

Starting A Business



Presentor

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Small Business Development Center Network



- Individual Counseling (Advice)
- Training and Education
- Resources
- Contacts
- Financial Assistance
- Community Economic Development

What We Will Cover

- Introduction
- Legal Structure
- Registration
- Licenses and Permits
- Financial Statements
- Taxes
- Management System
- Insurance Protection
- Market Research
- The Business Plan
- Questions and Answers



Is your business feasible?

- Which market are you targeting?
- Who are your competitors?
- Do you have the necessary management skills to operate your business?
- Operations
- Marketing
- Finance
- Personnel
- Do you have the necessary funds to start and operate your business?



What is the Best Legal Structure for My Business?

There are several types of legal structures for business organizations:

- single owner(sole proprietor)
- Partners
- Limited Liability Company (LLC)
- S Corporation
- C Corporation



What is the Best Legal Structure for My Business?

Sole Proprietorship (Individual)

Advantages

- It's the least complicated form of business with the simplest legal structure.
- Profits and losses are reported on the owner's personal tax return.
- All decisions and control remain with a single owner.



What is the Best Legal Structure for My Business?

Sole Proprietorship (Individual Owner)

Disadvantages

- The owner is personally liable for all financial debts.
- Business financing is limited.
- Easier to mix personal and business finances.



What is the Best Legal Structure for My Business?



Partnership Advantages

- A partnership is a business with two or more owners.
- Partners contribute their knowledge, experience, resources, & money.
- They pool their time and divide the work.
- Profits, losses, and taxes are shared among the partners.

What is the Best Legal Structure for My Business?

Partner

Disadvantages

- Not a registered business entity
- Partners are personally liable for all financial debts.
- Each partner is 100% responsible for all business liabilities and debts.



What is the Best Legal Structure for My Business?

Limited Liability Company (LLC)

- Appears like a sole proprietorship
- Operates like a corporation(s)
- Independent business
- Must be registered with the Secretary of State.
- Must meet IRS Requirements

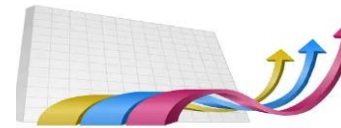


What is the Best Legal Structure for My Business?

Limited Liability Company (LLC)

Advantages

- The company itself has the flexibility of a partnership.
- Requires Articles of Organization
- Personal finances cannot be mixed with business finances
- An LLC combines the concepts of a sole proprietorship and a partnership.



What is the Best Legal Structure for My Business?

Limited Liability Company (LLC)

Disadvantages

- The LLC legal structure is recognized throughout the United States; however, the treatment of liability is not uniform.
- Personal finances cannot be mixed with business finances.
- It can be expensive due to legal fees and other costs for important documents.
- It must comply with IRS requirements.



What is the Best Legal Structure for My Business?

Corporations (S)



- The formalization process can be complicated.
- These types of businesses are established with Articles of Incorporation.
- It is advisable to consult with a lawyer experienced in this area.
- Shareholders are responsible for this type of business.

What is the Best Legal Structure for My Business?



S Corporations

- S corporations need bylaws that guide their business operations.
- They must establish a board of directors.
- They are much more regulated than other business entities.

When you selected the best legal structure for your business

- Discuss these issues with a lawyer
- Discuss with a tax advisor
- Liability issues
- Understand the advantages and disadvantages of the business structure you're choosing
- Prepare all your documents



Register the Business

First step



Secretary of State of Colorado

If you are a sole proprietor with a formal business name, a partner with a formal business name, an LLC, or a corporation, you must register with the Colorado Secretary of State.

The fee for a DBA is \$25. The fee for an LLC and a corporation is \$50.

Register the Business

Step Two



Internal Revenue Service (IRS)

- All businesses, with the sole exception of sole proprietors, need to have a Federal Employer Identification Number (FEIN) from the Internal Revenue Service (IRS).

Register the Business

Third Step:

A Business Bank Account



- It is important to set up your business bank account using your registered business name and your EIN, or your Social Security number if your business name is a DBA (Doing Business As).

Register the Business

Step Four



Department of Taxation

My Biz Colorado State of Colorado

- If you sell products—anything tangible—you must obtain a sales tax license from the State of Colorado.
- You can complete the process through this website and receive your tax identification number the same day. You will receive a copy by mail in two to three weeks.



Register the Business In Your City

Step Five

The City Business Department

- You must register and obtain a business license in your city. You can do this through the city's website by completing the application and providing the required information.



Other Licenses and Permits



- Businesses that will be handling food must also contact Adams County Health Department.
- Obtain Commercial Kitchen Permit
- Obtain City Inspection

Other Licenses and Permits

The Department of Regulatory Agencies (DORA) is the state's primary regulatory agency, responsible for administering professional business licenses and registrations.

- Counseling
- Accountants
- Veterinarians
- Nurses
- Beauty salons
- Hairdressers
- Dentists



Importance of A Management System

- Business planning and operations.
- Record keeping
- Product costs
- Analyzing the financial situation.



Maintenance and Organization

- Business owners must be aware of local, state, and federal regulations.
- Changes in the business.
- Decision-making.
- Information needed to apply for a loan



Maintenance and Organization

- System development
- Saving receipts
- Income taxes
- Expenses



Financial Statements

- It's important to establish budgets for your business.
- It's important to know how to manage cash flow in your business.
- It's important to set up your finances to comply with IRS requirements.
- It's important to stay on top of your finances monthly.



Financial Statements

Balance sheet - a snapshot of your business at a specific point in time. It shows your assets, liabilities, and owner's equity.

Income statement - summarizes a business's revenues, expenses, and net profit or loss over a specific period, providing a clear picture of its financial performance month by month.

Cash flow statement - shows the actual movement of money in and out of your business month by month.



Business Taxes

- 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.



Business Taxes

Federal Taxes Information

[Deducting Business Expenses](#)

[IRS Home Office Deductions](#)

[Estimated Taxes](#)

[What You Need To Know When you Run Your Business Out of Your Home](#)



Insurance Protection

- General Business Liability Insurance
- Product Liability Insurance
- This covers liability related to the pro produced.



Insurance Protection

- Completed Operations Insurance
- A contractor can be insured against events that may occur after you leave the job site.
- Other Types of Insurance
- There are many other types of protection for your business, including those that will be necessary depending on the type of business.



Market Research

- Who are your customers?
- What motivates people to buy?
- What are the benefits for the customer?
- What is the size of your market?
- Who are your competitors?
- What are your strengths and weaknesses?



Information for Market Research

- Chambers of Commerce
- U.S. Department of Commerce/Census Bureau
- Colorado City Websites
- Public Libraries
- Universities and Colleges



The Business Plan

- The Business Plan is a guide that takes into consideration the goals and objectives, mission, and market analysis.
- The Business Plan includes:
 - Marketing plan
 - Management plan
 - Financial plan
 - Operational plan



The Business Plan

The Business Plan is a guide that takes into consideration the Financial Plan:

- Facilities
- Equipment
- Materials
- Fees
- Other costs
- Profit and Loss
- Cash Flow
- Income - Expenses



The Business Plan



Pro Forma Business Plan

Minimize Your Risks.

- Expand your knowledge
- Gain experience
- Plan
- Get support and help
- Be prepared to work
- Leverage your strengths
- Establish a business plan



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



QUESTIONS AND ANSWERS