

A Helpful Guide to:

**STARTING
AND
GROWING
A
BUSINESS
IN
SWIFT
COUNTY**

“Swift County – Enterprising by Nature”

**Compiled and
Provided by:**



WELCOME

Entrepreneur assistance and small business development are vital to the success of economic development in Swift County. We believe that entrepreneurs are crucial for a thriving community and economy. The investments they create for Swift County are immeasurable.

Our economic system is based upon free enterprise and the right of each person to take the risk, follow a dream, and open his/her own business. The enclosed information is designed to answer many of the questions that arise when someone begins the process of starting a new business.

Owning and operating a business can be challenging. It requires dedication, patience, a variety of skills, and of course, money. Swift County RDA staff worked to gather this information for small businesses to support the desire of entrepreneurs to follow their dreams. Please take the time to read the material and use it to your advantage. Knowing how to handle the challenges of opening your own business and knowing yourself is imperative to your businesses success.

In the event this information leads to additional questions, please don't hesitate to contact the RDA. We will be happy to assist you! We also ask for your help in identifying additional information that should be added to this guide. Share your suggestions! The more information we can provide, the better we may assist you and the entrepreneurs who follow.

On the behalf of the entire RDA Board, I wish you best of luck!

Jennifer Gruis

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The contents of this publication are presented for informational purposes only and should not be considered in any way legal or professional assistance. We encourage you to seek the advice and council of a licensed professional when dealing with legal and financial matters. While care has been taken to provide accurate, up-to-date information, the information presented has been collected from numerous sources and is subject to errors and changes and should be further researched for updates and accuracy.

Section One

Is Entrepreneurship for You?

WHAT IS AN ENTREPRENEUR?

- *Someone who organizes and maintains a business venture*
- *Someone who takes on the risk and does what he/she wants in order to make a profit*
- *Someone who can coordinate the resources available to meet a need*

How can you become an entrepreneur? How can you start your own business? The Swift County RDA has designed this booklet to simplify your transition into the role of an entrepreneur. Think of it as the *ABC's of Starting a Business in Swift County*. It will make establishing your own business easier by giving you “one stop shopping” for the information you will need.

The Swift County RDA is determined to promote economic growth and development. We believe this begins with you! By giving you the proper tools, we can help build a strong economic foundation. We hope this booklet will be of assistance. In order to receive the maximum benefits of the information contained in this booklet, we suggest you treat this as you would a workbook. Start at the beginning and work through to the end, making notes along the way.

IS ENTREPRENEURSHIP FOR YOU?

There is no way to eliminate all the risks associated with starting a small business. You can improve your chances of success with **good planning** and **preparation**. A good starting place is to evaluate your strengths and weaknesses as the owner and manager of a small business. Carefully consider each of the following questions.

Are you a self-starter? It will be up to you not someone else telling you to develop projects, organize your time, and follow through on details.

How well do you get along with different personalities? Business owners need to develop working relationships with a variety of people including customers, vendors, staff, bankers, and professionals such as lawyers, accountants or consultants. Can you deal with a demanding client, an unreliable vendor, or unreliable staff person?

How good are you at making decisions? Small business owners are required to make decisions constantly, often quickly, under pressure, and independently.

Do you have the physical and emotional stamina to run a business? Business ownership can be challenging, fun and exciting. But it's also a lot of work. Can you face 12-hour work days six or seven days a week if necessary?

How well do you plan and organize? Research indicates that many business failures could have been avoided through better planning. Good organization of financials, inventory, schedules, and production can help avoid many pitfalls.

Is your drive strong enough to maintain your motivation? Running a business can wear you down. Some business owners feel burned out by having to carry all the responsibility on their shoulders. Strong motivation can make the business succeed and will help you survive slowdowns as well as periods of burnout.

How will the business affect your family? The first few years of business startup can be hard on family life. The strain of an unsupportive spouse may be hard to balance against the demands of starting a business. There also may be financial difficulties until the business becomes profitable, which could take months or years. You may have to adjust to a lower standard of living or put family assets at risk.

SELF BIZ QUIZ

*Are you the type of person who should open their own business?
Take this short quiz and see how your score adds up*

MOTIVATION

		Disagree					Strongly Agree				
		1	2	3	4	5	6	7	8	9	10
1	I constantly see business opportunities or ideas with potential commercial value.	1	2	3	4	5	6	7	8	9	10
2	I like growing or building businesses or taking ideas and making something of them.	1	2	3	4	5	6	7	8	9	10
3	I regularly come up with new ideas on doing things better or more efficiently.	1	2	3	4	5	6	7	8	9	10
4	I am able to find solutions to challenges or problems.	1	2	3	4	5	6	7	8	9	10
5	I am able to find the help, assistance or resources I need to be successful.	1	2	3	4	5	6	7	8	9	10
6	I am a dynamic person providing vision, hope, and energy to those with whom I work and partner.	1	2	3	4	5	6	7	8	9	10
7	I am a hard working person. I do what it takes to succeed.	1	2	3	4	5	6	7	8	9	10
8	I am able to adapt to changes & surprises quickly and successfully.	1	2	3	4	5	6	7	8	9	10
9	I am able to successfully manage risk associated with creating and growing a business.	1	2	3	4	5	6	7	8	9	10
10	I thrive on learning. I am constantly seeking new information that can help me with my business.	1	2	3	4	5	6	7	8	9	10
11	I am motivated by success and driven to do well.	1	2	3	4	5	6	7	8	9	10
12	I believe in working with others who can help me make my dream realty.	1	2	3	4	5	6	7	8	9	10

CAPACITY RELATED TO BUSINESS SKILLS

Consider Yourself and Other Members of Your Management Team

13	Ability to assess market opportunities	1	2	3	4	5	6	7	8	9	10
14	Ability to develop products or services	1	2	3	4	5	6	7	8	9	10
15	Ability to provide products or services	1	2	3	4	5	6	7	8	9	10
16	Marketing and communications capacity	1	2	3	4	5	6	7	8	9	10
17	Fiscal management	1	2	3	4	5	6	7	8	9	10
18	Ability to acquire financial capital	1	2	3	4	5	6	7	8	9	10
19	Personnel or team, development & management	1	2	3	4	5	6	7	8	9	10
20	Ability to develop and sustain partnerships	1	2	3	4	5	6	7	8	9	10
21	Quality Control	1	2	3	4	5	6	7	8	9	10

CAPACITY TO NETWORK AND PARTNER

22	I am comfortable seeking information from others.	1	2	3	4	5	6	7	8	9	10
23	I regularly network to gain information for my business.	1	2	3	4	5	6	7	8	9	10
24	I have extensive resource network I am constantly building.	1	2	3	4	5	6	7	8	9	10
25	I am comfortable with partnerships.	1	2	3	4	5	6	7	8	9	10
26	I have two or more partnerships associated with my business.	1	2	3	4	5	6	7	8	9	10
27	I have learned how to deal with the challenges of partnering.	1	2	3	4	5	6	7	8	9	10

SUPPORT FROM FAMILY AND COMMUNITY

28	I am challenged and happy in my work building a business.	1	2	3	4	5	6	7	8	9	10
29	There is good balance between my work and personal life.	1	2	3	4	5	6	7	8	9	10
30	Family and friends are supportive and encourage me.	1	2	3	4	5	6	7	8	9	10
31	My community is supportive of me and my undertaking.	1	2	3	4	5	6	7	8	9	10
32	My community is actively helping me build my business.	1	2	3	4	5	6	7	8	9	10

SCORE SELF BIZ QUIZ

Questions	Total Points	Value Factor	Points
1-2	X	1	=
3-12	X	.25	=
13-21	X	.25	=
22-27	X	.25	=
28-32	X	.25	=
TOTAL POINTS			

Scoring:

0 to 25 points	Low Potential
26 to 50 points	Some Potential
51 to 75 points	Moderate Potential
76 to 100 points	High Potential

Source: Center for Rural Entrepreneurship

Section Two

Planning Your Business

ONE YEAR PLAN FORENTREPRENEURS

Starting your own business is not something to be rushed into. Careful, advanced planning can ensure the success of your venture. Below is a suggested one-year plan.

ONE YEAR BEFORE START-UP

- Decide what business you want to start. Be specific in your business definition.
- Define your ideas in writing. Determine exactly where you want to go.
- Assess the impact on your family and personal life. How will this affect your relationships? Will your family support the use of finances and time?
- Assess your personal finances. A poor credit score will hurt your ability to secure start up financing, and may indicate you will have trouble managing your business credit. Take steps now to pay down personal debt, check your credit report for errors, and pay bills on time.
- Begin research. You must determine if there is a need for your product. This research can be preformed by students, professionals, or even on your own.
- Build your business skills by taking formal small business management courses. Contact an area college such as [Ridgewater College](#), [Minnesota West Community and Technical College](#), or [MinnesotaOnline.org](#).
- Contact the [Small Business Development Center \(SBDC\)](#) in Swift County for assistance in writing a business plan and other business start up services.
- Contact the [Minnesota Department of Labor](#) or [Minnesota Workforce Center](#) for information on educational seminars on labor/safety issues.

SIX MONTHS BEFORE START-UP

- Determine the focus of your business. What do you want to specialize in? It is easier to excel at one area than at many.
- Start writing your business plan.
- Define your target markets. Who is your intended clientele? Who should you aim your advertising towards?
- Research business and trade organizations. Most areas of business have agencies and organizations set up to facilitate business. Take advantage of what these groups have to offer.
- Start looking for the best location for your business. Do you need little or lots of space? Would your business be better suited downtown or in another part of the county? Is a store-front location needed or can you work from your home? Location can make or break a business.

FOUR MONTHS BEFORE START-UP

- Name your business. Be careful in deciding on a name and be aware that someone may already be using the name. Have a few back-up ideas. You can check to see if a name is being used by contacting the Minnesota Secretary of State.
- Make a final selection of the business location. Make sure that the location you choose is within your budget and also fits into your business plan. Cheaper rent may cost you more in the long run. Remember: Location, location, location.
- Select outside advisors. This will be a very hectic time. It will be beneficial to have people you can call on to listen to your ideas, problems, and plans and provide feedback. These people should be able to provide you with guidance, constructive criticism, and feedback. They should be people experienced and knowledgeable in business.
- Set up a network of mentors. Select people who can help you by giving you insight and new ideas.
- Choose your business' legal form. Will you be a partnership, sole proprietorship, or corporation? A legal form should be chosen very carefully as it can impact your business in many ways.
- Set up bookkeeping, accounting, and office systems. How are you going to operate your office? If you are going to keep your own books, make sure your skills are adequate. Will you need to hire a bookkeeper/bookkeeping firm?
- Seek outside demographic information on your targeted customer base. Gather secondary information.
- Continue working on your business plan.

THREE MONTHS BEFORE START-UP

- Determine your cash needs. How much money do you need for start-up? What will be your monthly variable and fixed costs? What is your break-even point? These are all questions that must be answered. You must estimate your cash flows.
- Review preliminary financial objectives. How much profit do you expect to make? Are you planning on making investments? What is your intended cash flow?
- Decide on your pricing strategy. After determining your variable and fixed costs, decide what your markup rate will be. You will also need to consider demand and competitive factors in setting your price.
- Forecast sales. Contact the Swift County Small Business Development Center (SBDC) or others in your field to help you forecast accurately.
- Determine your company's employee needs. How many people do you need on your staff? This is important to decide as it effects your requirements for insurance, cash flow, etc.
- Project your cash flow. Write out an estimated statement of all revenues and expenditures. This statement should cover one calendar year. Also project your net cash flow for the entire year.
- Continue working on your business plan.

TWO MONTHS BEFORE START-UP

- Prepare your marketing plan. How are you going to market your product, and how much will it cost? Are you going to use publicity? Are you going to use paid advertisement? You must decide how you will go about introducing your business to the public.
- Get your business licenses applicable to your business.
- Review non-financial objectives (public image, legal questions). How do you want the public to see your business? Are you a family establishment or geared more toward adults? What form is your business taking? Do you have all legal documents needed?
- Prepare a preliminary balance sheet.
- Secure necessary financing. Whether through a private lender or through other sources, you must obtain the necessary amount of start-up capital.
- Secure insurance coverage if applicable.
- Determine advertising, promotion, and public relations strategies.
- Complete improvements to your facility.
- Start your hiring process.
- Refine your business plan.

ONE MONTH BEFORE START-UP

- Fine tune your cash flow budget.
- Prepare for your grand opening. The Swift County RDA and Area Chambers of Commerce can be of assistance in planning your events. Be creative but practical.
- Set up your office, display areas, etc. Have everything exactly as you want it. The last few days before opening are not the time to do this. The look of your store or office sets the tone of your business. You should put thought and time into it.
- Review your final checklist.
- Hire your staff.
- Make sure everything works. It is better to find out that your equipment does not work in advance. In that case, you can make any necessary repairs and be ready to open your doors on time.
- Implement marketing, promotion, and opening plans. This will be a good time to start advertising in local newspapers, radio, and television if your budget permits. Remember: Word of mouth is your most powerful publicity! It's also the least expensive. Spread the word.

START-UP AND AFTER

- Budget your time. As a new business owner your time will be precious. Schedule your time wisely. It is important to get the maximum out of the time you have available. You might consider reading some time management materials or speaking with someone who you think manages time wisely.
- Continuously update your product/service. What is good about your product? Eliminate the problems as much as possible. If people patronize your business for the original product, an improved product can only increase that.
- LISTEN to your customers, advisors, and vendors. The customers are your cash flow. It is important to gather their opinions and put them to use. Their ideas can be helpful in updating your product. LISTEN to your advisors. You asked them to advise you for a reason. LISTEN to your vendors. These vendors have been in the business much longer than you have. They can possibly provide you with money-saving or money-making ideas.
- Check cash flow budget against actual performance.
- Maintain good communications with your bankers and vendors. By keeping the lines of communication open you are helping yourself. Should you need their help in the future, you are more likely to receive it.
- Continue to improve the 5 C's of credit. (Character, Collateral, Capacity, Capital, and Condition)
- Work with investors. Make sure you are in contact with them. Make sure that you understand the conditions of your repayment. When are payments due? Make sure you fulfill all obligations to investors. You may need to call them again someday.
- Check your cost of living budget. If you are drawing money from the company for living expenses, be sure to take only what is necessary. Stick tightly to your budget.
- CONSIDER DELAYING YOUR OFFICIAL GRAND OPENING/RIBBON CUTTING UNTIL YOU HAVE BEEN IN BUSINESS FOR A COUPLE OF WEEKS. If you do, you can make sure that you have worked the "bugs" out and that all is running smoothly.

THE BUSINESS PLAN

A business plan precisely defines your business, identifies your goals, and serves as your firm's resume. The basic components include a current and pro forma balance sheet, an income statement, and a cash flow analysis. It helps you allocate resources properly, handle unforeseen complications, and make good business decisions. Because it provides specific and organized information about your company and how you will repay borrowed money, a good business plan is a crucial part of any loan application. Additionally, it informs sales personnel, suppliers, and others about your operations and goals.

The following outline of a typical business plan can serve as a guide. You can adapt it to your specific business. Breaking down the plan into several components can help make drafting it a more manageable task. For additional assistance, contact the Swift County Small Business Development Center (SBDC) at the Swift County RDA at 320-842-4769. An SBDC consultant can meet with you one-on-one to assist in developing your plan.

Introduction

- Give a detailed description of the business and its goals.
- Discuss the ownership of the business and the legal structure.
- List skills and experience you bring to the business.
- Discuss the advantages you and your business have over your competitors.

Marketing

- Discuss the products/services offered.
- Identify the customer demand for your product/service.
- Identify your market, its size and locations.
- Explain how your product/service will be advertised and marketed.
- Explain the pricing strategy.

Financial Management

- Explain your source and the amount of initial equity capital.
- Develop a monthly operating budget for the first year.
- Develop an expected return on investment and monthly cash flow for the first year.
- Provide projected income statements and balance sheets for a two year period.
- Discuss your breakeven point.
- Explain your personal balance sheet and method for compensation.
- Discuss who will maintain your accounting records and how they will be kept.
- Provide "what if" statements that address alternative approaches to any problem that may develop.

Operations

- Explain how the business will be managed on a day-to-day basis.
- Discuss hiring and personnel procedures.
- Discuss insurance, lease or rent agreements, and issues pertinent to your business.
- Account for the equipment necessary to produce your products or services.
- Account for production and delivery of products and services.

Concluding Statement

- Summarize your business goals and objectives and express your commitment to the success of your business.
- Once you have completed your business plan, review it with a friend or business.
- When you feel comfortable with the content and structure, make an appointment to review and discuss it with your banker. The business plan is a flexible document that should change as your business grows.

SOURCE: www.sba.gov

The RDA suggests the website www.bplans.com as a good resource to see sample business plans for a wide variety of business types.

For additional assistance with your business plan, contact the Swift County Small Business Development Center (SBDC) at the Swift County RDA. An SBDC consultant can meet with you one-on-one to assist in developing your plan.

FEASIBILITY & MARKETING STRATEGY

Is Your Business Idea Feasible?

Answer the following questions regarding your idea. Give complete, well thought out answers to these questions. If you are unsure about or answer no to any of the following questions, then you should rethink your idea.

- What type of business do you plan to start?
- What kind of product do you plan to offer?
- Will your product satisfy a need yet unfilled?
- Will your product have a competitive edge based on price, location, quantity, or selection?

Researching Your Markets

It is recommended that you research your potential market demand for your product or service. First, determine what questions you need answered. The following are ideas on where to find the information you need.

Primary Data:

- Your experience.
- Experiences of people you know.
- Survey potential customers to determine their wants/needs. Observe similar businesses.
- Interview these business's owners.
- Interview suppliers, vendors, bankers.

Secondary Data:

- Visit your public library.
- Contact trade associations (i.e. trade shows and trade journals).
- Contact the Swift County RDA, UMVRDC (Upper Minnesota Valley Regional Development Commission), SBDC, Local Chambers of Commerce.
- Use various search engines on the Internet (i.e. Yahoo, Google, MSN, etc.).

Marketing Your Business

In order to properly market your product, you need to answer the following questions. This information can be used to help you develop your marketing plan. Contact the Swift County SBDC for more information on constructing this plan.

- Who are my customers? (This determines your target market.)
- Where are they?
- How many are there? (This indicates your market size.)
- What are their needs?
- Who are my competitors?
- How does my competition do it? (One method of marketing/dealing with competition is the end-run strategy. In this strategy you adopt your competitors' strategy with the intention of making it better.)
- How can I reach them? (The distribution of your product is very important. Where your product is located determines how well it sells.)
- How much will they pay? (The pricing of your product is also very important. You must take into consideration what your competitors charge.)
- What are the market trends? (What are people buying? It is important to be aware of what market trends are. This relates back to knowing your customers' needs. Try to distinguish between trends and fads.)
- What are technological trends? (One obvious answer to this question is the Internet. Will you be using technology? How can it be used to help your business? Do you need to advertise on the Internet? Do you need a network of computers for your business? If you are in a business related to technology, it is imperative that you stay abreast of any changes.)

DETERMINING CASH NEEDED TO START A BUSINESS

Estimate of monthly
 expenses based on sales of
 \$ _____ projected per year

Estimate of cash
 needed to start
 (column 1X _____ months)

Salary of Owner /Manager		
All other salaries/wages		
Rent (building/equipment)		
Advertising		
Office Expense		
Telephone and Fax		
Internet Service		
Other Utilities		
Insurance		
Taxes, including Soc. Security		
Maintenance/Repairs		
Legal/Professional Fees		
Loan Payments		
Miscellaneous		

*One Time Start Up Costs****

Fixtures & Equipment		
Decorating & Remodeling		
Installation of Fixtures/Equip.		
Starting Inventory		
Deposits for Utilities		
Legal/Professional Fees		
Licenses & Permits		
Advertising/Promotion for Opening		
Other		

TOTAL ESTIMATE OF CASH NEEDED FOR START UP

***To determine these amounts, get estimates from suppliers, contractors, professionals and/or government authorities to ensure accurate amounts.

FINANCING INFORMATION

When starting a business, one important consideration is where to obtain capital to back your venture. Most start-up businesses require a capital contribution by the entrepreneur, usually 20%. The remaining financing may be available from local banks, private investors or gap lenders. There are several loan programs available to businesses in Swift County, most of which require bank participation. Local and Regional Revolving Loan Funds (RLFs) and SBA loans currently available in Swift County may be found at [Loan Programs](#) on www.swiftcountyrda.com or by contacting the Swift County RDA.

All loan programs require that certain standards be met. A loan applicant must be of good character, show the ability to operate a small business successfully, and have a good reasonable amount of his/her own resources to invest to withstand possible losses. In addition, the following will be required:

- Personal Credit Report
- Collateral adequate to secure the debt; list of collateral and its value
- Appraisals required on real property used as collateral
- Personal guarantees required of those persons (or companies) with 20% ownership
- Secondary collateral may be required
- Personal financial statements & financial statements of business (if applicable)
- Business Plan

For more information on financing tools, contact your local lender or visit the Swift County RDA website at www.swiftcountyrda.com

DEMOGRAPHIC INFORMATION

A variety of free demographic information and community profiles are provided through the Swift County RDA and at www.swiftcountyda.com. This information breaks down the population by different categories such as age, sex, race, income, and education. It can be used to help identify the number of people who may use your business or services.

Other sources include:

American Community Survey

<http://www.demography.state.mn.us/ACS.html>

Survey taken each year, like the 10 census features includes demographic, housing, social, and economic information.

Atlas of Minnesota on-line

<http://www.mnsu.edu/ruralmn/pages/Publications/Atlas/Atlasonline/indexatlas/indexatlas.php>

Center for Rural Policy and Development project site that includes a broad array of social and economic characteristics of Minnesota.

MinnStats

<http://www.lmic.state.mn.us/datanetweb/index.html>

Datanet is an online system consisting of summarized statistical information designed to serve Minnesota's governments, businesses, schools, nonprofit agencies and citizens. The system contains statistics about social, economic and demographic conditions in Minnesota

Minnesota Labor Market Information

<http://www.deed.state.mn.us/lmi/tools.htm> Huge Resource. Includes labor market analysis, economic indicators, demographics, income and wage information, industry data, employer search, area comparison, industry comparison

Minnesota Data Center for Swift County

www.umvrdc.org Access to census, economic and demographic data, as well as consultation and referrals

Upper MN Valley Regional Development Commission

323 W. Schlieman Ave.

Appleton, MN, 56208

Phone: 320-289-1981

Benson Area Chamber of Commerce

1212 Atlantic Ave

Benson, MN 56215

www.bensonareachamber.com

benzonchamber@embarqmail.com

320-843-3618

Appleton Chamber of Commerce

231 N Miles St

Appleton, MN 56208

(320) 289-1527

www.appletonmn.com

CREATING YOUR LEGAL BUSINESS ENTITY

Deciding what form of legal entity your business will take is an important decision. This will have an impact on the future of your business including your protection under the law, and the rules and regulations (for example, federal and state taxes) that will apply to you.

It is recommended that before you enter into any of these four forms of business that you contact an attorney, CPA, or other qualified individual. Speaking with someone informed about the legal entities of business will reduce the risk of mistakes in the business setup. You can probably do the necessary paperwork and procedures yourself, but it may make sense to consult a professional. You can also, contact the Swift County RDA for more information.

THERE ARE FOUR BASIC FORMS THAT A NEW BUSINESS CAN TAKE:

- Sole Proprietorship
- Partnership (general or limited)
- Corporation (C or S)
- Limited Liability Company (LLC)

A **sole proprietorship** is usually owned and operated by one person. Under the law, it is not actually considered a legal entity. It is instead considered an extension of the person who owns the business. This individual has sole ownership of assets, but is also solely liable for the debts of the business.

A **partnership** can be formed in two ways. A general partnership is comprised of two or more individuals who join to start a business. Each person has proportional ownership of the business assets and proportional liability for business debts. Each person also had authority in running this business. A partnership agreement can be drawn up to alter each person's particular liability. However, despite this document, creditors may collect from each and every member of the partnership (this may include personal assets).

A **limited partnership** is made up of one or more general partners as well as one or more limited partners. Limited partners contribute capital and share in profits/losses. These limited partners, however, take no part in the running of the business and are not held liable for the organization's debts.

Whether taking part in a general or limited partnership, it is advisable that you draw up a partnership agreement. This document will detail each partner's rights and their responsibilities. Partnerships are required to file both federal and state income taxes. While the partnership is not typically taxed, each partner reflects charges for the partnership on his/her personal tax returns.

A **corporation** is an entity, which must be approved by the state of Minnesota through the Office of the Secretary of State. A corporation must file federal, state, and local taxes on its operation. One advantage to a corporation is the protection from liability afforded to shareholders. However, when an organization is small, creditors may require personal guarantees of predominant owners. Another advantage to the corporation is the ease of raising capital through the sale of common or preferred stock. A disadvantage of the corporation is that the organization's income will essentially be taxed twice (once on the business's corporate tax return and again on the shareholders, personal income tax returns for any dividends paid to the shareholders). There are two types of corporations: C and S. The distinctions between an S Corp and a C Corp can be very complicated and very dramatic. It is important that you consult a professional prior to filing for either status.

The **limited liability company (LLC)** is a relatively new form of business entity that includes some of the characteristics of the other business entities. The owners are known as members, and the LLC shields its members from personal liability like a corporation; however, the profits generated by the business pass through the business entity and are taxed at the members' individual levels.

The chart below is intended to be a snapshot of the different characteristics of different business entities:

CONSIDERATIONS:	Limited Liability	Ownership	Entity Taxation Issues and Rates	Individual Taxations Issues and Rates	Deductibility of Insurance Premiums and Benefit Plans
Type of Organization					
Single Member Limited Liability Company	Yes	Any type of owner. Only one class of stock.	One level of federal tax.	Generally, no restrictions on deductibility of losses. Taxed on profits, not cash distributions. Self employment tax.	Health insurance premiums deductible
Limited Liability Company	Yes	At least two owners; any type of owners and multiple classes of stock permitted.	One level of federal tax. State withholding on distributions to non-residents	Generally, share of losses deductible up to basis in interest. Self employment tax.	Health insurance premiums deductible.
S Corporation	Yes	Up to 75 owners; generally required to be US citizens. Only one class of stock permitted.	One level of federal tax. State withholding on distributions to non-residents.	Generally, share of losses deductible up to basis in interest. No self employment tax.	Health insurance premiums deductible if meet certain requirements.
C Corporation	Yes	Unlimited owners of any type, and multiple classes of stock are permitted.	Two levels of federal tax (corporate earnings and dividends). State tax also imposed.	No individual deduction for share of corporate losses. No self employment tax.	Health insurance premiums deductible. Group term life insurance premiums deductible for coverage up to 50k cafeteria plans available of non-discriminatory.
Sole Proprietorship	No	One owner; one classes of ownership.	One level of federal tax, and no state taxation.	Generally, no restrictions on deductibility of losses. Taxed on profits, not cash distributions. Self employment tax.	Health insurance premiums deductible
Partnership	No, general Partners. Yes limited partners	At least two owners; any type of owners and multiple classes of stock permitted.	One level of federal tax. State withholding on distributions to non-residents.	Must meet material participation tests to deduct losses. Self employment tax	Health insurance premiums deductible.

Choosing an Entity

CAUTION



- The two most important factors to be considered when starting a business are the amount of protection from liability you seek and the tax implications of your selection.
- The structure of a sole proprietorship does not afford the owner any protection from liability. There are, however, numerous tax advantages.
- In a general partnership, each partner is personally liable for all of the debts, contractual obligations, and liabilities of the business.
- There are considerable tax advantages to a limited liability company. Due to the liability protection and tax advantages, this structure has become a favored structure for establishing businesses.
- The tax benefits and disadvantages from a corporate structure are very complex.
- A partnership agreement should address management of the general partnership, allocation of profits and losses, and the manner by which the general partnership will be dissolved if a partner should die, become incapacitated, or wish to withdraw.

NAMING YOUR BUSINESS

An individual or partnership that conducts or transacts business in Minnesota under a name that is different from the full, true name of each business owner must register the name of the business by filing a **certificate of assumed name** with Secretary of State. A corporation, limited partnership, limited liability partnership or limited liability company that conducts business under a name that is different from the exact, legal name likewise must file a certificate of assumed name for the business name.

After filing, you must publish the Certificate or Amended Certificate of Assumed Name with a qualified legal newspaper for two consecutive issues in the county where the principal place of business is located. After publication, the newspaper will return an affidavit of publication which should be retained by the business. Failure to publish may render the filing invalid.

In Swift County, you may file with at least one of these newspapers:

The Appleton Press

241 W Snelling Ave
Appleton, MN 56208
320-289-1323

Ker
320

Kerkhoven Banner

1 Atlantic Ave
Kerkhoven, MN 56252
320-264-3071

Swift County Monitor-News

101 12th Street S
Benson, MN 56215
320-843-4111

A Certificate of Assumed Name is valid for 10 years from the date of filing with the Secretary of State.

<http://www.sos.state.mn.us/index.aspx?page=790>

For more information on Assumed Names, Filing Procedures and Filing Requirements, [Assumed Name Availability Look-up](#); the Secretary of State's Business Services can be contacted as follows:

Office of the Secretary of State

Retirement Systems of Minnesota Building
60 Empire Drive, Suite 100
St Paul, MN 55103 [map](#)

Phone Line: 1-877-551-6767

Email: business.services@state.mn.us

Fax: 651-297-7067

<http://www.sos.state.mn.us/home/index.asp?page=92>

STATE ISSUED LICENSES

The startup, operation or expansion of a business in Minnesota may involve securing one or more business, occupational or environment licenses or permits. Those license and permits fall into a number of categorical groupings according to purpose:

- Licenses and permits to ensure the competency of practitioners of a business, trade or profession.
- Licenses and permits to ensure the safety and efficacy of a product or process
- Licenses and permits to prevent fraud or ensure the financial solvency of parties to a business transaction
- Licenses and permits to control access to markets or to encourage or restrict competition in a specific industry
- Licenses and permits to regulate activities in pursuit of broad social goals like clean air, clean water
- Licenses and permits to ensure the appropriate and responsible use of natural resources, particularly non-renewable natural resources
- Licenses and permits to control the development and implementation of new technology
- Licenses and permits to authorize a business to serve as the state's agent for collection of revenue

For more information on license verification and renewal, visit [License Minnesota](#) a one-stop shot for determining your businesses potential license requirements.

http://www.license.state.mn.us/browse_by_topic/browse-by-topic.jsp

LICENSING & PERMITS INFORMATION

Most new small businesses will not most likely require any type of federal licensing to conduct business, unless you will be engaged in one of the following activities:

- Rendering investment advice
- Making alcoholic products
- Making tobacco products
- Preparing meat products
- Making or dealing in firearms

You will need a Federal permit to also start large operations such as a television station, radio station, common carrier, or producer of drugs or biological products.

The aforementioned businesses are all heavily governmentally regulated. For more information on federal licensing for these types of businesses, contact the appropriate agency at **Business.gov** at <http://www.business.gov/register/licenses-and-permits/federal-licenses.html>

CONDITIONAL USE PERMITS & ZONING

Once you have chosen a tentative location for your business, you will need to contact your local governing agency about zoning restrictions. A condition use permit must be obtained for both new construction and renovations of additions and existing buildings. There may be one or more agencies that you will need to contact. For more information contact the county and applicable local city offices.

Swift County	320-843-6400
City of Appleton	320-289-1363
City of Benson	320-843-4775
City of Clontarf	320 842-3305
City of Danvers	320-567-2117
City of De Graff	320 843-5364
City of Holloway	320-394-2300
City of Kerkhoven	320-264-2581
City of Murdock	320-875-2112

HEALTH PERMITS

If your business is to involve food processing, handling, storage, or distribution, you must obtain permits from our local County Health Department, which handles the permits for the entire county. If you are unsure if your business needs a permit, contact Countryside Public Health. For more information, contact:

Countryside Public Health	320-843-4546
201 13th St So	
Benson MN 56215	
Lauch@countryside.co.swift.mn.us	
http://www.countrysidepublichealth.org/	

BUSINESS TAXES

Common areas of small business tax liability include federal and state income taxes, state sales and use tax, FICA (Social Security and Medicare) tax, FUTA (federal unemployment) tax, SUTA (state unemployment) tax, state unemployment tax, and tax withholding. In addition, businesses may be liable for less commonly applicable taxes such as taxes on the sale of fuel, alcohol products and cigarettes, and the hazardous water generator tax. Business owners can attend workshops or resource several online tools and guide to learn more about taxes. A good accountant is an invaluable resource for the new business owner and may help navigate through any tax concerns or questions.

Federal Employer Identification Number

Sole proprietors who do not have employees, who are not required to file information returns, who do not have a retirement plan for themselves, and who are not required to pay federal excise taxes in connection with their business generally may use their social security number as their federal employer identification number. Like wise, single-member limited liability companies that have elected to be taxed as a sole proprietorship may do the same. All other business entities are required to obtain a federal employer identification number by filing **Form SS-4** with the Internal Revenue Service.

To complete the Form SS-4 application and receive the number for immediate use go to www.irs.gov/businesses and click on “Employer ID Numbers” under topics.

To apply by phone call **800-829-4933**

Minnesota Taxpayer Identification Number

A business needs to obtain a Minnesota tax identification number (a seven digit number assigned by the Department of Revenue) if is required to file information returns for income tax purposes, has employees, makes taxable sales, or owes use tax on its purchases. Most businesses need a Minnesota tax identification number. However, a sole proprietorship or single member limited liability company which does not have any of these tax obligations does not need one.

To obtain a Minnesota tax identification number, go to the Minnesota Department of Revenue’s site at www.taxes.mn.us. In order to apply for a Minnesota tax ID number online, you will need your federal employer ID number (FEIN), if applicable; the legal name or sole-proprietor name and business address; the business name (D.B.A) if applicable; NAICS code (available from the U.S. Census Bureau’s website www.census.gov/naics); names and social security numbers of the sole-proprietor, officers, partners or representatives; and email address and name of a contact person.

If you don’t have internet access, call 651-282-5225 and ask about receiving form ABR.

Electronic Filing of Taxes

A business is required to file all of its Minnesota taxes electronically if it annually collects or owes more than the following amounts in one or more categories.

Sales and use tax	\$10,000
Corporate estimated tax	\$10,000
MinnesotaCare tax	\$10,000
Cigarette or tobacco tax	\$120,000
Alcohol tax	\$120,000
Employee withholding	\$10,000
Distributor taxes	\$120,000
Insurance premium taxes	\$120,000
Fire insurance taxes	\$120,000

Information about e-File Minnesota electronic filing system is available on the Minnesota Department of Revenue's website at www.taxes.mn.us

For Federal tax purposes, many businesses will be required to file tax payments electronically, by means of the Electronic Federal Tax payment System (EFTPS). For more information visit the EFTPS website at <http://www.irs.gov/efile/article/0,,id=98005,00.html>

Business Income Tax

The amount and way you will pay your Minnesota and federal income taxes will be dependent on the legal form in which your business entity is organized. Your accountant can provide you guidance as well as the [IRS](http://www.irs.gov) and [Minnesota Department of Revenue](http://www.taxes.mn.us) websites.

Minnesota Sales Tax

The sales tax is a tax on the gross receipts from selling, leasing or renting tangible personal property at retail, or providing taxable service, in Minnesota. The end user of the personal property or services is responsible for paying the tax. Generally, a sale is at retail unless the customer purchases the property for purposes of reselling it, or plans to incorporate the property purchased into a new product for sale at retail. Sales by a manufacturer or wholesaler that are sold to customers who are not in the business of reselling the items purchased are sales at retail. However, some sales are specifically exempted by law from the sales and use tax.

The Department of Revenue has issued fact sheets on certain sales tax issues. Several fact sheets are industry specific. Copies of [fact sheets](#) can be obtained by telephone 651-296-6181 or from the web at www.taxes.state.mn.us

Minnesota Use Tax

The use taxes complements and is similar to the sales tax. It applies when you buy, lease or rent taxable items on service used in your business without paying sales tax to the seller. The use tax rate is the same as the sales tax rate 6.875%. The rate is applied to the cost of the taxable purchases on which the sales tax is not paid. The buyer pays use tax directly to the state. Both businesses and individuals are subject to use tax. For more information see the Use Tax Fact Sheets [Fact Sheet 146, Use Tax for Businesses](#)

Federal Excise Tax

There are some forms of business on which the U.S. government requires additional taxation. This will be a tax that you are responsible for collecting. This tax does not come out of your pocket. Typically it is added to the sale price of your product or service. Quarterly Federal Excise Tax Return is used to file most federal excise taxes. Federal excise taxes can be broken into nine general categories of products and services.

- Motor vehicle use tax (vehicles greater than 55,000 lbs. gross weight)
- Retailers tax (certain types of fuels)
- Retail excise tax on the sales of the following: Heavy trucks/trailers, tires and tubes, recreation equipment (e.g. fishing/hunting supplies), firearms, and ammunition
- Air transportation tax (if you are transporting people by air, you have to collect this tax)
- Communications taxes (e.g. telephone or teletype services)
- Wagering taxes
- Taxes on U.S. mined coal
- Environmental taxes (imposed in petroleum products, various chemicals, and hazardous wastes)
- Alcohol, firearms, ammunitions, and tobacco taxes

If these categories are applicable to your business be sure to contact the IRS for complete information on federal excise taxes.

[Internal Revenue Service](#) at www.irs.gov or call 1-800-829-1040

EMPLOYER TAX RESPONSIBILITIES

There are taxes that as an employer you are responsible for both withholding from employee wages, as well as paying yourself: **Payroll Taxes, Unemployment Insurance Taxes (FUTA & SUTA), and Workers Compensation Insurance.**

The state of Minnesota offers courses and a handbook to assist employers in meeting their employer tax responsibilities. A comprehensive guide may be downloaded [here](#) or at http://www.uimn.org/tax/tax_classes/employment_tax.pdf.

UTILITIES

Establishing Water, Sewer and Garbage Service

To establish water and sewer and garbage service in an existing location or new facility within Swift County, you must contact the local governing agency. You may be required to sign a service contract and pay a deposit.

To establish service in an **unincorporated area of Swift County** contact:

Swift County Environmental Services (320) 843-6400

To establish service in the **City of Appleton** contact:

Appleton Municipal Water (320) 289-1363

Appleton Municipal Sewer (320) 289-1912

To establish service in the **City of Benson** contact:

Benson Water & Light Dept. (320) 843-4775

To establish service in the **City of Clontarf** contact:

City of Clontarf (320) 843-4315

To establish service in the **City of Danvers** contact:

Swift County Environmental Services (320) 843-6400

To establish service in the **City of De Graff** contact:

City of De Graff (320) 843-5364

To establish service in the **City of Holloway** contact:

People Service (402) 221-2073

To establish service in the **City of Kerkhoven** contact:

City of Kerkhoven (320)-264-2581

To establish service in the **City of Murdock** contact:

Murdock Municipal (320) 875-2112

Establishing Electrical Service

There are three electric companies that serve Swift County.

If you are located in the **City of Benson** contact:

Benson Water & Light Department (320) 843-4775

If you are located within the **Cities of Appleton, Clontarf, Danvers, De Graff, Holloway, Kerkhoven, or Murdock** contact:

Otter Tail Power Company (800) 257-4044

If you are located in **Unincorporated Swift County** contact:

Agralite Electric Cooperative (800) 950-8375

Establishing Gas Service

There are three natural gas providers that serve Swift County, and several propane providers. If you will utilize propane, please contact a local propane service of your choice.

To establish natural gas service in the **City of Appleton** contact:

Minnesota Energy Resources Corp. (800) 889-9508

To establish natural gas service in the **City of Benson** contact:

CenterPoint Energy (800) 245-2377

To establish natural gas service in the **City of Holloway** contact:

Peoples Natural Gas (800) 891-0890

Establishing Telephone

There are many options for telephone service in the area. Below is a list of providers in your area. Some of these providers may offer broadband internet as well and if known at time of publishing that is indicated.

To establish service in the **unincorporated Swift County** you may need to contact a customer service representative to see which company serves your area.

To establish service in the **City of Appleton** contact:

Qwest (320) 231-3020

To establish service in the **City of Benson** contact:

Century Link (Embarq) (DSL) (800) 788-3500

Establishing Telephone (continued)

To establish service in the **City of Clontarf** contact:

Century Link (Embarq) (800) 788-3500

To establish service in the **City of Danvers** contact:

Federated Telephone Cooperative (Fiber FTTH) (320) 374-7133

(800) 374-7133

To establish service in the **City of De Graff** contact:

Century Link (Embarq) (800) 788-3500

To establish service in the **City of Holloway** contact:

Federated Telephone Cooperative (Fiber FTTH) (320) 374-7133

(800) 374-7133

To establish service in the **City of Kerkhoven** contact:

TDS Telecom (DSL) (800) 434-2121

To establish service in the **City of Murdock** contact:

TDS Telecom (DSL) (800) 434-2121

Establishing Broadband Internet Service

There are many different internet providers that serve Swift County. Below are known providers at the time of publishing. For more information on which internet service provider you need, you may need to contact customer service representative to see which company serves your specific area.

MVTV (fixed wireless) (320) 564-4807

Multiple communities and rural areas of Swift County.

See current map coverage at www.mvtvwireless.com

InfoLink (fixed wireless) (866) 459-4735

Appleton, Benson, Clontarf, Danvers, DeGraff,
Holloway, Kerkhoven, Murdock

Mediacomm (cable) (320) 665-8070

(Appleton, Clontarf)

Charter Communications (cable) (800) 493-7824

Benson, Kerkhoven, Murdock

Establishing Wireless Telephone Service

There are several wireless telephone service providers in Swift County. Below are known providers at the time of publishing. To determine which wireless provider you need, contact customer service representative.

Verizon Wireless (800) 899-4249

Local agent offices in Appleton, Benson, Kerkhoven

Sprint (866) 866-7509

AT&T (866) 429-7222

LABOR & SAFETY REGULATION INFORMATION

Educating Yourself on Labor/Safety Issues

The Minnesota Department Employment and Economic Development (DEED) is available to provide consultation to new businesses in the state. The local and state departments of DEED and related agencies offer educational seminars and presentations throughout the year. Topics presented in the "**Employment Taxes and Employer Responsibilities**" seminar include: State and Federal Withholding and UI Taxes, Social Security Taxes, State and Federal Labor Standards, Workers' Compensation Insurance Requirements, New Hire Reporting and a presentation on Independent Contractor vs. Employee status. http://www.uimn.org/tax/tax_classes/current_workshop_schedule.htm

These seminars are offered in collaboration with the Minnesota Department of Labor and Industry and are intended to provide you with all the information you need to prepare you for the employment aspect of running a business. You should begin these classes up to one year before your intended start-up.

OSHA

The issuing and enforcing of occupational and safety health regulations is handled by the United States Department of Labor. The Occupational Safety and Health Administration (OSHA) is the federal agency which administers these policies. The requirements put forth by OSHA includes posting notices to employees and maintaining accurate records if employee injuries. OSHA will provide you with the information on all requirements as well as related publications. OSHA policies and regulations must be posted in the workspace where all employees may see. In addition of OSHA the U.S. government also supports the Employment Standards Administration, Mine Safety and Health Administration, Veterans Employment and Training Service, and the Pension and Welfare Benefits Administration. These departments are designed to protect both the employer and employee. Similar to OSHA, each issues and enforces a unique set of requirements and regulations.

Occupational Safety and Health Administration

Minnesota Department of Labor and Industry
443 Lafayette Road N.
St. Paul, MN 55155.
(612) 284-5005.
<http://www.doli.state.mn.us/Main.asp>

APPLICATION, HIRING, & TERMINATION PROCESS

There are basic ground rules to hiring and firing employees. These are legal requirements to acquiring or terminating employees. If handled incorrectly, personnel issues can result in legal problems. These legal problems can be large enough to shut your business down. It is important to make sure all your bases are covered.

Where to Find Your Labor Source

- There are many resources through which one can find employees. The first thing that typically come to mind are the classified advertisements in local newspapers. You can place ads in these publications for one edition or for several weeks. Contact the publication you wish to use for more specific information. The Department of Employment and Economic Development is an agency that can assist you in finding employees. For more information on how this department can help you, visit <http://www.deed.state.mn.us/general/findingworkers.html>.

Application and Hiring

DON'T

- *Ask obvious questions.* Do not ask questions regarding sex, age, race, etc. or anything related to these areas. These are sensitive areas and cannot be used as discriminating factors. Some applicants may believe that all gathered information is used. It is for this reason that you should not ask these questions. It is best to avoid these topics so as to eliminate all possibility of legal problems.
- *Write on the job application form.* Any notes taken during interviews should be made on photocopies or other paper. This allows you to preserve the original application without marring it for your permanent records.

DO:

- *Limit your interview questions to job duties.* There is no reason to ask questions that do not apply to the responsibilities of the position. You may ask an applicant if he/she has any barriers to completing the duties. Do not ask question like “Do you have children?” or “Are you married?” Small talk is acceptable if the interviewer is careful. Do not venture into conversations that might produce seemingly discriminatory information.
- *Make sure all company procedures follow employment statutes.* Have your advisors or attorney review your system for application, hiring, and termination before you begin hiring and periodically thereafter.
- ***EDUCATE YOURSELF!!!*** The best way to prevent problems is to be familiar with the law. When you are in doubt about any issue concerning labor or safety, contact the Department of Employment and Economic Development or Minnesota Department of Labor. See the Resource Directory for contact information.

Termination

DO:

- *Review company policies.* If you have not yet developed company policies regarding the application, hiring, and termination, review the [Employer's Guide to Employment Law Issues in Minnesota](#). Make a checklist of your procedures. Make sure that you have followed the rules in the firing process. If you have not yet completed your checklist, **YOU SHOULD NOT TERMINATE THE EMPLOYEE YET.** Take care to finish all steps in the process to alleviate any questions and possible legal repercussions.
- *Have a stated code of expected employee behavior.* Many employers face problems due to unclear expectations of conduct. It is easier to prove reasons for termination if such a code is in place. This documentation will be helpful if you are faced with paying restitution because it will show that you had a sufficient cause to terminate the employee.
- *Conduct an exit interview.* This allows you to tie up any loose ends. Final paychecks can be issued, and company property (e.g. keys, paperwork, and files) can be returned. Ask the employee what he/she liked or disliked about your company. Ask for feedback on aspects of your company of which this person has knowledge. This person might be a bit more forthcoming with problems or constructive criticisms than someone who still works there.
- *Keep termination of an employee between you (management) and the employee.* The fired employee will appreciate your decision on this matter. Termination should not be discussed with other employees. Privacy can help you avoid harsh feelings and legal repercussions.
- *Have employees sign a release.* If you are offering the fired employee severance pay or anything else of value, have him/her sign a release of liability to the company. This may protect you in case of legal action.

Section Three

Additional Resources

RESOURCE DIRECTORY

Swift County RDA

Located on main level of Swift County Courthouse in Benson
M-F by appointment; walk-ins may be available M-F 8:00-4:30pm

301 14th Street N
PO Box 288
Benson, MN 56215
320-842-4769 local
320-843-4850 fax
800-843-4769 toll free
rda@co.swift.mn.us
www.swiftcountyrda.com

Small Business Development Center in Swift County by Appointment every other Tuesday. Contact the Swift County RDA Office at 320-842-4769 or email:

rda@co.swift.mn.us

Center for Rural Entrepreneurship CORE <http://www.swmncore.com/>

Regional resource directory

Department of Employment and Economic Development (DEED) publishes [*A Guide to Starting a Business in Minnesota*](#) that is available free of charge. Copies may be ordered online or by calling the publications order line toll-free in Greater Minnesota at (800) 310-8323. www.deed.state.mn.us/bizdev/index.htm (**Business Services/Finace**)
www.deed.state.mn.us/publications/ (**Start-up Guides**)

LegalCORPS www.legalcorps.org (legal resources)

Education - Small Business Management courses at Minnesota colleges

<http://www.mnscu.edu/business/businessguide/smallbusiness/index.html>

SBDCNet: www.sbdnet.org (industry research)

Business Plans: www.bplans.com (sample business plans)

New Employer Seminars: View the [course guide](#). Topics presented in the "Employment Taxes and Employer Responsibilities" seminar include: State and Federal Withholding and UI Taxes, Social Security Taxes, State and Federal Labor Standards, Workers' Compensation Insurance Requirements, New Hire Reporting and a presentation on Independent Contractor vs. Employee status.

The [Minnesota Small Business Development Centers](#) (a division of DEED) also offer seminars and workshops on various business topics. View a [listing of seminars and workshops by regional location](#).

The **Minnesota Department of Revenue** also offers a variety of educational sessions on Sales & Use Taxes and related topics. For more information on these workshops, visit their Web site at: www.taxes.state.mn.us/taxes/business_taxpayers Call 651-282-9999 or toll free, 1-800-657-3594

The **Minnesota Department of Labor and Industry** offers / coordinates free and low-cost training on Workers' Compensation Insurance issues. For more information, visit their Web site at: www.dli.mn.gov/WC/Training.asp Call 651-284-5070 or toll free, 1-800-DIAL-DLI (1-800-342-5354)

SCORE® provides free business counseling and offers low-cost seminars on a variety of business topics. Perhaps most importantly, experienced counselors offer free, one-on-one, personal confidential counseling on all aspects of small business management from financing to manufacturing to marketing. Stop by their Minnesota Chapter's Website for more information on the services that they offer: www.score-mn.org

The **Small Business Administration** also offers free and low-cost education geared toward the small business owner. For information about classes they offer throughout Minnesota, see their Web site at: www.sba.gov/mn

America's **Small Business Development Centers Network**: www.asbdc-us.org
(resource and research links)

[Internal Revenue Service](#) (select "Business" and then "Small Business Self-Employed" from the page menus). Call 1-800-829-1040.

Business Owner's Toolkit http://www.toolkit.com/small_business_guide/index.aspx

State Issued Licenses: http://www.license.state.mn.us/browse_by_topic/browse-by-topic.jsp

GLOSSARY OF TERMS

- Assets** – Resources, owned or controlled by a company, that have future benefits. These benefits must be quantifiable in monetary terms
- Balance Sheet** – A list of a company’s assets, liabilities, and owner’s equity at a particular point in time
- Break Even** – The unit of volume where total revenue equals total cost; there is neither profit nor loss
- Capacity** – The amount of goods or work that can be produced by a company given its level of equipment, labor, and facilities
- Capital** – The funds necessary to establish or operate a business
- Cash Flow** – the movement of money into and out of a company; actual income received and actual payments made out
- Cash Flow Statement** – A presentation of the cash inflows and outflows for a particular period of time; these flows are grouped into major categories of cash from operations, cash investing activities, and cash-financing activities
- Collateral** – assets pledged in return for loans
- Conventional Financing** – Financing from established lenders, such as banks, rather than from investors; debt financing
- Debt Financing** – Raising money for a business by borrowing, often in the form of bank loans (See Conventional Financing above)
- Debt Service** – Money being paid out on a loan; the amount necessary to keep a loan from going into default
- DEED** – Department of Employment and Economic Development
- Disbursements** – Money paid out
- Equity** – Shares of stock in a company; ownership interest in a company
- Expenses** – Outflows of resources to generate revenues
- Fixed Costs** – Those costs that are not responsive to changes in volume over the relevant range of time
- Gap Financing** – Financing to satisfy a shortfall between owner’s investment and conventional financing; public funding typically serves this need.
- Income Statement** – A matching of a company’s accomplishments (i.e. sales) with effort (expenses from operations) during a particular period of time (Revenues - Expenses = Net Income)
- Leasehold Improvements** – The changes made to a rented store, office or plant, to suit the tenant and make the location more appropriate for the conduct of the tenant’s business
- Letter of Intent** – A letter or other document by a customer indicating the customer’s intention to buy from a company
- Liabilities** – Commitments to payout assets (typically cash) to or render services for creditors
- Licensing** – The granting or permission by one company to another to use its products, trademark, or name in a limited, particular manner
- Liquidity** – The ability to turn assets into cash quickly and easily
- Market Share** – the percentage of total available customer base captured by a company.
- Net Worth** – The total ownership interest in a company, represented by the excess of the total amount of assets minus the total amount of liabilities
- Partnership** – A legal relationship of two or more individuals to run a company
- Profit Margin** – The amount of money earned after the cost of goods or all operating expenses are deducted; usually expressed in percentage terms
- Pro Forma Statements** – A financial statement detailing management’s predictions
- RDA** – Rural Development Authority provides for economic and community development in Swift County

Receipts – Funds coming into the company; the actual money paid to the company for its products or services; not necessarily the same as a company's actual receipts

SBA – Small Business Administration

SBDC – Small Business Development Center

Sole Proprietorship – Company owned and managed by one person

Variable Costs – Those costs that are directly responsive to changes in volume over the relevant range of time

Venture Capitalists – Individuals or firms who invest money in new enterprises

Working Capital – The cash available to the company for the ongoing operations of the business

Notes