

Start-up a Business in Minnesota Checklist

1. Assess yourself and your passion for wanting to start a business by answering:

- ◇ What is it about life's work that absolutely obsesses you?
- ◇ What is your dream work and why?
- ◇ What is your burning passion and why?
- ◇ What are your distinct role, skills, and aspirations in your current work?
- ◇ What will happen in 10 years if you remain absorbed in that work?
- ◇ What does your ideal organization look like?
- ◇ What is your personal agenda?
- ◇ What do you want to prove?
- ◇ What are the assumptions underlying your vision?
- ◇ What do your advisors and mentors have to say about those assumptions?
- ◇ What is driving your organizations work?
- ◇ Do you have a clear view and shared understanding of the industry 10 years from now?

2. Describe your idea:

- ◇ What do you want to sell and is it legal?
- ◇ Who will buy it and how often?
- ◇ What are ALL the costs of production and operation?
- ◇ Who will help you? Who is in your network? (i.e. bankers, trade associations, organizations, experts, professional advisors, suppliers, partners, and distributors)
- ◇ What are the equipment, supplies, inventory and facility needs?
- ◇ Is there a defined NEED for the product or service?
- ◇ How are you qualified to run the business?
- ◇ What are the barriers to starting, running, and sustaining the business?
- ◇ Where will you locate? Are there zoning laws?
- ◇ Are there required business licenses and permits?
- ◇ Do you need to file an "intent to do business" announcement?
- ◇ What insurance requirements are needed? Business, liability, health, workman's compensation, key man, errors and omissions, directors and officers, business rider on homeowners insurance?

3. Write your "business concept" 9-S's approach:

- ◇ Structure / Style / Systems / Staff / Strategy / Skills / Strength of Belonging / Services-Products / Shared Values.
- ◇ Design and order business cards, letterhead, invoices, and any other forms needed.
- ◇ Contact companies to prepare signage for facility and/or vehicles if needed.
- ◇ Draft sales literature, brochures, flyers, and any other promotional materials

4. Contact the Minnesota Department of Employment and Economic Development (DEED) 612-556-8425 or www.positivelyminnesota.com for a free copy of "A Guide to Starting a Business in Minnesota."

5. Government ID numbers, Licensing, and Employer info:

- ◇ Contact Minnesota Secretary of State 651-296-2803 or www.sos.state.mn.us/index.aspx?page=3 for:
 - File business entity and name (sole proprietorship, LLC, S-Corp, C-Corp); publish in local paper for 2 weeks
 - File Assumed name if needed (also called DBA – doing business as)
 - Reserve Business Name if needed

- ◇ Contact the IRS at www.irs.gov to get a federal EIN number. This is free! Do not pay any provider for this service.
- ◇ Contact the Minnesota Department of Revenue 651-296-6181 or www.revenue.state.mn.us/ for:
 - Obtain a MN tax ID number. This number is sometimes referred to as a resale number, resale license, or sales tax exempt number. May need this to access wholesale pricing.
 - If your business will have taxable sales, you must register to pay sales/use tax.
- ◇ Check if your business type needs any special licensing, permits, or special zoning. Check with state, county and local governments for requirements. State info can be found at: www.mn.gov/elicense. Also check if any permits are required for OSHA. Prepare MSDS's (material safety data sheets) if needed.
- ◇ If paying employees, contact Unemployment Insurance Minnesota (division of DEED) 651-296-6141 or www.uimn.org for:
 - A free copy of "Unemployment Insurance Employer Handbook"
 - You must register with UIMN but not until the first wages have been paid. Unemployment insurance is paid quarterly, directly to UIMN.
 - Contact the U.S. Department of Labor www.dol.gov for mandatory labor posters.
 - Contact DEED www.positivelyminnesota.com for Worker's Compensation Insurance information.
- ◇ If creating a product that needs a barcode for retailers, contact GS1 at www.gs1.org. You must first become a member of GS1 and obtain a company prefix. They then provide info on how to create the upc numbers. There are several software programs that will create a bar code from the specific number.
- ◇ If you plan to play music at your business, you may need to obtain licenses from the three music rights management companies (ASCAP, BMI, SESAC), or use a subscription service for businesses such as Pandora for businesses. More information can be found online by searching "music licensing for businesses".

6. Set up operational systems:

- ◇ Open a business checking account. DO NOT COMMINGLE PERSONAL AND BUSINESS FUNDS! If you are paying employees, it's a good idea to open a separate payroll checking account.
- ◇ If using a register for sales, and collecting cash and checks, determine a method for closing out register at the end of EACH day. Pull out register drawer insert(s) each night and keep in locked safe with deposits (if not going to the bank every day) and extra change.
- ◇ If accepting credit cards either in a retail setting or online, you'll need to open a merchant account, and find a payment processor. Check online for a list of credit card payment processors.
- ◇ Write an operations manual, safety manual, and others as needed.
- ◇ Write a personnel management/human resources management manual.
- ◇ Determine level of proprietary protection for copyrights, trademarks, trade names, patents, employee agreements, vendor contracts, non-disclosure agreements, etc.
- ◇ Set up tax record keeping for employees, independent contractors, and forms for organization.
- ◇ Set up "chart of accounts" for all records and reporting weekly, bi-weekly, monthly, quarterly, semi-annually, and annually.
- ◇ Decide on an accounting system (Cash or Accrual):
 - Accrual basis: An accumulation of assets or expenses or revenue items, as well as liabilities; whose value has been incurred, BUT for which no cash has yet been transferred.
 - Cash basis: An accounting system that recognizes revenue when cash is received and expenses when cash is disbursed. It does NOT match the expense with the related revenue produced during the same accounting period. This system is used mainly by individuals for income tax purposes.

7. Decide on a business structure:

- ◇ **C-Corporation** - Has no limits on number of shareholders or classes of stock. Profits are subject to double taxation (corporate income is taxed and dividends paid to each stockholder are taxed as part of the individual's income).
- ◇ **S-Corporation** - Usually for small companies that want to gain advantages of a corporate structure without the disadvantage of double taxation. Profits are distributed on a pro rata basis to stockholders who then pay personal income taxes on them or expenses are written off on personal IRS returns.
- ◇ **LLC-Limited Liability Company** - Like a C-corp. regarding unlimited number of owners and like an S-corp. because profits and losses may pass directly to owners (no double taxation). Like a partnership that allows flexible management of the business.
- ◇ **Partnership** - All partners participate in managing the business. Prepare a buy-sell agreement in case a dissolution occurs. Any partner can obligate the other partner(s) and report and pay taxes on individual portion of taxable income generated by the partnership.
- ◇ **Sole Proprietorship** - SSN is used as the Business I.D. Number and make disclosure on tax forms 1040 Schedule C and Publications 334 and 583. The IRS rules for an at-home business apply. Owner is PERSONALLY liable for all business debts and liability is not limited to the value of the business. You are personally liable for any and all debt incurred.
- ◇ **Non-Profit** - Complete the IRS form 1023 - Exemption Application. Contact the Secretary of State for rules governing the organization. Prepare Articles of Incorporation. Prepare By-Laws and annually complete IRS form 990 to retain tax-exempt status.

8. Insurance (estimates):

- ◇ **Liability** - A "must" and generally \$500,000 coverage for approximately \$250/year; \$1,000,000 coverage for approximately \$300/year. Add loss of tools: \$6,000 coverage for approximately \$50/year.
- ◇ **Worker's Compensation** - Covers employees injured on the job. Cost is typically \$300-\$1,000/year, depending on the total payroll.
- ◇ **Bonding** - Typically \$50/year per individual..
- ◇ **Business Auto Policy (BAP)** - Vehicle liability and damage coverage for commercial use of vehicles in the business.
- ◇ **Professional Liability** - Errors and Omission Insurance (E&O) or Directors and Officers (D&O) Insurance.
- ◇ **In-home business policy** - For about \$200/year to insure business property for \$10,000. Can purchase from \$300,000-\$1,000,000 coverage for liability
- ◇ Check with your insurance company to add an endorsement on the homeowner's policy for as little as \$14/year to double policy limits.

9. Write a Business Plan:

- ◇ Decide why you are writing the plan - To raise money / to clarify your future / launch of new venture / search for strategic partners / game plan to destroy your competition / to go public.
- ◇ Make sure the business plan includes three years of pro-forma financial statements, management, operations, marketing, product development, proprietary information, technical addendum, etc.
- ◇ Research market numbers for financial statements with assumptions written out.
- ◇ Get advisors involved to critique the plan.
- ◇ Gather resumes, management philosophy, photos, graphs, charts, and technical information.
- ◇ **Executive Summary** – Overview of the business, management, source and use of funds.
- ◇ **Mission & Vision** – The purpose of the business and match with your goals.
- ◇ **Product or Services** – Along with warranty and return policy.
- ◇ **Market** – Target customers who will pay and include the marketing plan.
- ◇ **Operations** – Facilities, equipment, vehicles, communications along with building design and layout for production and services (include all cost of each).
- ◇ **Management & Staff** – Describe the training, experience, and qualifications required.
- ◇ **Finances** – Includes the balance sheet (assets, liabilities, and equity), income statement (profit and loss), cash flow projections, break-even analysis, and product/service pricing formulas.

10. Raise capital to start up:

◇ Sources: Savings / Insurance / Profit Sharing / Credit Cards / Second Mortgage / Friends / Family / Bank Loans / Venture Capital / SBA Loans / Angels / Limited Partnerships / Private Placement Memorandum / Grant Applications

11. Know the rules for qualifying for an at-home business deduction and proof requirements (www.irs.gov/prod/forms_Publications/Publications/p58701.htm)

◇ Your use of the business part of your home must be exclusive for your trade or business and...

◇ The business part of your home must be ONE of the following:

Your principal place of business

A place where you meet or deal with patients, clients, or customers in the normal course of your trade

A separate structure (not attached to your home) that you use in connection with your trade or business.

12. Other tax expense circulars are:

◇ "Circular E Employers Tax Guide" IRS publication #15

◇ "Small Business Federal Tax Responsibilities" IRS publication #4591

◇ "A Tax Guide for Small Business" IRS publication #334

◇ "Business Use of Your Home" IRS publication #587

◇ "Travel, Entertainment, Gift and Car Expenses" IRS publication # 463

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