

Mercedes Business Start-up Guide



in 4 steps



320 S. Ohio St.
956.565.2230
Mercedes, Texas 78570
investinmercedes.com

TABLE OF CONTENTS

STEP 1: LEGAL STRUCTURE AND BUSINESS NAME	2
STEP 2: TAX RESPONSIBILITIES	3
STEP 3: LICENSES AND PERMITS	6
STEP 4: EMPLOYER REQUIREMENTS	7
GLOSSARY	9
APPENDIX:	
USEFUL RESOURCES	11
MOST REQUESTED LICENSES AND PERMITS	15
TAX TIPS	22
LOW-COST MARKETING TIPS	25
START-UP COSTS	27
PROJECTING INCOME	28

STEP 1: LEGAL STRUCTURE AND BUSINESS NAME

The first step in starting a business is to determine the legal structure and properly register the name of the business. Businesses should be registered either at the local level or at the state level depending on the legal structure of the business.

All businesses operating as a sole proprietorship or general partnership should register an assumed name certificate at the county courthouse. Fees will range from approximately \$13.50 – \$25.00.

Hidalgo County Courthouse
100 N. Closner
Edinburg, Texas 78539
956-318-2660
www.hidalgo.tx.us.landata.com

All businesses operating as any form of incorporation (such as corporation, limited liability company, limited partnership, limited liability partnership, etc.) should register the business with the State of Texas. Fees will range from approximately \$300.00 and up.

Secretary of State
Business and Public Filings Division
1019 Brazos Street
James E. Rudder Building
Austin, Texas 78711
512-463-5555
www.sos.state.tx.us/corp

- ◆ The information noted above should not be considered a substitute for the advice and services of an attorney and tax specialist in deciding on the business structure.

STEP 2: TAX RESPONSIBILITIES

State Taxes

You must obtain a sales tax permit if:

- the business is a sole proprietorship, partnership, corporation, or organization engaged in business in Texas and is selling tangible personal property or providing taxable services in Texas to customers in Texas;
- the business will acquire tangible personal property or taxable services from out-of-state suppliers that do not hold a Texas permit;
- the business will sell or resell telecommunications services, such as the electronic transmission of tax returns or other information, the provision of phone service for a charge to tenants or hotel guests, fax services, or paging services, or is a telecommunications utility or a mobile service provider collecting and paying telecommunications receipts under Texas Tax Code;
- the business is a telecommunications utility, a mobile service provider, or a business service user that provides local exchange access, equivalent local exchange access, wireless telecommunications connections, or intrastate long-distance service, and is responsible for collecting emergency communications charges and/or surcharges under Texas Health and Safety Code;
- the business will collect tax on the retail sale of fireworks;
- the business will collect tax on sale of health spa memberships;
- the business will sell, lease, or rent off-road, heavy duty diesel powered equipment;
- the business is an out-of-state winery direct shipping wine to consumers in Texas;
- the business will sell cigarette and/or tobacco products;

Both wholesalers and retailers must apply for a sales tax permit. Internet and catalog sellers engaged in business in Texas must be permitted and are responsible for collecting and remitting the applicable state and local taxes on sales delivered to customers in Texas.

Texas State Comptroller
3231 N. McColl Road
McAllen, Texas 78501
956-687-9227

www.window.state.tx.us/taxinfo/sales/new_business.html

If the business will have employees then, you will need to contact Texas Workforce Commission in order to obtain a state employer's identification number for the purpose of unemployment tax payments.

Texas Workforce Commission
1002 E. Expressway 83
Weslaco, Texas 78596
956-969-8725

www.twc.state.tx.us/customers/bemp/bemp.html

Federal Taxes

If the business will have employees then, you will also need to contact the IRS and Social Security Administration in order to obtain an employment identification number for the purpose of employment and social security tax payments.

Internal Revenue Service
2701 S. 77 Sunshine Stripe
Harlingen, Texas 78550
956-365-5185
1-800-429-4933

www.irs.gov/business

Social Security Administration
3004 N. McColl Road
McAllen, Texas 78501
956-686-3758
1-800-772-1213

www.socialsecurity.gov/bsa

Local Taxes

If the business owns tangible personal property that is used to produce income, the property must be reported on a rendition form to the local county appraisal district, after January 1 and no later than March 31, each year. Business owners must report all inventories, equipment and machinery.

Hidalgo County Appraisal District
4405 S. Professional Drive
Edinburg, Texas 78540
956-381-8466

www.hidalgoad.org

STEP 3: LICENSES AND PERMITS

State Permits and Zoning

All businesses should obtain the necessary licenses, permits, certifications or registrations at the state level.

Office of the Governor
Economic Development and Tourism
1-800-888-0511

www.governor.state.tx.us/divisions/ecodev/sba/files/permits.pdf

or

www.texasonline.com

Local Permits and Zoning

All businesses should obtain the necessary licenses, permits, certifications or registrations at the local level and should verify zoning requirements at the local level. Fees vary by permit and license. In addition, the City of Mercedes will require a facility inspection, fire inspection and permit of occupancy for all businesses at a minimum. Fees are \$15.00, \$15.00 and \$50.00 respectively.

Mercedes City Hall
Planning Department
400 S. Ohio
Mercedes, Texas 78570
956-565-3114

www.thecityofmercedes.com

STEP 4: EMPLOYER REQUIREMENTS

Labor Poster Requirements

If the business will have employees then, you will also need to contact the following agencies in order to obtain the noted informational posters to be displayed at the worksite. There should be no fees for any of the following posters.

Federal

U.S. Department of Labor, Wage and Hour Division
1-866-4-USWAGE

“Fair Labor Standards Act (FLSA) Minimum Wage”
www.dol.gov/esa/regs/compliance/posters/flsa.htm

“Employee Polygraph Protection Act”
www.dol.gov/compliance/laws/comp-eppa.htm#posters

“Family Medical Leave Act”
www.dol.gov/esa/regs/compliance/posters/fmla.htm

“Migrant and Seasonal Agriculture Worker Protection Act”
www.dol.gov/esa/regs/compliance/posters/mspaensp.htm

“Uniformed Services Employment and Reemployment Rights Act”
www.dol.gov/compliance/laws/comp-userra.htm

U.S. Equal Employment Opportunity Commission
1-800-669-3362

“Equal Employment is the Law”
www.dol.gov/esa/regs/compliance/posters/eeo.htm

U.S. Department of Labor, Occupational Safety and Health Administration
1-800-321-OSHA

"Job Safety and Health It's the Law"
www.osha.gov/Publications/poster.html

State

Texas Workforce Commission
512-463-2747

"Texas Payday Law"
And
"Texas Unemployment Compensation Act"
www.twc.state.tx.us/ui/lablaw/posters.html

Texas Department of Insurance
Office of Injured Employee Counsel
1-866-393-6432

"Employer's Notification of the Ombudsman Program to Employees"
www.oiec.state.tx.us/

Texas Department of Insurance
Division of Worker's Comp
1-800-252-7031

"Worker's Compensation"
www.tdi.state.tx.us/wc/indexwc.html

Sole Proprietorship

Business or financial venture that is carried on by a single person and is not a Trust or Corporation. A sole proprietor (sole owner) has unlimited liability. Schedule C of Form 1040 is used to report income and expenses of a sole proprietorship. An Assumed Name Certificate must be filed with the county courthouse.

General Partnership

Organization of two or more persons who pool some or all of their money, abilities, and skill in a business and divide profit or loss in predetermined proportions. Partners are individually responsible for debts. However, in a LIMITED PARTNERSHIP, limited partners generally assume no monetary responsibility beyond the capital originally contributed. Death of a GENERAL PARTNER will normally terminate the partnership.

Incorporating

Now, if you decide to incorporate, there are various legal and organizational formats available for entrepreneurs in Texas. Each organization is referred to with a brief definition.

Limited Partnership

Entity in which one or more persons, with unlimited liability, called GENERAL PARTNERS, manage the partnership, while one or more other persons contribute only CAPITAL. This latter group of partners, called LIMITED PARTNERS, has no right to participate in the management and operations of the business and assume no liability beyond the capital contributed. A limited partnership is often used for real estate ownership because of favorable tax treatment allowing pass-through of losses and avoiding double taxation of income. However, if a limited partnership has more characteristics of a CORPORATION than of a partnership, it will be construed as an association taxable as a corporation.

Registered Limited Liability Partnership

A registered limited liability partnership is general partnership that has been registered with the Secretary of State. A partner's liability in a registered limited liability partnership differs from that of an ordinary partnership. In a registered limited liability partnership, a partner is not individually liable, under some circumstances, for debts.

Corporation

Legal entity, chartered by a state or the federal government, and separate and distinct from the persons who own it, giving rise to a jurist's remark that it has "neither a soul to damn nor a body to kick." Nonetheless, it is regarded by the courts as an artificial person; it may own property, incur debts, sue or be sued. It has four chief distinguishing features: 1) limited liability (owners can lose only what they invest); 2) easy transfer of ownership through the sale of shares of stock; 3) continuity of existence; and 4) centralized management. Other factors helping to explain the popularity of the corporate form of organization are its ability to obtain capital through expanded ownership, and the shareholders' ability to profit from the growth of the business.

S Corporation

A small corporation which elects to be taxed as a partnership for federal income taxation purposes. Prior to 1982 these entities were called sub-chapter S corporations. The number of shareholders is limited; individual shareholders enjoy the benefits under state law of limited corporate federal taxation.

Limited Liability Company (LLC)

Organization form in some states that may be treated as partnership for federal tax purposes and has limited liability protection for the owners at the state level. The entity may be subject to the state franchise tax as CORPORATION. Some states also recognize limited liability partnerships (LLPs), in which the individual partners are protected from the liabilities of the other partners. These entities are considered PARTNERSHIPS for both federal and state tax purposes.

- ◆ Dictionary of Business Terms, 2000, Barron's Educational Services, Inc., Hauppauge, NY.

USEFUL RESOURCES

Technical Assistance

The Small Business Development Center (SBDC) is a department of the University of Texas Pan-American. This center was established to provide the community with free and confidential one on one business counseling and technical assistance. The SBDC can help in developing business plans, market analyses, financial analyses, demographic studies, and information on many other business related topics. In addition, the center also provides seminars on business related topics such as Business Planning, Marketing, Bookkeeping, IRS and other subjects.

For technical assistance and any business related questions contact:

Small Business Development Center Satellite Office
320 S. Ohio
Mercedes, Texas 78570
Phone: 956-565-2230
Fax: 956-565-2221

FINANCING

The Small Business Development Center also provides information on different sources of capital such as SBA guaranteed loan programs, micro loans, grants and conventional loans.

- **SBA**

The Small Business Administration (SBA) has a very informative website that covers topics such as SBA guaranteed loan programs, grants, and IRS. This website is: www.sba.gov
The local SBA office is located at:

222 E. Van Buren Street, Suite 500
Harlingen, Texas 78550
Phone: 956-427-8533
Fax: 956-427-8537

For further information on SBA loan programs and related topics contact:

Small Business Development Center Satellite Office
320 S. Ohio
Mercedes, Texas 78570
Phone: 956-565-2230
Fax: 956-565-2221

- **Micro Lenders**

Micro lenders servicing this area are Accion Texas, Innovative Bank, Business Loan Express, and Rural Development & Finance Corporation.

Accion Texas provides small businesses with loans from \$500-\$50,000 and are able to serve clients with credit issues. Applicants must provide 100% collateral to fully secure the amount borrowed. The interest starts at 9% and a business plan may be required.

Innovative Bank provides small businesses with \$5,000, \$10,000 and \$50,000 loans. Clients do not need to provide any collateral for the loan and no business plan or documentation is required. With this program good credit is essential.

Business Loan Express provides small businesses with loans up to \$50,000. Clients do not need to provide any collateral for the loan and no business plan or documentation is required. With this program good credit is essential.

Rural Development & Finance Corporation provides small businesses that have been in existence for a year or more with loans up to \$35,000. Applicants must provide 125% collateral of the amount borrowed.

For further information on the micro lenders mentioned above contact:

Small Business Development Center Satellite Office
320 S. Ohio
Mercedes, Texas 78570
Phone: 956-565-2230
Fax: 956-565-2221

- **Grants**

Grant funds are available but frequently hard to find. Grants may be provided by local municipalities, economic development corporations, and agencies such as Cameron Works. The grant funding available might be provided in the form of tax credits, employee incentive programs, and/or cash awards. In most cases a proposal and/or business plan will be required along with additional support documentation like income tax returns etc.

For further information on grant programs available in the area contact:

Small Business Development Center Satellite Office
320 S. Ohio
Mercedes, Texas 78570
Phone: 956-565-2230
Fax: 956-565-2221

- **Conventional Loans**

Conventional loan acquired through lending institutions such as banks. In most cases a business plan will be required along with additional support documentation like resumes, income tax returns etc.

For further information on conventional loans available in the area contact:

Small Business Development Center Satellite Office
320 S. Ohio
Mercedes, Texas 78570
Phone: 956-565-2230
Fax: 956-565-2221

LEGAL

Texas Rural Legal Aid provides free legal services for low-income residents of the Texas-Mexico border to start or sustain their small businesses. TRLA offers a full range of legal services for business owners including:

- Information and assistance in setting up and structuring a new business.
- Drafting and/or reviewing formation documents, and contracts such as leases, loan documents, and vendor and supply agreements.
- Assistance in negotiating contracts.
- Legal advice regarding business permits and licenses, and other applicable laws and regulations.
- Referral to entrepreneurial training and technical assistance.

For further information on Texas Rural Legal Aid contact them at 1-888-988-9996.

MOST REQUESTED LICENSES AND PERMITS

AUTO DEALER

Creditor Registrations - Office of Consumer Credit Commissioner 512-936-7600 or 800-538-1579

Dealer Licenses - Texas Department of Transportation 512-416-4800

Environmental Regulations - Environmental Protection Agency 800-296-1996; Texas Commission on Environmental Quality 512-239-1000 or small businesses 800-447-2827

Franchised Service - Only Facility Regulations - Texas Department of Transportation 512-416-4800

General Distinguishing Number (GDN) - Texas Department of Transportation 512-416-4800

Sign Permits - Texas Department of Transportation 800-299-1700

Tax Permits - Comptroller of Public Accounts 512-463-4600 or 800-252-5555

Transportation Regulations - U.S. Department of Transportation 202-366-4000; Texas Department of Transportation 800-299-1700

Vehicle Inspections - Contact local Texas Department of Public Safety office

Vehicle Registrations - Texas Department of Transportation 512-465-7611

AUTO REPAIR - LUBE SERVICE

Auto Club Registrations - Secretary of State 512-475-1769

Environmental Regulations - Environmental Protection Agency 800-296-1996; Texas Commission on Environmental Quality 512-239-1000 or small businesses 800-447-2827

Franchised Service - Only Facility Regulations - Texas Department of Transportation 512-416-4800

Tax Permits - Comptroller of Public Accounts 512-463-4600 or 800-252-5555

Tire Storage Regulations – Texas Commission on Environmental Quality 817-588-5817

Transportation Regulations - U.S. Department of Transportation 202-366-4000; Texas Department of Transportation 800-299-1700

Vehicle Inspections - Contact local Texas Department of Public Safety office

BEAUTY SALON – BARBER

Licenses - State Board of Barber Examiners 501-682-4035; Texas Cosmetology Commission 512-463-2906

Environmental Regulations – Texas Commission on Environmental Quality 512-239-1000 or small businesses 800-447-2827

Tanning Bed License - Texas Department of Health 512-458-7111

Tax Permits - Comptroller of Public Accounts 512-463-4600 or 800-252-5555

BEAUTY SALON– BARBER

Health Regulations - Texas Department of Health 512-458-7111; local health department

Licenses - Texas Department of Protective and Regulatory Services 512-438-4800 or 800-862-5252

Pesticide Licenses - Structural Pest Control Board 916-561-8700

GENERAL CONTRACTING - CONSTRUCTION **HOME BUILDER**

Texas does not issue a license for general contractors; however, you should abide by the Deceptive Trade Practices, Consumer Protection Act of the Business and Commerce Code. Contact the city or county in which

you will conduct business for licensing, permitting or bonding requirements at that level.

Effective October 1, 1998, with the passage of the Underground Facility Damage Prevention Safety Act, if you are planning to dig 16 inches or deeper using mechanical equipment, you are required to call 800-545-6005 (a state wide toll-free number) at least two working days in advance to locate underground pipelines and cables. If needed, a line locate will be performed within 48 hours (excluding weekends and holidays from the time requested).

Air Conditioning and Refrigeration Licenses - Texas Department of Licensing and Regulation 512-463-6599 or 800-803-9202

Architectural Regulations - Texas Department of Licensing and Regulation 512-463-6599 or 800-803-9202

Asbestos Abatement Regulations - Texas Department of Health 512-458-7708

Boiler Certification - Texas Department of Licensing and Regulation 512-463-6599 or 800-803-9202

Coastal Easements - General Land Office 512-463-5001

Construction over Closed Landfill Permit – Texas Commission on Environmental Quality 512-239-1000

Driveway Access Permits - Texas Department of Transportation 800-299-1700; Texas Turnpike Authority 512-936-0980

Electrical Contractor Licenses - Not licensed through the state, contact the city or cities in which business will operate

Elevator/Escalator Regulations - Texas Department of Licensing and Regulation 512-463-6599 or 800-803-9202

Environmental Regulations - Environmental Protection Agency 888-887-6063; Texas Commission on Environmental Quality 512-239-1000 or small businesses 800-447-2827

Fire Sprinkler Systems Registration - Texas Department of Insurance, State Fire Marshall's Office 512-305-7900

Highway Construction Regulations - Texas Department of Transportation 800-299-1700

Historical Structure Permits - Texas Historical Commission 512-463-6100

Industrialized Housing and Buildings Regulations - Texas Department of Licensing and Regulation 512-463-6599 or 800-803-9202

Irrigation Systems License - Texas Commission on Environmental Quality 512-239-1000

LPG/CNG Gas Licenses - Railroad Commission of Texas 512-463-7288

Manufactured Home Regulations - Texas Department of Housing and Community Affairs 512-475-2200 or 800-500-7074

Nursery/Floral Registration - Texas Department of Agriculture 512-463-7476

Oil and Gas Regulations - Railroad Commission of Texas 512-463-7288

Paint (Lead) Regulations - Texas Department of Health 512-458-7111 or 888-963-7111

Petroleum Storage Tank Registration – Texas Commission on Environmental Quality 512-239-1000

Plumbing Licenses - Texas State Board of Plumbing Examiners 512-936-5200

Power Plant Construction Regulations - Federal Energy Regulatory Commission (co-generators) 202-208-1200; Public Utility Commission of Texas (industrial generators) 512-936-7150

Radiation Machines Registrations - Texas Department of Health 512-458-7111

Residential/Service Company License (Fixed Period/Flat, Prepaid Rate Repair or Maintenance) - Texas Real Estate Commission 512-465-3917

Right of Way Easements - Texas General Land Office 512-463-5001

Security Regulations - Texas Board of Private Investigators and Private Security Agencies 512-463-5545

Tax Permits - Comptroller of Public Accounts 512-463-4600 or 800-252-5555

HOME HEALTH

Home Health Agency License - Texas Department of Health 512-458-7111 or 800-963-7111

Home Health Aide License - Texas Department of Health 512-458-7111 or 800-963-7111

Tax Permits - Comptroller of Public Accounts 512-463-4600 or 800-252-5555

IMPORT - EXPORT

Alcohol/Firearm Regulations - U.S. Department of the Treasury Bureau of Alcohol, Tobacco and Firearms Compliance Office: Dallas 214-767-9461; Houston 281-931-0292; San Antonio 210-805-2777; National Licensing 404-679-5040; Texas Alcoholic Beverage Commission 512-206-3360

Animal Hide Regulations - U.S. Fish and Wildlife Department 505-248-6911; Texas Parks and Wildlife Department 512-389-4822 or 800-792-1112

Aquatic/Fish Products Regulations - U.S. Food and Drug Administration 214-655-8100 or 800-532-4440; U.S. Department of Agriculture 214-767-9116; U.S. Fish and Wildlife Department 505-248-6911; Texas Parks and Wildlife Department 512-389-4822 or 800-792-1112; Texas Department of Agriculture 512-463-7476 or 800-835-5832

Bees/Beekeeping Equipment Regulations - Texas Agricultural Experiment Station 409-845-9714

Coin-operated Machine Licenses - Comptroller of Public Accounts 512-463-4600 or 800-252-1385

Edible Products, Medicines/Drugs or Medical Equipment Regulations - U.S. Food and Drug Administration 214-655-8100 or 800-532-4440; Texas Department of Health 512-458-7111

Export Regulations - U.S. Department of Commerce Bureau of Export Administration 714-660-0144

Fireworks License - Texas Department of Insurance, State Fire Marshall's Office 512-305-7900

Hazardous Consumer Products/Bedding Regulations - Texas Department of Health 512-458-7111

Import Regulations - U.S. Customs Service: Austin 512-916-5332; Corpus Christi 512-888-3352; Dallas 800-442-6597 or 972-574-2170; El Paso 915-540-3407; Houston 281-985-6700; San Antonio 210-821-6965

Livestock Export Facilities Regulations - Texas Department of Agriculture 512-463-7476

Livestock Export Procedures - Texas Department of Agriculture 512-463-7476

Motor Vehicle Registration - Texas Department of Transportation 800-299-1700

Phytosanitary (Plant) Certificate - Texas Department of Agriculture 512-463-7476

Plumbing Fixture Certification – Texas Commission on Environmental Quality 512-239-1000

Security Regulations - Texas Board of Private Investigators and Private Security Agencies 512-463-5545

Tax Permits - Comptroller of Public Accounts 512-463-4600 or 800-252-5555

Transportation Regulations - U.S. Department of Transportation 202-366-4000; Texas Department of Transportation 800-299-1700

Vegetable/Sweet Potatoes Certificates - Texas Department of Agriculture 512-463-7476

Vehicle Registrations - Texas Department of Transportation 800-299-1700

LANDSCAPING - LAWN CARE

Environmental Regulations – Texas Commission on Environmental Quality 512-239-1000 or small businesses 800-447-2827

Irrigation Licenses – Texas Commission on Environmental Quality 512-239-1000

Landscape Architecture Licenses - Texas Board of Architectural Examiners 512-305-9000

Nursery/Floral Registration - Texas Department of Agriculture 512-463-7476

Pesticide/Herbicide Applicator Licenses - Texas Department of Agriculture 512-463-7476; Structural Pest Control Board 512-451-7200

Tax Permits - Comptroller of Public Accounts 512-463-4600 or 800-252-5555

RESTAURANT - BAR - FOOD SERVICE

Alcohol Licenses - Texas Alcoholic Beverage Commission 512-206-3360

Copyrighted Music Licenses - ASCAP 800-505-4052 Credit Card Payment Procedures - your financial institution; Food Establishment Permit - Texas Department of Health 512-719-0246

Health Regulations - Local health department; Lottery Permits - Texas Lottery Commission 512-344-5389 or 800-375-6886; Sign Permits - Texas Department of Transportation 512-416-2866; Tax Permits - Comptroller of Public Accounts 512-463-4600 or 800-252-5555

SHIPPING – FREIGHT FORWARDING

Commercial Drivers Licenses - Texas Department of Public Safety 512-424-2222

Environmental Regulations - Texas Natural Resource Conservation Commission 512-239-1000 or small businesses 800-447-2827

Export Regulations - U.S. Department of Commerce 714-660-0144 or 202-482-4811

Import Regulations - U.S. Customs Service: Austin 512-916-5332; Dallas 800-442-6597 or 972-574-2170; Houston 281-985-6700; San Antonio 210-821-6965

Transportation Regulations - U.S. Department of Transportation 817-978-3225, 713-718-3678, 806-472-7664 or 210-805-2777; Texas Department of Transportation 800-299-1700; Texas Department of Agriculture 512-463-5025 and 512-463-0709; Texas Department of Public Safety 512-424-2000

TAX TIPS

Selecting a Tax Advisor

When starting a business, you will need to decide who will handle your bookkeeping, income tax and payroll. If you elect to hire someone to handle your income taxes you will need to decide whether an enrolled agent, tax attorney, certified public accountant or bookkeeper is best for you. Prior to making decision consider services offered, pricing, and experience.

Fiscal v. Calendar Year

In organizing your business financial statements, you will need to decide on Fiscal Year v. Calendar Year. A tax year is an annual accounting period for keeping records and reporting income and expenses. However, Calendar Year goes from January 1st through December 31st. "Generally, whether you choose a calendar year or a fiscal year, you must use it on your first tax return, and for all subsequent tax returns unless you get your IRS approval to change your tax year. You can request a change in your tax year by filing Form 1128, 'Application to Adopt, Change, or Retain a Tax Year'."

Straight Line Depreciation v. MACRS

Depreciation is an accounting term that is defined as the following: "The allocation of the cost of an asset for your business depends on a variety of aspects which include the period of time for accounting and tax purposes; a decline in the value of a property due to general wear and tear or obsolescence; opposite of appreciation."

MACRS, Modified Accelerated Cost Recovery System, on the other hand is a form of accelerated depreciation that was a 1986 modification of the Accelerated Cost Recovery System created by the Economic Recovery Tax Act of 1981. If, as an owner of a business, it has been determined that you have assets that are eligible to utilize MACRS, you will need to decide whether Straight Line Depreciation or MACRS is appropriate for your business. Consequently, MACRS and Straight Line Depreciation are tools to lower your business' net income; however, it is critical to determine whether or not MACRS is necessary depending on the business' gross sales. In either case, whether you outsource the production of financial statements or not, it is very important that you are aware what form of depreciation your business will apply.

How To Manage Paying Taxes

One of the main issues for entrepreneurs is creating an account for taxes. Consequently, cash flow can be a major issue for businesses and the tendency for businesses is to utilize their tax account to pay for other expenses. By making sure, the business has enough working capital to begin with; this will prevent any cash flow issues and ensure that the tax account is not used.

Cash v. Accrual

There are two forms of accounting used by entrepreneurs - cash and accrual. The essential distinction between the two techniques is the timing of income and expense recording. The appropriate practice for a type of business is its legal structure, and whether or not you extend credit. Therefore, you must decide between cash and accrual accounting and report to the IRS on your tax return which method you use.

Car Expenses

In order to deduct car use, you need to decide whether or not the use is for business or private. If the answer is private use, then you can not deduct the use of the car. According to the IRS, Personal use includes "commuting-driving from your home to your regular place of work". On the other hand a deduction is allowed if you have more than one business or job assignment. According to the IRS, "Deductible car expenses can include the cost of 1) traveling from one workplace to another, 2) making business trips to visit customers or attending business meetings away from your regular workplace, 3) going to temporary workplaces.

Standard Mileage Rate

Rather than document car expenses, you can use the standard mileage rate. Accordingly, the business mile rate for 2007 is 48.5 cents per mile for all business miles (this rate may change each year).

Finally, there are many more important decisions that will need to be made including business tax requirements, employment taxes, Federal EIN, Form 1099, Form 941, Employers Quarterly Federal Tax Return and Form 940 Employer's Annual Federal Unemployment (FUTA) Tax Return. An excellent resource for more information is the IRS. You can contact the IRS at www.irs.gov, or reach them 800-829-1040.

LOW-COST MARKETING TIPS

Through good times and bad times your marketing plan should always remain on path. But getting the word out about your products and/or services should not have to cost an arm and a leg. Here are 5 low-cost marketing strategies that any business can easily implement.

Write something

Get involved with your local newspapers or chambers of commerce and offer to write an article on a subject related to your business. For example if you own a restaurant offer to write different articles on recipes (without giving away your secret recipe) or an article on the origins of a certain dish or sauce. This will not only educate the public, but it will also allow you to present yourself as an expert in your field.

Get involved in the community

One way to get involved is to sponsor a local little league team or school. You don't have to pay for a new gymnasium, but maybe give discounts to the "A" honor role students or sponsor a pizza party for the their booster club or simply donate your time. This will show the community that you are willing to give back and invest in their future.

Give to charity

Not only will you be creating goodwill, but it may be tax deductible. Remember, you don't have to donate money; you can also donate your time. Volunteer with local food banks, toys for tots, blood drives, heart or cancer walk/runs, diabetes associations, MDA, etc. All of these organizations need money and manpower so do your part and not only will you feel all warm & fuzzy, but the dividends will be well worth your time.

Speak

Get acquainted with local organizations like the rotary club or lions club and offer to speak on any given subject related to your type of business. These organizations are always looking for people to speak on different subjects. For example if you own an antiques shop, you might want to speak on the history of shaker style furniture or how to tell the difference between authentic antiques and later reproductions. This will allow your area of expertise to shine and will also create interest.

Give seminars

Consider developing free seminars on different subjects related to your particular field. For example, if you owned an arts and crafts store develop a free how-to seminar on embroidery, scrap booking, needlepoint, watercolor, etc. Home Depot does this all the time with free Saturday morning seminars on tile setting, building a deck etc. This allows you to educate your customers on your products and/or services which will later turn into possible sales.

Implementing these strategies will not only save you money, but it will also enable you to put your face out in the community, allowing the public access to the person behind the business.

START-UP COSTS

Business Start-Up Costs Worksheet

<u>One Time Costs</u> <i>(costs incurred only to open store)</i>	\$	<u>Operating Costs</u> <i>(3 months of working capital)</i>	monthly amount
Advertising	_____	Advertising	_____ x 3 = \$
Building	_____	Auto Expense	_____ x 3 =
Construction	_____	Bank Fees	_____ x 3 =
Equipment	_____	Credit Card Fees	_____ x 3 =
Fixtures	_____	Depreciation	_____ x 3 =
Furniture	_____	Insurance	_____ x 3 =
Inventory	_____	Interest	_____ x 3 =
Land	_____	Maintenance	_____ x 3 =
Licenses & Permits	_____	Payroll	_____ x 3 =
Renovations	_____	Payroll Taxes	_____ x 3 =
Rent Deposit	_____	Professional Fees	_____ x 3 =
Utility Deposits	_____	Rent	_____ x 3 =
Filing Fees	_____	Supplies	_____ x 3 =
Franchise Fees	_____	Telephone	_____ x 3 =
Signs	_____	Utilities	_____ x 3 =
Total One Time Costs \$	_____	Total Operating Costs (3 months) \$	_____
		Total Operating Costs (3 months)	_____
		+	
		Total One Time Costs	_____
		=	
		Total Start-Up Costs	_____

PROJECTING INCOME

Business Name
 Projected Income Statement
 Year1

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
REVENUES:													
Sales	13,500	15,750	12,320	16,420	15,640	14,250	13,550	13,250	14,650	15,880	17,980	16,540	179,740
Other Revenue	250	325	510	620	420	350	450	160	280	480	250	650	4,755
Total Revenue	13,750	16,075	12,830	17,040	16,060	14,600	14,000	13,410	14,930	16,360	18,230	17,190	184,495
Cost of Goods Sold	4,725	5,510	4,310	5,740	5,470	4,980	4,740	4,630	5,120	5,560	6,230	5,780	62,855
Gross Profit	9,025	10,565	8,520	11,300	10,590	9,620	9,260	8,780	9,810	10,820	11,940	11,410	121,640
OPERATING EXPENSES:													
Advertising	405	473	370	493	469	428	407	398	440	477	539	486	5,392
Auto Expense	135	158	123	164	156	143	136	133	147	159	180	165	1,797
Bank Fees	30	30	30	30	30	30	30	30	30	30	30	30	360
Credit Card Fees	68	79	62	82	78	71	68	66	73	79	90	83	899
Insurance	150	150	150	150	150	150	150	150	150	150	150	150	1,800
Maintenance	54	63	49	66	63	57	54	53	59	64	72	66	719
Payroll	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	22,740
Payroll Taxes	227	227	227	227	227	227	227	227	227	227	227	227	2,729
Professional Fees	50	50	50	50	50	50	50	50	50	50	50	50	600
Rent	600	600	600	600	600	600	600	600	600	600	600	600	7,200
Supplies	41	47	37	49	47	43	41	40	44	48	54	50	539
Telephone	35	35	35	35	35	35	35	35	35	35	35	35	420
Utilities	101	118	92	123	117	107	102	99	110	119	135	124	1,348
Total Operating Expenses	3,791	3,925	3,720	3,964	3,918	3,835	3,794	3,776	3,859	3,933	4,057	3,972	46,543
NET INCOME (before taxes, interest and depreciation)	5,234	6,640	4,800	7,336	6,672	5,785	5,466	5,004	5,951	6,887	7,883	7,438	75,097