ Single or multiple Owners
- ☐ Will be treated as a Limited Partnership if two or more members
- ☐ Separate Legal Entity
- ☐ Owners called Members
- ☐ Need Articles of Organization
- ☐ Must follow Colorado statutes
- ☐ Cannot combine funds or properties into a common fund

☐ Pros

- Liability Protection
- Unlimited number of owners
- Members are protected
- Can be treated as a corporation

☐ Cons

- Can be costly to form
- Tax treatment is not uniform across state lines
- Usually taxed as a Sole Pr. but can be taxed as a Corp

Corporations

- ☐ Single or multiple Owner
- ☐ Separate legal entity that exists separately from the people who create it
- ☐ Run by a Board of Directors who are elected by the shareholders & hire officers to manage operations
- ☐ Must adopt bylaws
- ☐ Must file articles of incorporation
- ☐ Must set up procedures for annual shareholder meetings

Corporations

- ☐ Owners/officers can be employees. Must be paid reasonable wages subject to payroll taxes.
- ☐ Maintain corporate records
- ☐ Complete separation of personal and business finances
- ☐ Must pay taxes on income as a separate legal entity
- ☐ Shareholder taxes are distributed as part of individual shareholder income
- ☐ Corporate veil can be pierced

S Corporation

- ☐ S Corporation is not a separate form of legal entity it is a special tax status granted by the IRS to corporations to tax the business income like a partnership or a sole proprietorship(pass through tax).
- ☐ Obtain S Corporation status by filing with the IRS form 2553 "election by a small business Corporation"
- ☐ Must file within 75 days of incorporating to the IRS..
- ☐ Profits pass through to individual shareholders and taxed at their individual tax rate
- ☐ Should consider establishing through an attorney or accountant

S Corporation

Pros

- ☐ Has all the general advantages of regular corporations
- ☐ It does not pay corporate income taxes
- ☐ It divides expenses and income among its shareholders
- ☐ Individual shareholders report profits and losses on the personal income tax returns
- ☐ It has Liability Protection
- ☐ Can raise capital through sale of stock

Cons

- ☐ It must be a domestic corporation, restrictions to international trade and sales
- ☐ May only have one class of stock issued and outstanding
- ☐ It has guidelines on the earnings
- ☐ It has guidelines on passive income earning such as royalties and rents dividends and annuities
- ☐ Can be costly to form
- ☐ Liability protection can be lost

Legal Business Entities

#1 Priority: Determine What Legal Structure

- ☐ Who will be the owners?
- ☐ Who has ultimate control?
- ☐ How will the business be managed?
- ☐ How will the business derive its revenue?
- ☐ What tax issues should be anticipated?
- ☐ What assets will the business hold?
- ☐ What type of debt and equity financing is anticipated?
- ☐ What areas of potential liability pose the greatest risk?



Where to Register



#1 Secretary of State

- Business Entity
- Trade Name
- <http://www.sos.state.co.us/>

#2 IRS

All forms of business Sole Prop. W/
no employees must obtain a FEIN
(Federal Employer Identification
Number - tax ID#

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

#3 Department of Revenue

- Sales Tax CR0100
- <http://www.colorado.gov>

#4 Your City Business Office

#5 Separate Bank Account

#6 Business Insurance



Insurance Protection

<http://businessinsure.about.com/>

- ❑ **General Business Liability-** Protection against losses when injury, damage or even death results to another person or your property because of business negligence.

- ❑ **Product Liability Insurance-** Related to the product itself and/or the goods you produce. Protection as a manufacturer, should someone experience personal injury or property damage from the use of your product.

- ❑ **Completed Operation Insurance-** If you are a contractor, you can become insured for events that may occur after you leave the job site. Coverage can include personal injuries or damage to someone's property.

Insurance Protection (con' t)

- ☐ **Property Insurance-** Coverage of the business property, both building and contents.
- ☐ **Business Interruption Insurance-** Compensation of income as a result of property damage from either environmental factors, natural disasters or destruction by others, until you are able to begin work again.
- ☐ **Errors and Omission/Proceessional Liability Insurance-** Protection for employees and owners of the business against lawsuits that may arise as a result of their action, or inaction, for duties performed during the course of business.

Branding

- ❑ Branding is the communication of an organization's values as expressed through you about the values of your products, or services you sell.
- ❑ It is the communication of the characteristics, that clarify what this particular brand can do for your potential customers.

Branding

Values

- ☐ Identify the values that will represent your business
- ☐ Establish your mission that reflects who you are, what you do and what valuable services & products you provide
- ☐ Establish goals that are focused on your clients needs or wants

Marketing

Market Research

- ❑ It is about **KEEPING IN TOUCH** with the market environment.
- ❑ Target the right customer



**Information is a Source of
Competitive Advantage**

Marketing

Find Your Target Market

☐ Competitive Advantage

- Secondary Research

- ✧ [U.S.Census](#)

- ✧ [City of Westminster](#)

- Primary Research



Marketing

Marketing is the essential tool for the success of your business. What you do, how and what you communicate matters to others and will determine who takes interest to your service & products and then tell friends about your product or service.

Marketing

☐ Marketing Research

- Secondary Research
- Primary Research

☐ Target

- Competitive Advantage



Marketing

Marketing

- ☐ What Value-added Service will you provide?
- ☐ What does your competition provide?
- ☐ Ask Customers What They Want
- ☐ Shop the competition
- ☐ Analyze the Competition' s marketing

Organizational Structures

Record keeping

Data collection

Management & Planning

System Analysis



Organizational Structures

Record Keeping/Data Collection

- ☐ Performance - measures profitability, growth, and changes in the business
- ☐ Decision making
- ☐ Reporting purposes

Filing System

- ☐ Organizing your data
- ☐ Online vs hard copy systems
- ☐ Provides proof in case of a non-expected occurrence

Organizational Structures

Financial Statements

- ❑ Balance Sheet - a snapshot of your business at a specific point in time. Shows business assets, liabilities, and owner's equity.
- ❑ Income Statement - a moving picture of your business over a certain period of time. Compares revenues and expenses.
- ❑ Cash Flow Statement - shows the actual movement of money in and out of your business over a certain period of time.

Organizational Structures

Management

☐ Planning and Setting-up the business

- Raising financing for the business
- Planning the financial affairs
- Managing the assets of the business
- Employees

☐ Monitoring and Controlling Operations

- Record Keeping
- Product/Services cost control
- Analyzing Financial Status
- Working with your team

Organizational Structures

System Analysis

- Simple to Use
- Easy to Understand
- Can track needed information(especially for taxes)
- Reliable
- Accurate
- Consistent
- Provides timely information about the business.

Business Taxes

Please consult with a CPA or An accountant for specific details and professional advise.

Business Taxes



□ 2020 State Business Tax Climate Index

- [Tax Foundation](#)

Sales Tax

- **Sales Tax License** - If you sell, rent, or lease tangible personal property in Colorado. A license is also required to rent accommodations for less than 30 days.
- **Colorado Retailer License** - If sell, rent or lease to the “end user”.
- **Colorado Wholesalers License** - If you sell to re-sellers or if you sell non-taxable items.

Colorado Tax Rates

<https://www.colorado.gov/pacific/sites/default/files/DR1002.pdf>



Use Tax

✓ Imposed on the storage, use or consumption, in Colorado, of tangible personal property upon which Colorado sales tax has not been paid.

✓ Basically, if the seller did not collect Colorado sales tax, then the user must pay use tax.



Property Tax

Assessed on any real and/or personal property (land, building, furniture, equipment, etc.) which directly or indirectly produce income within your business.

Internet & Taxes

Essential Tax Information

Internet Sales

- If service providers sell tangible personal property to customers in Colorado then sales tax should be charged on those items
- The sale of goods through the Internet is treated the same as the sale of tangible personal property to traditional selling methods for the state of Colorado

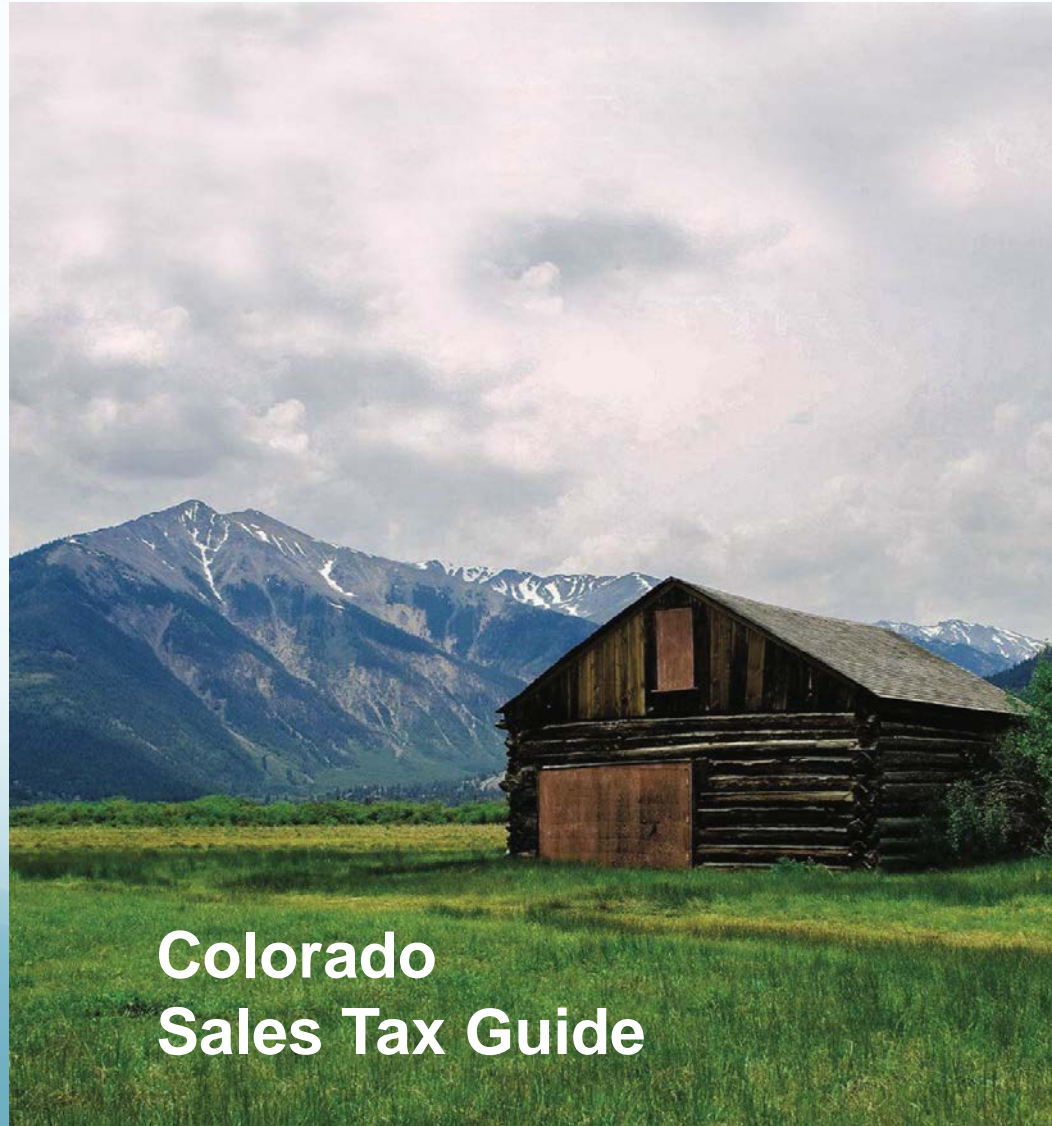
Sellers on the Internet

- A website that sells tangible property personal property collects taxes in the same manner as a mail order business that sends catalogs to customers.

Income Tax

- ❑ Corporations are responsible for filing federal taxes and state tax taxes based on profits They are required to file and pay estimated taxes during the year using estimated tax returns.
- ❑ If you expect to owe the IRS and/or the state of Colorado individual (LLCs) or corporate(S or C corp.) federal and state taxes, you must make estimated federal and state tax payments quarterly.

Business Taxes



Colorado Sales Tax Guide

State Tax Publications

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Business Tax Deductions

IRS Business Taxes

Deducting Business Expenses

<https://www.irs.gov/businesses/small-businesses-self-employed/deducting-business-expenses>

Deducting Business Expenses IRS Publication 535

<https://www.irs.gov/pub/irs-prior/p535--2016.pdf>

IRS Home Office Deductions

<https://www.irs.gov/businesses/small-businesses-self-employed/home-office-deduction>

What You Need To Know When you Run Your Business Out of Your Home

<https://www.irsvideos.gov/Business/SmallBusinessWeek/virtualworkshop/Lesson4>



Business Plans

Pro Forma Business Plan



Elements of a Business Plan (Pro Forma)

- Executive Summary
- Business History
- Mission Statement
- Goals and Objectives
- Industry Analysis
- Competitive Analysis
- Product or Service
- Market Assessment (Customer Analysis)
- Marketing (Price, Place, and Promotion)
- Management
- Financial Data(3-5 year projections)
- Appendices

Business One Year Plan

Start Up Costs

Brand

Goals

Activities

Sales Forecast



Business Action Plan



Action to
Accomplish goals



Why Businesses Fail

- Insufficient Capital
- Poor Business Planning
- Poor Business Performance
- Lack of Management Expertise or Guidance
- Inadequate Cost Controls or Accounting Systems
- Inadequate Identification of Competition

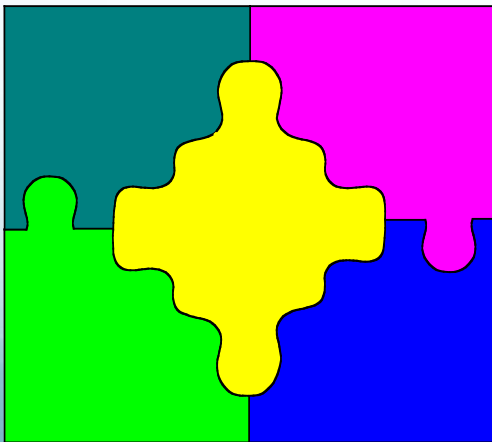


Lower Risks

- Get experience
- Plan ahead
- Enlist support
- Get help...**SBDC**
- Be prepared to work
- Base decisions on facts
- Leverage your strengths

Sources of Assistance

Small Business Development Centers Network



- Supporting Small Business
 - One-on-one Counseling
 - Business Plan Development
 - Seminars
 - Workshops
 - Templates for business
- Business Assistance Centers
- <http://www.coloradosbdc.org/>
- www.sba.gov

Next Steps

Attend a One-on-One Session

Connections to City Resources

- ☐ Additional Resources
- ☐ Business Plan Development
- ☐ Financial Templates
- ☐ Additional Seminars schedules
- ☐ Taxes information & additional tax resources
- ☐ Borrowing \$ support
- ☐ Organizational Strategies
- ☐ Marketing Strategies
- ☐ Marketing Research sites
- ☐ Financial Strategies

North Metro SBDC

Website analysis

Workshops



