



Start Smart Workbook

Resources to Guide the Entrepreneur



Mason Enterprise

*Presented by the Shenandoah Valley Small Business Development Center
Office at 220 University Blvd, Harrisonburg, VA 540.568.3227 www.ValleySBDC.org*

*The Virginia SBDC Network is funded in part through a cooperative agreement with the U.S. Small Business Administration, George Mason University - Mason Enterprise, local host institutions and GO VIRGINIA, a state-funded initiative administered by the Virginia Department of Housing and Community Development (DHCD).
The Virginia SBDC is nationally accredited by America's SBDC*

Welcome to Start Smart!

The greatest value in business planning is the *process of researching and decision-making* for your business.

This process takes time now, but avoids costly, perhaps disastrous, mistakes later. By working through the process, you will end up not only with a finished plan that can convince others to believe in your concept and competence to run the business, but you will also be well on your way to being truly prepared to start or grow your business. You'll be prepared to succeed.

Business Advisors from the Shenandoah Valley SBDC are available to assist you at any point from first concept to first draft to final plan to opening day and beyond. We have experience helping our clients address difficult questions, make good decisions, build marketing strategies, develop cash flow projections, and turn dreams into reality.

If you would like assistance, just ask. Call the SV SBDC office at 540.568.3227 or email sbdc@jmu.edu

This guide is designed to provide useful information about your startup and is provided to you with the understanding that neither the author nor editor is engaged in rendering paid legal, financial, or professional advice. If such expert assistance is required, the services of a specialist should be sought. This publication is for the personal use and benefit of an individual or business and is not intended for commercial sale.

Let's get started!

Table of Contents

Are you Ready for Business Ownership?	1
Do you Have a Viable Business Concept?.....	4
Growth Wheel™	6
Choose Your Location	7
Choose Your Legal Entity	8
Common Mistakes Made by Start-Up Businesses	11
Your Business Plan	13
Your Financial Projections.....	14
Start-Up and Cash Flow Projection Worksheets.....	16
Funding Options.....	16
How to Choose a Banker	16
How to Secure a Small Business Loan	17
A Checklist for Start-Ups.....	18
About the SV SBDC	22
Thank Our Supporters.....	23
NOTES	24

Are you Ready for Business Ownership?

Personal Reasons

- Why do you want to start your own business? Here are some popular responses:
- Escaping the 9-5 daily work routine.
- Being your own boss.
- Improving your standard of living.
- Providing a product or service you feel there is a demand for.
- Be aware that there are tradeoffs. For example, you may escape the 9-5 daily routine, only to replace it with a 5am-9pm routine.

Personal Characteristics

- Going into business requires certain personal characteristics. Ask someone who knows you well to answer these questions.
- Are you a leader?
- Do you like to make your own decisions, or do you turn to others?
- Do you have self-discipline?
- Do you get along well with different types of people?
- Do you adapt and handle disappointment well?

Personal Conditions

- You will encounter physical, emotional, and financial strains when starting a new business.
- Are you aware that running your own business may require working 12-16 hours a day, 6-7 days a week?
- Are you prepared to lower your standard of living until your business is established?

- Is your personal credit in good shape? If not, have you taken steps to fix the problems?
- Do you have equity to invest (20-30% of start-up costs) to secure your business loan?
- Are you prepared to lose your investments?

Business Skills and Experience

- It is unlikely that you alone possess all the required skills and experience needed to operate a successful business. You may need to hire others for the skills you lack.
- Have you considered how you will manage the following tasks for your business: Recordkeeping and Bookkeeping; Marketing and Advertising; Sales and Customer Service; Hiring and Training; Payroll and Taxes; Inventory and Supplies?
- Can you assemble an effective management team to advise you?
- Have you ever worked in a managerial or supervisory capacity?
- Have you ever worked in a business like the one you want to start?

If your personal/financial conditions are insufficient or you need some business education, are you willing to delay your plans to increase your chances of success?

*In partnership with Atlantic Union Bank, SBDC clients are invited to take advantage of interactive, easy, and free resources from **Banzai!** This comprehensive online platform teaches financial literacy at every phase of life and can be utilized at your own pace. Find Banzai! at <https://ValleySBDC.banzai.org/wellness>.*

Learn More about your Business Model

For new ventures, you need to know what is involved in owning and operating a successful business. Your goal in early research is to learn before your money is at risk. Try these tested techniques to learn about business responsibilities before you take the leap to ownership.

- Find similar businesses that you will not be in direct competition with. Visit the business and contact the owner/manager. Many entrepreneurs are glad to help you learn.
- Get a part-time job in a similar business and talk to people who work there; observe how things are done. If you are already employed, ask the owner/manager if they will mentor you.
- Volunteer your time to an owner of a similar business. Be honest about what you want to learn and why.
- Use industry databases to gather information, benchmarks, trends, and key players. Local and university libraries often have access to databases or consult you SBDC Business Advisor.
- Join trade associations and subscribe to industry trade magazines. Read previous issues; many will provide pricing, marketing, and operational guidelines specific to your needs.
- Attend tradeshow for your industry.
- Conduct surveys of potential customers (not your family/friends) to learn about problems to be solved and how you can meet their needs.
- Test your products or services to improve before you launch.

Do you Have a Viable Business Concept?

1. What **problem** are you solving for customers? **Why** is this product/service needed?
2. **Who** has this problem? Remember, “Everybody” is not a customer. Who shares the problem and how are they dealing with it now?
3. Do you now have a **clearer idea** about what product(s) or service(s) you wish to sell?
4. Have you considered **competitors**? If there is little to no competition, why not?
5. What makes your solution **unique**? How will you differentiate your business?
6. What **income** do you require for this business to be viable for you? Your personal goals and income requirements must be met.
7. What will your **total startup costs** be? How much working capital/reserve cash will you need to survive until you reach and pass the break-even point? Do you have cash to invest? See Start-Up Costs* in the Cash Flow Worksheet.

8. How many units/items/ products/contracts will you have to sell to **achieve the net profit** after taxes that you require? See Cash Flow* Assumptions.
9. Have you prepared **Financial Projections*** that show financial viability for the business?
10. Have you prepared a written **Business Plan*** with a section for a marketing plan appropriate for your needs?

** The SV SBDC provides templates for projections and business plans on our Website at <https://www.valleysbdc.org/small-business-resources/>. We can also recommend other resources for specific types of businesses such as restaurants. Tools are also available online from SBA.gov.*



Growth Wheel™

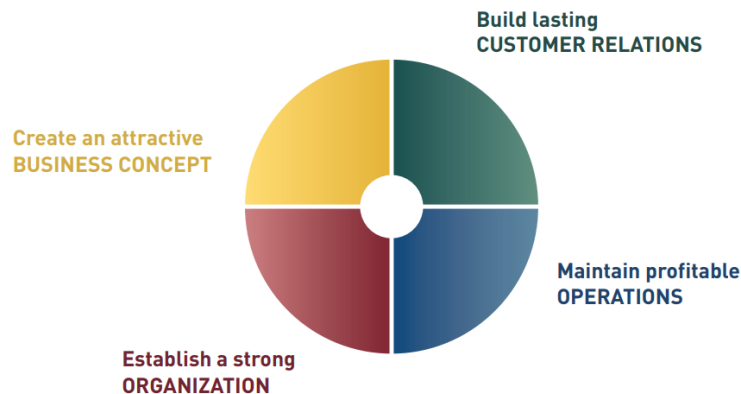
Get Focused. Make Decisions. Take Action.

Let us introduce you to one of our favorite tools – one that our clients seem to really appreciate. Growth Wheel™ is a visual and interactive tool used by startup and growth companies. It helps owners Get Focused, Set Agendas, Make Decisions, and Take Action.

The quadrants of the growth wheel represent the 4 Challenges of starting and growing a business. Everyone faces these challenges, no matter the business, industry, or size. Each challenge is divided into 20 Focus Areas, providing a full perspective for your business to help you avoid blind spots and make smarter decisions.

Four Challenges

The biggest challenges in the company right now



Successful businesses establish a strong Business Concept, use Organization to deliver the concept, create lasting Customer Relations, and maintain profitable Operations.

Growth Wheel™ provides more than 100 worksheets, articles, print, and online tools to help you in every focus area of your business. Your SV SBDC Business Advisor will help you find the items most helpful for your journey. A few of our favorites include Idea Description, Mission, Product Development, Target Markets, and Customer Profile.

Choose Your Location

Base this on objective factors, not emotions!

- ★ If you do not have **funding** in place, do not commit to a lease. A lease is a legally binding contract, so have it reviewed and potentially negotiated by an attorney.
- ★ Is the location and building **zoned** for your type of business? Are special permits needed?

Potential Costs

- How much will the location **cost** on a monthly/annual basis? Compared to other locations? What is the proposed **length of the lease** and stipulations for renewal?
- How much **space** do you need now and potentially in the future?
- What **renovations** will be needed to meet your customer/business needs/code requirements
- What **insurance** will be needed?

Visibility

- Which is more important to your business: to be in a **visible location** (Customers are impulse buyers) or a **destination location** (They are willing to drive to you)?
- What are the **traffic patterns** for foot or vehicle traffic? Origin and destinations of traffic? Stoplights, turn lanes, speed limits, etc.?
- Is there adequate parking or parking regulations?
- Is a place for good signage available? What are the **sign regulations** for the site?

Area Demographics

- What are the population (**customer**) **demographics** in the area?
- Is there an adequate **labor pool** to draw from to get employees?

Competition

- Is the site vulnerable to unfriendly competition?
- What is the local **business climate** in the area?

Home-Based Businesses

- See IRS Publication 535 for Information on Home-Based Businesses

Choose Your Legal Entity

One of the early decisions that you will want to make as a business owner is how the company should be structured—what legal entity you should use.

Take some time to educate yourself about the various entity choices and turn to experts to help you understand the issues—some of which you may not have even known existed. Attorneys and tax accountants have insights and can provide specific legal and financial information about your personal situation that could affect your decision. That decision involves a balance of legal/liability issues and tax implications.

In making your choice, you will want to consider the following:

- Your vision regarding the size and nature of your business.
- The level of control you wish to have.
- The level of “structure” you are willing to deal with.
- The business’s vulnerability to lawsuits.
- The tax implications of the different ownership structures.
- Expected profit or loss of the business.
- Whether or not you will need/want to re-invest earnings into the business.
- Your need to take cash withdrawals of the business for yourself.

See Resource Sheet from our Website for details and comparisons of each type.

Sole Proprietorships

Many small businesses start out as sole proprietorships. These firms are owned by one person, usually the individual who has day-to-day responsibility for running the business. Sole proprietors own all the assets of the business and the profits generated by it. They also assume complete responsibility for any of its liabilities or debts. In the eyes of the law and the public, the owner is one and the same with the business.

Partnerships

In a partnership, two or more people share ownership of a single business. Like proprietorships, the law does not distinguish between the business and its owners. The partners will need a legal agreement that sets forth specific rights and obligations of the owners and how business decisions and transitions will be made.

It's hard to think about a "break-up" when the business is just getting started, but many partnerships split up at crisis times. Partners need a defined process for managing and dividing a business. It is important that you consult with an attorney when creating any partnership.

Corporations

A corporation, chartered by the state in which it is headquartered, is considered by law to be a unique entity that is separate and apart from those who own it. A corporation can be taxed, sued, and enter into contractual agreements. The owners of a corporation are its shareholders. The shareholders elect a board of directors to oversee major policies and decisions and appoint the management of the company. The corporation has a life of its own and does not dissolve when ownership changes.

Subchapter S Corporations

The S-Corp offers variations over the full C-Corp status:

The company does not pay income taxes on its profits. Instead, the income or losses are passed through to the shareholders (owners) and reported on their individual tax returns (like a partnership). Note that as a shareholder, you may be required to pay tax on that income even if you have not received any of the profits in the form of dividends or distributions.

As in a full corporation, **an owner/shareholder can be employed by the company**; if so, the wages paid must meet standards of "reasonable compensation." This can vary by geographical region as well as occupation, but the basic rule is to pay yourself what you would have to pay someone to do your job.

Limited Liability Companies (LLC)

The LLC is a hybrid business structure that is permissible in most states. It is designed to combine features of a corporation and a partnership. LLC owners are called "members" and the duration of the LLC is usually determined when the organization papers are filed with the SCC. The LLC is considered a separate legal entity; as such the owners have management control without risking personal liability.

If a corporation, limited partnership, or LLC fails to register and/or conduct its affairs according to the regulations for that entity, its status can be terminated, and it will be considered a General Partnership or Sole Proprietorship for taxation and liability issues.

Benefit Corporations

A benefit corporation has an incorporated structure similar to an LLC or a C Corp, but its bylaws allow management and the board to consider the concerns of other stakeholders such as the community, environment, or workers instead of focusing solely on the financial concerns of shareholders. State tests of “benefit” are often quite vague, ranging from “public benefit” to something more specific, like improving an education standard. Note: A Benefit Corporation is not the same as a “B Corp,” which is a voluntary certification provided by B Lab, a nonprofit group.

Nonprofits

A nonprofit is a tax-exempt organization that serves the public interest. In general, the purpose of this type of organization must be charitable, educational, scientific, religious, or literary. Legally, a nonprofit organization is one that does not declare a profit and instead utilizes all revenue available, after normal operating expenses, in service to the public interest. These organizations can be unincorporated or incorporated. An unincorporated nonprofit cannot be given federal tax-exempt status or the designation of being a 501(c)(3) organization as defined by the Internal Revenue Service. When a nonprofit organization is incorporated, it shares many traits with for-profit corporations, but it does not have shareholders.

In summary, deciding the form of ownership that best suits your business venture should be given careful consideration. Use your key advisors to assist you in the process. If you use the Internet as a resource, be sure you are researching Virginia regulations, as some rules differ in different states. The Virginia State Corporation Commission has information on selecting business entity types on their Website www.scc.virginia.gov/pages/businesses.

Common Mistakes Made by Start-Up Businesses

Small business failure is usually tied to several identifiable mistakes which pre-planning and careful decision-making can prevent. Your SV SBDC Business Advisor can help you recognize and avoid these mistakes before they negatively affect your business.

Insufficient Capital

When starting off it's easy to determine what money is required for fixtures, fittings, machinery, and stock. What many new owners forget is that working capital will be needed to fund day-to-day requirements after you open the doors but before your customers pay. Many new ventures go out of business simply because they have insufficient cash reserves to meet immediate expenses. Creating Cash Flow Projections prior to your start will help you determine cash requirements and be prepared.

Lack of Market Research

Too often, new owners assume that because they – or family and friends – love the business idea, everyone else will. Careful market research is needed to validate your ideas and demonstrate that a) there is demand at a level which will lead to a sustainable business and b) people are prepared to pay the price required for you to make a decent profit.

Poor Record Keeping

Most business owners are much better at “doing” rather than “running” a business. Paperwork is easy to ignore, but it cannot be put off indefinitely. Sales must be recorded, customer activity tracked, expenses documented, invoices issued, and payments made on time. Your records reveal whether you are making a profit, where you can improve, and where you can cut waste. Having your paperwork in order will also save you money at tax time.

Ineffective Marketing or None at All

You cannot afford to treat the cost of marketing as a luxury expense. A business with no marketing is like waving in the dark – you know you are doing it but no one else does. There are many ways to promote your business on a small budget, but it requires creativity and planning.

Growing Too Quickly

Surprisingly, rapid growth can be a real challenge. Operations and processes may not be able to keep up, and cash is often required, but unavailable, to add inventory or staff. If you accept too many orders, you could end up disappointing not only the new customers, but also your existing ones. Growth, like a new start, requires planning and preparation.

Trying to Do Everything / Not Hiring the Right Help

Most new owners must fill many roles in the beginning. As the business grows, be prepared to delegate or outsource tasks. You cannot grow a business while doing everything yourself. Adding staff increases costs but should also increase efficiencies. Teach others to help you meet your goals and seek help from those who know more than you.

Wrong Form of Legal Structure

There is no single “best” form but there is a best current option for your business. Consult your accountant and attorney for assistance in this decision.

Wrong Location

Common location mistakes include a) locating where it is good for you, but not for your customers, suppliers, or employees; b) locating where it attracts a customer base different from your target; c) misjudging how fast your business will – or will not – expand and selecting (and paying for) the wrong size facility; d) locating where the lease is good for the landlord but not for you.

Not Knowing How to Price your Goods or Services

Copying or undercutting competitors is not how you set your prices. Factors to consider in setting prices: your prime costs (cost of good + costs of direct labor), other fixed and variable costs of operating the business, your position in the marketplace, and your overall marketing and sales strategies.

No Business Plan

A plan is nothing more than your decisions for a successful business documented for your own and others’ review. It may change over time, but also provides a “roadmap” toward your ultimate goals. A well-thought-out plan explains your products, target markets, workflow, labor needs, and marketing strategies. It also helps you project your sales, expenses, and cash flow.

Your Business Plan

The Business Advisors at the SV SBDC are experienced in guiding clients through the process of preparing a business plan and the accompanying financial documents required for good management or submission for a loan. We can assist you from start to finish and help document your decisions and action plan. Outlines for Business Plans and Cash Flow Projections are available on our Website at www.ValleySBDC.org/

Here is an outline for a typical plan. Your business may not need every section.

EXECUTIVE SUMMARY

BUSINESS DESCRIPTION

- A. Product(s) [Goods and/or Services]
- B. Strengths and Challenges
- C. Mission Statement / Strategic Goals

MARKETING

- A. Industry Description and Outlook
- B. Analysis of Competition
- C. Product/Service Differentiation
- D. Marketing Strategy
 - 1. Description of Target Market
 - 2. Marketing Mix [for each Target Market]
 - a. Products – specifications and benefits
 - b. Placement – distribution methods
 - c. Pricing – strategies and formulas
 - d. Promotions – channels and key messages
 - 3. Sales Plan

OPERATIONS

- A. Hours / Location / Physical Facility
- B. Labor
- C. Workflow / Processes
- D. Suppliers

MANAGEMENT & ORGANIZATION

- A. Owners/Managers in Key Positions
- B. Outside Advisors and Other Available Resources

LEGAL, RISK MANAGEMENT & CONTINGENCIES

FINANCIAL ANALYSIS

- A. Startup Costs
- B. Sources and Use of Funds
- C. Cash Flow Projections and Assumptions
- D. Income Statement Projection
- E. Balance Sheet Projection

APPENDICES/SUPPORTING DOCUMENTS

Your Financial Projections

Just as your written plan tells the story of your business and the decisions you've made, the financial projections contribute to the story. **Financial Projections** are nothing more than **estimates** based on **valid assumptions** that you make about the future. Your Business Advisors will help you make decisions about those assumptions and assure that your plans are evident in both words and numbers.

Expense Estimates

1. Will your costs fluctuate if suppliers change? How will they change as sales volume changes? Can you buy in bulk to get lower prices?
2. Are there any tax changes or new regulations that might affect expenses?
3. Any changes in your rent or interest rates?
4. Will you need to add staff or increase wages over time?
5. Are there seasonal expenses to build in?
6. Will you be adding new equipment or doing any site improvements in the coming year?
7. Do some expenses occur monthly while others occur quarterly or annually?

Typical Small Business Expenses

Fixed costs are expenses that are not dependent on the level of your sales. They remain the same cost regardless of monthly sales.

Variable costs are directly related to sales volume. When you have high sales, these expenses will be high as well

Some expenses have **both fixed and variable characteristics**.

Create a list of what your expenses will be on a monthly and annual basis. For variable costs, try to determine what those costs are per unit sold. Remember, in the early planning stages, these numbers are based on many assumptions you will be making about your business. Many of the details are not yet final, so document the assumptions you are making about the location, utilities, labor costs, etc. Utilize your market research to make good estimates.

Organize your expenses in a spreadsheet where you can see results quickly as you edit, without having to go back and recalculate manually. Your SV SBDC Advisor can assist you in setting up and using our Cash Flow Projection Worksheet, which is built on a simple Excel file.

Sales Estimates

There are several ways to estimate sales projections, yet the focus should be to back up assumptions with logic rather than wishful thinking. Use your expense estimates and market research to set your preferred selling price for the product.

Use market research for estimates

1. Total number of potential customers in your target market(s)
2. Average dollars spent by customers (annually/monthly/per purchase) in your industry/business type
3. Usage rate: how often does a customer buy your product in a month or year
4. Percentage of target market you can capture
5. Number of units you can produce and sell in a day or week (Ex: # of hours of massage you can deliver each day or # of tables you can turn per shift)

About Sales Assumptions

Document fact-based assumptions as you go, so that you can return to adjust or defend your logic. Here are some things to consider:

1. Keep all assumptions conservative at first.
2. Will you add products later that will affect sales (and related expenses)?
3. Will increased or re-targeted advertising result in additional sales?
4. Do you anticipate expanding your market territory?
5. Do you anticipate any large one-time sales?
6. What is the payment schedule for sales: immediate, 30-day, 90-day?
7. Will seasonal or physical changes affect sales?
8. If you sell more than one core product, do projections for each, and then combine. Restaurants will do breakfast/lunch/dinner sales separately.
9. Review and consider other circumstances. For example, hourly services may not be booked fully every day, and weather can affect restaurant sales.

Start-Up and Cash Flow Projection Worksheets

A monthly cash flow projection can be helpful in budgeting expenses and predicting revenue. The Assumptions worksheet is used in conjunction with the Start-Up sheet to autofill fixed expenses. See options for worksheets you can download at www.ValleySBDC.org/small-business-resources/ under the Forms and Guides area in planning.

Funding Options

Other than personal investments from the original owner (the most common funding option for new startups), there are two basic types of funding for a small business – equity and debt.

Equity funding requires you to sell a partial interest or ownership in your company (and therefore a share of the profits) to an investor in return for their money. Some investments may result in a shift in management control. Equity partners will also require a negotiated exit strategy for them to recover their investment and share of profits. Types of equity investors include: Informal investors, Private or limited stock offerings, Venture capital firms, and Initial public offering (IPO)

Debt Funding requires you to pay back the amount of the loan plus interest. There are many types of loans or variances: Term loans, Demand Notes, Lines of Credit, and a variety of Government-assisted Loans

How to Choose a Banker

Because the choice of a banker is such an important decision, the new business should shop around before making a choice. As other members of your management team (accountants, attorneys, and insurance brokers), your banker should be someone you can talk to and with about your business. Personal service and relationships are key factors when choosing a commercial banker. Consider the size of the bank, its local, regional, or national scope, and breadth of services concerning your business needs. A bank that is too small may not be able to service larger loans as you grow, but a bank that is too large may be indifferent to your small business needs.

How to Secure a Small Business Loan

1. Start with a strong business plan.

Know exactly how much money you need, what it will be used for, and how you plan to pay it back. Banks will not fulfill high-risk loans if they are not convinced that they will be reimbursed. It's up to you and your business plan to persuade your lender that you are a valuable credit risk.

2. Establish good credit.

Be proactive by remedying any problems on your credit report before meeting with a banker. A lender may be able to make exceptions if you can document why there was a negative report. Include a detailed written explanation with supporting information in your financing proposal. However, if the report shows that you have a history of non-payment, the lender will be unable to make a loan.

3. Invest as much as you can into your own business.

Expect to cover 15-20% of the loan. A bank will require you to guarantee the loan even if you are incorporated personally. There is no way to avoid putting personal collateral at risk. A lender is more likely to invest in you if you are confident enough to invest in yourself.

4. Convince them that your project will succeed.

Since over 60% of all small business start-ups fail within five years, lenders know that the odds are against a new business being around long enough to repay a loan. An existing profitable business is more attractive for financing. A solid business plan and realistic financial projections will give you a better chance of success.

5. Plan.

The process of securing a loan is not quick. If you must have the money to open by a certain date, make your loan application as far in advance as possible.

6. Do not rely on a grant to get started.

Grants to businesses are very rare. An exception might be for a high technology business, similar established business producing products, or doing research that is in demand by agencies and departments involved in our nation's defense.

Grants are made by foundations or government agencies to not-for-profit organizations, and they have tight controls and "strings" attached.

7. The Small Business Administration does not lend money.

The SBA has a guaranty program that is designed to provide security to lenders so that they will in turn lend money to small businesses which were deemed too risky for a regular bank loan. Interest rates and repayment terms are negotiated between you and the lending institution. Your SBDC business counselor can provide additional details when you discuss your business venture.

A Checklist for Start-Ups

Completing simple planning **before** you start is one of the best ways to assure business success and continued growth. Your **SV SBDC Business Advisor** is trained to help you through this process and will remain available to you as you grow.

Use this checklist as a guide to get started but use your SV SBDC and its resources throughout the life of your company.

This Checklist is also available at <https://www.valleysbdc.org/small-business-resources/>

☐ **Determine the Feasibility of Your Business Idea**

☐ **Prepare a Business Plan with Loan Proposal and Financial Documents (if required)**

☐ **Assemble a Management Team**

Your Banker, Accountant/Bookkeeper, Attorney, Insurance Agent, and SBDC Advisor can all be helpful and instrumental to your success. Use their knowledge and experience to build a strong foundation for your business.

☐ **Research Financing Options**

When seeking outside financing, consider the funding environment, have realistic expectations, know lenders' requirements, and present your request in a professional manner.

☐ **Research Locations**

Be sure you are going to be able to finance and move ahead with the business before committing to a lease or purchase. Home-based businesses also may require permits and zoning. Contact your local Zoning Office and/or Office of Community Development to learn about your local requirements.

☐ **Choose a Business Name**

Investigate names in use in the geographic area and industry niche you will be serving.

Conduct a web search to see if the domain is available. Pay attention to other similar sounding names in your market area.

Check the availability of an entity name at the State Corporation Commission: <http://www.scc.virginia.gov/clk/bussrch.aspx>.

☐ **Choose Your Legal Structure**

The best legal entity varies for each owner and each business. It's wise to consult with an attorney, and/or an accountant.

<https://scc.virginia.gov/pages/Entity-Types-and-Categories>

Register the appropriate documents with the State Corporation Commission Clerk's Information System <https://cis.scc.virginia.gov/>

☐ **Obtain a Federal Employer Identification Number (EIN)**

The EIN identifies your business's tax accounts on all federal and state tax forms. An EIN is a 9-digit number (for example, 12-3456789) assigned to a business for tax filing and reporting purposes. Your EIN is provided FREE from the Internal Revenue Service. Visit <https://www.irs.gov/businesses/small-businesses-self-employed/employer-id-numbers> to apply online.

☐ **Determine State Tax Requirements; Register with Virginia Department of Taxation**

Every company transacting business in Virginia must register with the Virginia Department of Taxation (<http://www.tax.virginia.gov>) for all taxes that may apply to the operations. Form R-1, the Combined Registration Application Form allows registration for the taxes listed below. No application fee is required. You will be assigned a Virginia Tax Identification Number, also called your Certificate Registration Number, to be included on all correspondence with the Department.

Sales and Use Tax: If you indicate on your R-1 Application that you will be collecting sales tax or remitting use tax, the Department will send you a Virginia Certificate of Registration for Sales Tax. This is your permit to collect sales tax and to issue and receive exemption certificates. The Virginia Certificate of Registration must be displayed at your place of business. Reporting and submission of sales taxes collected can be made on-line.

Certificate of Exemption

If you will be purchasing goods for resale, you will need to provide a Sales and Use Certificate of Exemption to the seller. This certificate affirms that you do not have to pay sales tax as you will be re-selling the goods and will collect sales tax at the time of the sale. Obtain Form ST-10 at:

<https://www.tax.virginia.gov/sites/default/files/taxforms/exemption-certificates/any/st-10-any.pdf>

Employee Withholding: If you plan to hire employees, you can register with the Virginia Employment Commission (VEC) from the same link for Virginia Sales Taxes.

☐ **File a Certificate of Assumed or Fictitious Name (DBA: Doing Business As)**

A fictitious name is a name that a person (individual or business entity) uses instead of the person's true name, usually while transacting or offering to transact business. It is sometimes referred to as an "assumed name" or "trade name," and it is often identified after a person's true name with the abbreviation "t/a" ("trading as"), "dba" ("doing business as"), or "aka" ("also known as")

The Clerk's Office at the State Corporation Commission handles certificates of assumed or fictitious name.

☐ **Apply for Local Business Licenses; Inquire about Local Taxes or Permits**

A Business License may be required in some cities or counties where you operate. The fee is usually prepaid as part of the application and the rates vary depending on the type of business. Most businesses pay a fee based on gross receipts; a few categories pay a flat fee. New businesses will be asked to estimate their first-year gross receipts and the fee will be adjusted later to reflect actual.

Contact your local **Commissioner of the Revenue or Town Administrator** to satisfy local license requirements and to inquire about any other local taxes such as local sales, meals or hospitality taxes or vendor fees.

☐ **Open a Business Checking Account**

It's important to keep your business accounts separate from your personal finances. An integral part of that is a separate business checking account and/or credit card so that all business records are clear and documented and not at risk of being mixed with personal expenditures. Consult your banker for best options for a business account.

☐ **Obtain Insurance Needed**

Discuss property, liability, and other insurance needs with a qualified insurance professional to manage your risk and protection. Check the current regulations about Workers' Compensation Insurance. See the VWC website for details: <http://www.vwc.state.va.us/>.

- ☐ **Consider Professional or Occupational Licenses specific to your industry or trade**

Visit the Virginia Department of Professional and Occupational Regulations (DPOR) for details: <http://www.dpor.virginia.gov/>

Other Considerations

Employment & Hiring Practices - a Report of newly hired and re-hired employees to the Virginia New Hire Reporting Center: <http://www.va-newhire.com/>

Employment Eligibility Verification Forms (Form I-9) for all employees.
<https://www.uscis.gov/i-9-central/>.

eVA Registration - <http://www.eva.virginia.gov> Virginia's web-based electronic marketplace to bring government buyers and sellers together.

Small, Women, or Minority-Owned (SWAM) Certifications

<https://www.sbsd.virginia.gov/> Provides for the certification of minority and women-owned businesses who wish to do business with state government agencies.

This checklist is by no means all-inclusive. Each business may have unique registration or reporting requirements depending on the industry, type of business entity, location, employment issues, and other. Do your homework by reading and studying the websites and booklets prepared for your use by your federal, state, and local government offices. Consult your business accountant, attorney, or SBDC advisor if in doubt.

About the SV SBDC

The **Mission** of the SV SBDC is to assist business owners in making sound decisions by providing expertise, resources, and guidance.

Our **Services** include no-fee, confidential consulting services for new and established businesses; assistance with feasibility studies, business planning, marketing, financial analysis, and more. We sponsor seminars and training events; and provide information and connections to small and medium-sized businesses.

Our **Business Advisors** are trained to stay current on business issues and provide practical, objective assistance to you at whatever stage of business you are in.

We demonstrate the following **Values** in our relationships with clients, team, and community.

Professionalism - We maintain the highest standards of business assistance and conduct, with innovative approaches, practical advice, and objective guidance.

Integrity - We conduct ourselves with honesty, reliability, and accountability, providing complete confidentiality for our clients.

Respect - We treat all people with dignity and value their views and opinions.

Excellence - We commit to continuous improvement in our knowledge, skills, and abilities.

To make your appointment with an SBDC Business Advisor, contact us by calling 540.568.3227, e-mailing sbdc@jmu.org, or completing the easy on-line **Request for Counseling Form** and **PreCounseling Questionnaire**, both found at <https://www.valleysbdc.org/small-business-resources/> Our Office Manager will then contact you to schedule your Initial Counseling Session.

Thank Our Supporters

James Madison University has been our host and sponsor for 33 years, providing programmatic and financial support for our region.

The Cities of Harrisonburg, Waynesboro, Buena Vista, and Lexington, and **the Counties of Rockingham, Augusta, Page, and Rockbridge** are collaborative partners and support the SBDC financially.

Thank our Advisory Council

for their support and the valuable insights and feedback they provide about our Valley's small business community. Council Investors provide funding to the SV SBDC with the goal of enhancing services to the business community.



Please reach out to thank these institutions which support you as an entrepreneur and business owner.

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