

# Latino Immigrant's Guide to Starting a Business in Arkansas!

## A Handbook for Entrepreneurs



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Obtaining Financial Assistance

Understanding Regulatory Requirements

Writing your Business Plan

Developing your Business Financial System

Selecting your Business Location

Choosing a Business Legal Structure

Selecting Professional Business Advisors

Determining the Feasibility of your Business Idea

Defining your Business Idea

Self-Assessment

# **Latino Immigrants' Guide to Starting a Business in Arkansas: A Handbook for Entrepreneurs**

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# Introduction

This guide is designed to provide information to Latin American immigrants who are considering starting a small business in Arkansas as well as established business owners who want to learn more about successful business practices. Our goal is to help you start a business in Arkansas by providing information about each step of the start-up process. The step-by-step process is also designed to help you develop a business plan by organizing your information through the use of worksheets and activities included in each step. While almost all start-up businesses will eventually need to consider each of the topics we have included in this guide, you may choose to go through each step in a different order than they are listed. Most of the material we have included was developed in direct response to survey results collected from Latino entrepreneurs in Arkansas about special training or information they would like to receive.

## Step 1 – Assessing Your Business Potential

This section will help you identify:

- Potential risks that your business may encounter.
- Your entrepreneurial personality traits.
- Your business skills and knowledge.
- Your lifestyle habits that will help you in your business venture.

## Step 2 – Defining Your Business Idea

This section will help you:

- Define your business idea.
- Identify potential problems.
- Identify areas that need more research.
- Write the Executive Summary of your Business Plan.

## Step 3 – Determining the Feasibility of Your Business Idea

This part of the process involves conducting market research to answer questions about:

- Your personal skills and knowledge.
- Your potential customers.
- Existing competition.

## Step 4 – Selecting Your Professional Business Advisors

This section describes:

- How accountants and lawyers can help you establish your business.
- How to select professional business advisors who are best for you.

## Step 5 – Choosing a Business Legal Structure

This section describes the four basic legal structures of business ownership including:

- Sole proprietorship.
- Partnership (general or limited).
- Corporation.
- Limited liability company.

### **Step 6 – Selecting Your Business Location**

This section will help you choose a suitable location by describing:

- The criteria for selecting a business location.
- The general terms found in a lease agreement.

### **Step 7 – Developing Your Business Financial System**

This section explains:

- The importance of having a business checking account.
- How to choose a banker.
- Accounting methods.
- How to prepare financial statements.

### **Step 8 – Writing Your Business Plan**

This section describes:

- The standard procedures for developing a business plan.
- The documents you need to prepare a business plan.
- The contents of a business plan.

### **Step 9 – Understanding Regulatory Requirements**

This section describes federal, state and local regulatory requirements you must meet to open a business in Arkansas. It includes information on:

- General licenses and permits.
- Additional licenses, permits and inspections.
- Requirements for businesses with employees.
- Taxes.
- Insurance.

### **Step 10 – Obtaining Financial Assistance**

This section describes:

- Sources of business financing.
- How to apply for a bank loan.

# Background

In 2008 the University of Arkansas received a three-year rural development grant from the United States National Research Initiative Competitive Grants Program. This grant helped researchers identify barriers to entrepreneurship among Latin American immigrant entrepreneurs in rural areas of Arkansas. The project is titled “Latino Immigrants’ Guide to Starting a Business in Arkansas: A Handbook for Entrepreneurs.” The grant has two main purposes. These are:

- To examine the entrepreneurial readiness and constraints among Latino migrants in rural and urban areas.
- To develop educational outreach materials and programs to facilitate and support entrepreneurial activity among targeted rural Latino populations.

In 2009 researchers from the University of Arkansas’ School of Human Environmental Sciences in Fayetteville administered the needs assessment survey to Latino immigrant entrepreneurs in 59 communities in 26 counties in western Arkansas. Among other things, the questionnaire asked participants what problems they had encountered when starting their business in Arkansas. The researchers developed this guide to address the barriers and service needs that Latino participants identified in the survey.

The tables below show some of the information we learned from the survey. The first table shows the top five barriers Latino immigrant entrepreneurs said they encountered when they opened their business in Arkansas. The next table shows the type of information they said would have helped them start a business.

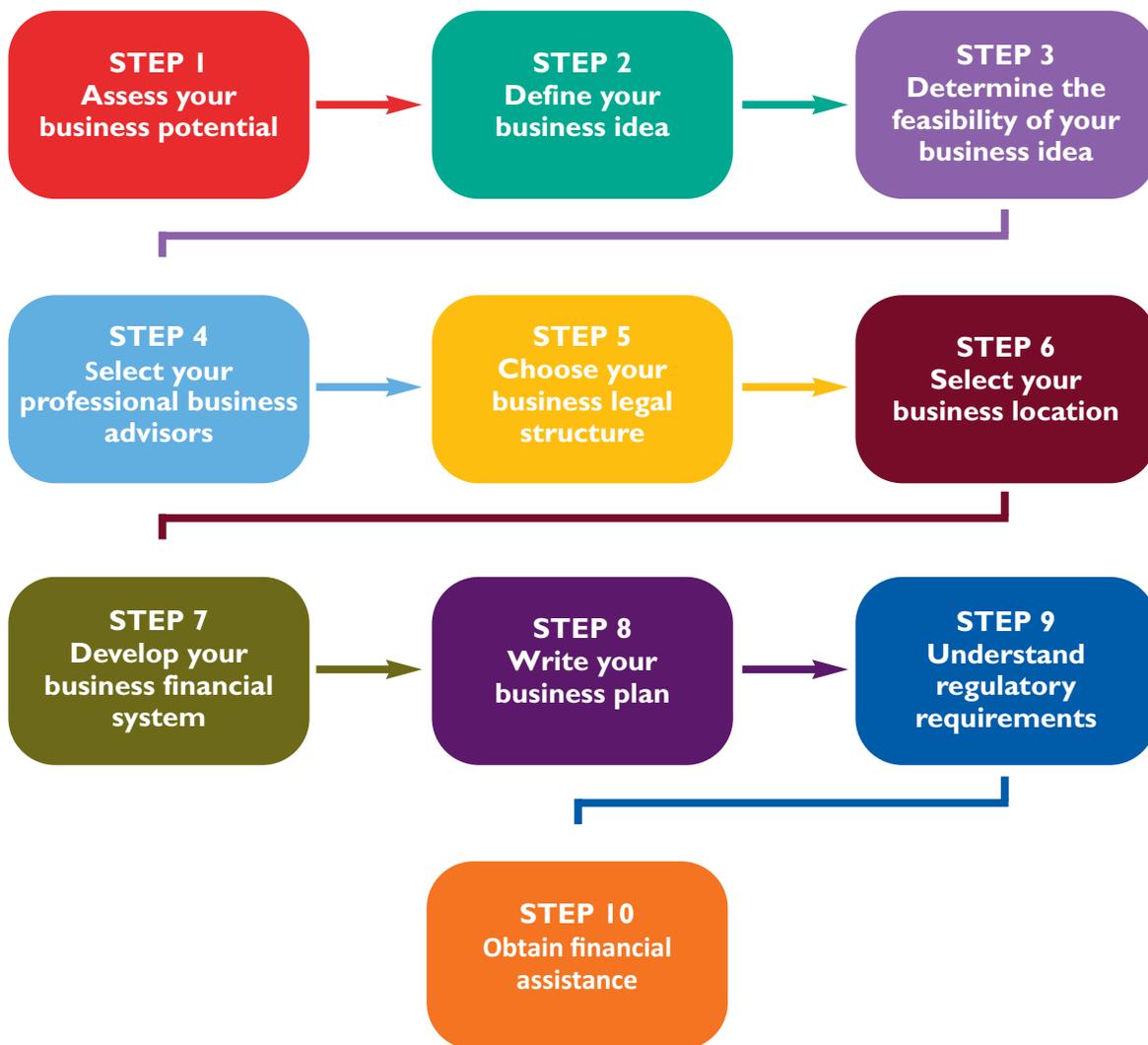
**Table 1: Top barriers that Latino immigrant entrepreneurs encounter in Arkansas**

Ranking	Barrier	Percentage
1	Having enough start-up capital	37%
2	Understanding regulations and taxes	13%
3	Advertising	12%
4	Finding a location	10%
5	Getting a license	3%

**Table 2: Information that Latino immigrant entrepreneurs need to start a business in Arkansas**

Ranking	Barrier	Percentage
1	Understanding license or business regulations	17.8%
2	Help with developing a business plan	17.2%
3	Management training	16.8%
4	How to get a loan	11.6%
5	Language classes or assistance	8.1%

The survey results show that Latinos' biggest obstacle is obtaining enough money to start their businesses. Almost 40 percent of the business owners said they had difficulty getting the money needed to start their business. Another issue the participants identified as an obstacle was understanding government regulations and taxes. About 13 percent of Latino business owners said they had a difficult time understanding where to go and how to get the licenses and permits needed to open their businesses. This guide was developed in an effort to help business owners overcome the obstacles identified in the survey results.



# Step 1

## Assessing Your Business Potential

Starting your own business requires a great deal of planning and preparation. Entrepreneurs need to be prepared to deal with any problems that may happen in order for a business to be successful. Sometimes businesses fail because the owners looked forward to receiving the rewards of entrepreneurship without fully understanding the risks they may encounter. The first step in planning a business is to understand the risks involved in opening a business. Once you are aware of potential risks, you need to evaluate your assets, traits, skills and habits to see if you have what it takes to prepare for (and maybe avoid) those risks.

Our study results show that one of Latino immigrant entrepreneurs' greatest assets is the support they receive from their families. Almost 33 percent of the participants said they learned their trade from their family, and about 40 percent said they met with their family every day. Your relationship with your family will be very important during every step of this process; so remember to include them in your plans and discuss how you can work together in this project.

This section will help you identify:

- Potential risks your business may encounter.
- Your entrepreneurial personality traits.
- Your business skills and knowledge.
- Your lifestyle habits that will help you in your business venture.

Below are listed some of the risks and rewards potential business owners should be aware of:

### Risks

- **Money**
  - You must risk a portion of your own money to start a business.
  - You must provide at least 20 percent of the financing to get a bank loan.
  - Your business may not make a profit for two years.
- **Time**
  - You will work long hours to maintain your own business.
  - You may have to work 60 to 70 hours per week.
  - You may have to work weekends and holidays.
- **Family**
  - Your relationship with your family may suffer because of the amount of time you have to dedicate to your new business.
- **Failure**
  - The emotional and financial stress of starting a business can cause a business to fail.

### Rewards

- **Independence**
  - You will have the freedom to make your own decisions.
  - You will be your own boss and will get to determine how the business is operated.
  - You will be able to do what you like to do.
- **Money**
  - You may have the opportunity to make more money working for yourself than for someone else.

You can avoid some risks by carefully planning and researching your project. Your first step in the planning process is to learn about your personal strengths and weaknesses and how they can affect your ability to administer your business. We have designed a set of self-assessment tools to help evaluate your personality, skills and lifestyle. These will help you decide if you are ready for the commitment of starting your own business. Your results will show where you may need some additional skills and training to better prepare yourself for entrepreneurship.

## Personality Assessment

The personality assessment statements are designed to help you see which entrepreneurial traits you have and which areas need improvement.

Answer “yes” or “no” to each statement.

Personality Traits	Yes	No
I am a leader.		
I can make decisions.		
I am independent.		
I set goals and accomplish them.		
I plan ahead.		
I get along well with others.		
I am confident.		
I am responsible.		
I am flexible.		
I know my limits and respect them (financial, time management).		
I am on time for events.		
I meet project deadlines.		
I can recognize other peoples' skills and talents.		
I am goal-oriented.		
I am persistent.		

- Review each statement and decide how you will improve in the areas where you answered “no.”
  - Can you get training or advice to help you improve your behavior in those areas?
  - Make a plan to deal with these topics so you can strengthen your business qualities.

## Skills Assessment

The skills assessment statements are designed to help you see which entrepreneurial skills you have and which ones you need to work on before starting your business.

Answer “yes” or “no” to each statement.

Business and Skills Knowledge	Yes	No
I know what skills I need to run my business.		
I have experience working in the industry in which I want to start a business.		
I can use a computer.		
I have and use an e-mail address.		
I have hired employees.		
I have fired employees.		
I have supervised employees.		
I have trained employees.		
I can create and follow a monthly or yearly budget.		
I can establish and maintain a bookkeeping/record-keeping system.		
I know my current credit rating.		
I know how to apply for a bank loan.		
I can prepare an invoice.		
I can prepare my financial statements.		
I can prepare my own taxes.		

- Review each statement and decide how you will improve in the areas where you answered “no.”
  - Can you get training or advice to help you improve your behavior in those areas?
  - Make a plan to deal with these topics so you can strengthen your business skills.

## Lifestyle Assessment

The lifestyle assessment statements are designed to help you see which entrepreneurial habits you have and which areas need improvement.

Answer “yes” or “no” to each statement.

Lifestyle Habits	Yes	No
I am willing to work 60 hours or more a week.		
I am willing to work weekends and holidays.		
I understand that I may have less time and/or money to dedicate to my family, church, school or community until my business is well established.		
I am willing to get professional assistance.		
I can get additional training to improve my business.		
I understand my limitations (physical, financial).		
I do not get sick very often.		
I do not get stressed very easily.		
My spouse’s income can support my family without income from my business for one year.		
I have reliable and flexible child care.		
My family will support me (emotionally and financially) during this venture.		
I can lower my standard of living until the business is well established.		
I am prepared to lose my savings.		
I can keep my full-time job and run my business on the side if I must.		
I can prepare my own taxes.		

- Review each statement and decide how you will improve in the areas where you answered “no.”
  - Can you get training or advice to help you improve your skills in those areas?
  - Make a plan to deal with these topics so you can strengthen your business habits.

## Step 2

# Defining Your Business Idea

Now that you know you have what it takes to start your own business, it is time to put your skills to the test by defining your business idea.

This section will help you:

- Define your business idea.
- Identify potential problems.
- Identify areas that need more research.

This step will also serve you later, in Step 8, when you write your business plan. Many Latino business owners who took our survey explained that they would have benefited from having a well-written business plan and a clearer idea of what they wanted to achieve with their business before they opened. Some participants realized after they opened their businesses that they had over-committed themselves and their resources on big projects when they should have started with something smaller and more specific. For example, some taqueria owners had opened restaurants at first and later reduced their menus when they noticed they were mostly selling tacos.

**Choosing the right business is very important for your success. If you choose a business you do not really like or understand, you may not be successful.**

**Answer the following questions about your specific business idea.** You can also use this worksheet to write the Executive Summary (see page 32) of your Business Plan.

Provide a general description of the new business.

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Describe the service or product you will provide.

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Describe your customers (pet owners, school children, construction workers).

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Explain why they will buy from you (because of product quality, pricing, convenient location).

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How much will customers pay for your product or service?

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What makes your product or service unique?

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How much will it cost to open this business?

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How much money do you have to start the business?

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When do you plan to open the new business?

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Where will the business be located?

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Why have you chosen this location (convenient location, affordable rent, accessibility)?

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What are some potential problems you may encounter (competition, high prices)?

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How will you overcome these problems?

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## Start-Up Costs Worksheet

Use this worksheet to make a general list of the business start-up costs you expect to have. This worksheet will also be helpful when writing your Business Plan to describe your financial requirements.

	Month 1	Month 2	Month 3
<b>Facilities Costs</b>			
Rent			
Utilities			
Telephone			
Internet			
<b>Fixed Assets</b>			
Computers			
Equipment			
Furniture			
Refrigerator			
Shelves/Display			
Stove			
Telephones			
<b>Payments</b>			
Salaries			
FICA			
Benefits, Health			
Benefits, Disability			
Benefits, Life			
Retirement			
<b>Taxes</b>			
Federal 941			
State Franchise			
Withholding			
FUTA			
SUTA			
<b>Cost of Sales</b>			
Advertising			
Inventory			
Production			
Shipping			
<b>Administrative Expenses</b>			
Business Liability			
Business Property			
Insurance			
Office Supplies			
Travel			
Worker's Compensation			
<b>Professional Services</b>			
Accounting			
Bank Charges			
Legal			
<b>Total</b>			

## Step 3

# Determining the Feasibility of Your Business Idea

Now that you have defined your business idea, you must find out how practical your project will be to carry out.

This part of the process involves conducting market research to answer questions about:

- Your personal skills and knowledge.
- Your potential customers.
- Existing competition.

Conducting market research will help you with Part VI of your Business Plan, the Market Plan. The Market Plan section requires that you describe your industry, your market, your competitive advantage and your marketing strategies. Follow these tips for researching your project and fill out the worksheet below to begin to describe your Market Plan.

Some ways you can research your project are:

- **Personal Advice** – Talk to people who already have businesses like the one you want to start. Find out some of the pros and cons of the industry so you have a better idea of what you are getting into. If you do not want to ask local business owners about their experiences, go farther from home and talk to business owners who will not be your competitors. Ask your family and friends for advice and suggestions; they may know of opportunities of which you are not aware.
- **Library** – Check the stacks and magazine racks for business guides, books and newspaper articles about area businesses and industry trends. See what other people are saying about your selected industry and how it is doing in other areas. This is also a good time to see how similar businesses advertise.
- **Internet** – Search the internet for information about your selected industry. General searches may turn up information that is helpful and can give you an idea of what others think of your potential customers and competition.

**Keep the following topic areas and questions in mind while you are researching your project.**

### Personal Knowledge

- Do I have experience in this industry?

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- Do I have all of the necessary skills and knowledge?

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- Will I need any additional training?

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- Do I need a business partner?

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- Do I have any contacts in this industry?

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- Do I have a general feel for the business?

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- Do I have enough start-up money?

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## Product or Service

- Is there a need here for this product or service?

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- Is this product or service competitive (quality, selection, price, location)?

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- Who will supply me with the products that I need?

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## Customers

- Who are my customers?

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- Why will they buy my product?

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- What do my customers need?

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## Competition

- Who is my competition?

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- What are their strengths and weaknesses?

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- Who are their customers?

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- How busy is the competition?

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## Step 4

# Selecting Professional Business Advisors

Before beginning your new business venture, it may be helpful to consult with professional advisors who can help you make important decisions and advise you on legal and financial matters.

### Professional business advisors include:

- Certified public accountant (CPA)
- Lawyer

It is very important to note that in the United States a notary is **not a legal advisor**. A notary, a public notary or a notary public has extremely limited powers in the U.S. By law, a notary can only witness and authenticate a signature or oath. Notaries **are not allowed** to give legal advice or fill out any legal document. Also, Arkansas law requires that anyone who advertises themselves as a “notario” must post the following notice at their place of business in English and Spanish: **“I am not a licensed attorney and cannot engage in the practice of law. I am not a representative of any governmental agency with authority over immigration or citizenship and I cannot offer legal advice or other assistance regarding immigration.”**<sup>1</sup>

This section describes:

- How accountants and lawyers can help you establish your business.
- How to select professional business advisors who are best for you.

An **accountant** can help you with financial management decisions such as:

- Choosing your business legal structure.
- Setting up bookkeeping and record-keeping systems.
- Preparing financial statements.
- Filing tax returns.
- Obtaining local, state and federal licenses and permits.

A **lawyer** can help you with legal issues such as:

- Choosing your business legal structure.
- Reviewing documents and contracts.
- Drafting documents and contracts.
- Negotiating contracts.
- Understanding labor laws and workplace safety regulations.

**The process for selecting professional advisors is very similar to that of hiring new employees for your business. You must meet with them, discuss their qualifications and decide if you feel comfortable working with them.**

Here are some other suggestions to keep in mind when selecting your professional business advisors:

- Ask your friends, family and associates for referrals.
- Interview prospective candidates and ask how they can help you establish a new business venture.
- Discuss their fees, services and any previous experience advising on new business ventures.

<sup>1</sup>Arkansas Code. Title 4 – Business and Commercial Law. Subtitle 7 – Consumer Protection. Chapter 109 – Use of “Notario” and Similar Terms.

## Step 5

# Choosing Your Business Legal Structure

Once you have defined your business idea and decided if you can possibly do it, you must choose a legal structure for your business. Registering the business' legal structure allows you to open a bank account, establish your business financial management system and begin the regulatory process.

This section describes the four basic legal structures of business ownership in Arkansas including:

- Sole proprietorship
- Partnership (general or limited)
- Corporation
- Limited liability company

This section provides the details needed to write Part VII, Management Structure and Organization, of your Business Plan. In the Management Structure and Organization section, you will need to describe the legal form of ownership of your business, the management and personnel and the organizational structure.

There are advantages and disadvantages that come with each legal structure. You should consult a lawyer and any partners you may have before choosing a structure.

The issue of **liability** is very important to understanding which business legal structure to choose.

- **Limited liability** means you are responsible (liable) only for the amount of money you invested in the company. If the business is sued, you are only responsible for paying up to the amount you invested in the business.
- **Unlimited liability** means there is no distinction between your business and your personal assets. If the business is sued, your personal assets could be taken to pay your business debts.

**The information below describes the four basic legal structures of business ownership. This information is used with permission from the Arkansas Secretary of State's publication *Doing Business in Arkansas*.**

## Sole Proprietorship

A business with a single owner with no formal or separate form of business structure is known as a sole proprietorship. The owner has sole control of and responsibility for the business. A sole proprietorship is easily formed, allows important decisions to be made quickly and typically has fewer legal restrictions. In this situation, the owner and the business are indistinguishable. The business has limited life and cannot be transferred to others. The sole proprietor's responsibilities include:

- Obtaining all capital.
- Personal liability for all debts and claims against the business.
- Claiming all profits and losses on the owner's personal income tax return.
- Obtaining state and local business licenses and permits.
- Recording the name of the business with your local county clerk.

## Partnership

A partnership is an association of two or more persons acting as co-owners of a business and can be created by an oral or written agreement between the parties involved. However, a written agreement is highly recommended. This agreement should set out the responsibilities and obligations of the partners as well as the percentage of ownership.

### **General Partnership**

General partnerships are not required to file official registration beyond that required for a sole proprietorship, but may file to be on record as a general partnership in the Secretary of State's office.

#### *General partnerships:*

- Do not protect the personal assets of the business partners from claims against the partnership.
- Are required to file informational returns with the Internal Revenue Service and Arkansas Income Tax Division.
- Share their profits and losses among the partners according to their ownership percentage. Partners are then required to claim this income or loss on their personal income tax return.

### **Limited Partnership**

Limited partnerships (LPs) are more intensely regulated than general partnerships. LPs consist of general partners and limited partners. The general partner(s) manage the business and have no liability protection. The limited partner(s) are usually investors that are not involved in the day-to-day running of the business and whose liability is limited to the extent of their investment.

#### *Limited partnerships:*

- Are treated like a partnership by the Internal Revenue Service.
- Were originally developed for real estate development ventures.
- Are created by filing a Certificate of Limited Partnership with the Secretary of State.
- Must file an annual report with the Arkansas Secretary of State.

### **Limited Liability Partnership**

A limited liability partnership (LLP) is much like a limited partnership. However, the LLP allows all the partners to take an active role in the management of the business while offering members some liability protection from actions of the other partners. LLPs are most often used by groups of professionals such as doctors, accountants or architects.

#### *Limited liability partnerships:*

- Are treated like partnerships by the Internal Revenue Service.
- Do not provide liability protection against actions of individual partners.
- Are created by filing a qualification of limited liability partnership with the Secretary of State.
- Must file an annual report with the Arkansas Secretary of State.

## Corporation

A corporation is a more complex form of business organization. The corporation is a legal entity and exists apart from its owners or shareholders. As a separate entity, the corporation has its own rights, privileges and liabilities apart from the shareholders, officers and board of directors. A corporation can buy and sell property, enter into contracts, sue and be sued. Elected officers and the board of directors manage the corporation.

*A corporation:*

- Is created by filing Articles of Incorporation with the Arkansas Secretary of State.
- May be formed for profit or for nonprofit purposes.
- Is unaffected in its duration by death or transfer of shares by any of the owners.
- Requires more extensive record-keeping.
- Pays taxes on its profits; profits are distributed to its owners via dividends and are taxable by state and federal taxing authorities.
- Must file an annual franchise tax report with the Arkansas Secretary of State.

## S Corporation

The S Corporation is a corporation that chooses to be taxed under Subchapter S of the Internal Revenue Tax Code. Being an S Corporation is a tax matter only. S Corporations are “tax pass through” business entities, meaning their profits and losses are reported by its owners on their personal tax returns.

In addition, the *S Corporation*:

- Is a corporation in the view of the state and complies with state corporation laws.
- Must have only one class of stock.
- Must be made up of shareholders that are individuals, estates, or trusts, but not corporations.
- Can only have shareholders that are United States citizens or residents.
- Cannot be a member of an affiliated group of corporations.
- Is limited to 75 shareholders.
- Is created by filing its Articles of Incorporation with the Arkansas Secretary of State and then the Internal Revenue Service.
- Must file an annual franchise tax report with the Arkansas Secretary of State.

## Limited Liability Company

The Limited Liability Company (LLC) combines many favorable characteristics of corporations and partnerships. The LLC provides limited liability to its members and offers them the same IRS tax treatment as partnerships.

*A limited liability company:*

- Must file Articles of Organization with the Arkansas Secretary of State.
- Allows members to manage the company themselves or to elect managers.
- Allows members to engage in management without risk of losing their limited liability status.
- Is a relatively new form of business organization
- Enjoys less regulation on record-keeping.
- May be taxed by the Internal Revenue Service as a corporation or as a partnership, depending on its structure.
- Must file an annual franchise tax report with the Arkansas Secretary of State.

	Sole Proprietorship	General Partnership	Limited Partnership	Corporation	S Corporation	Limited Liability Company
<b>Ownership</b>	Single owner with no formal or separate form of business structure	An association of two or more persons acting as co-owners	An association of general partners and limited partners	A legal entity that exists apart from its owners and shareholders	A legal entity that exists apart from its owners and shareholders. Shareholders must be individuals, estates or trusts. Shareholders cannot be other corporations. Shareholders must be U.S. citizens or residents.	
<b>Management and Control</b>	Owner has sole control and responsibility of the business	Responsibilities and obligations are set out in the written agreement between the parties	General partners manage the business. Limited partners are investors and do not manage the business.	Managed by elected officers and board of directors. Corporation has its own rights and privileges.	Managed by elected officers and board of directors. Corporation has its own rights and privileges. Must only have one class of stock.	Members manage the company themselves or elect managers.
<b>Transferability of Interest</b>	Business has limited life and cannot be transferred to others	Partner must have consent from other partners to transfer interest	Ability to transfer interest is determined by the partnership agreement	Shares can be freely transferred; this is determined by the Articles of Incorporation	Shares can be freely transferred; this is determined by the Articles of Incorporation	Ability to transfer interest is determined by the Articles of Organization
<b>Liability</b>	Owner is personally liable for all debts and claims against the business	Partners' personal assets are not protected from claims against the partnership	General partners have no liability protection. Limited partners are liable only to the extent of their investment.	Corporation has its own liabilities apart from the shareholders, officers and board of directors.	Corporation has its own liabilities apart from the shareholders, officers and board of directors	Members can manage the business without risk of losing their limited liability status.

	Sole Proprietorship	General Partnership	Limited Partnership	Corporation	S Corporation	Limited Liability Company
<b>Sources of Capital</b>	Owner must obtain all of the capital	Partners provide all of the capital	Partners provide all of the capital	Partners and investors provide the capital	Partners and investors provide the capital	Partners and investors provide the capital
<b>Taxes</b>	Owner claims all profits and losses on their personal income tax return	File informational returns with the IRS and the Arkansas Income Tax Division	File informational returns with the IRS and the Arkansas Income Tax Division	Taxes must be paid on the profits to state and federal taxing authorities	Profits and losses are reported by its owners on their personal tax returns. It is taxes under Subchapter S of the IRS Tax Code.	May be taxed by the IRS as a corporation or partnership depending on its structure. File annual franchise tax report with the Arkansas Secretary of State.
<b>Formalities</b>	Record the name of the business with your local county clerk by filing a Doing Business As certificate.	Create a written agreement between the parties involved. File with the Arkansas Secretary of State: Partnership Authority, Articles of Organization	Create a written agreement between the parties involved. File with the Arkansas Secretary of State: Certificate of Limited Partnership, Annual Report for Limited Partnership	File with the Arkansas Secretary of State: Reservation of Corporate Name, Articles of Incorporation	File with the Arkansas Secretary of State: Articles of Incorporation. Apply for "S" designation from the IRS.	File with the Arkansas Secretary of State: Reservation of Limited Liability Company Name, Articles of Organization, Franchise Tax Registration

## Step 6

# Selecting Your Business Location

Choosing a location is a very important part of starting a new business. Almost 10 percent of the Latino immigrant entrepreneurs who participated in our study said that **selecting a location** was the biggest problem encountered when they started their business in Arkansas. A little more than 4 percent of participants said information about how to rent a location would have helped them start their business.

The worksheets that are provided in this step will help you write Part VIII, Business Operations, of the Business Plan. The Business Operations section describes your business location, the licenses and permits required and your business operations plan.

Your business location usually serves as your customers' first impression of your business. Your location will help customers decide if they want to buy your product or use your service. Picking a good location will also make it easier to get your licenses and permits and will help your customers feel at home in your business.

This section will help you choose a suitable location by describing:

- The criteria for selecting a business location.
- The general terms found in a lease agreement.

The first thing you must do before choosing a location is to check with the City Clerk's office to make sure the area where the building is located is zoned for commercial use.

The second step in choosing a location is deciding whether to buy or rent the building. There are advantages and disadvantages to each option. One of the most obvious disadvantages to renting is that the building's owner can determine the price and availability of your business location. If you have researched an area well and are satisfied that it is where you want to stay, then buying an existing building may be your best option. On the other hand, if you are not sure the location is ideal, then renting may be a better situation. Renting allows you to move your location if your business expands.

Whether you rent or buy, there are certain factors you should consider when choosing a location.

### ¡¡REMEMBER!!

Have the building inspected by an independent building inspector **before settling on a business location.**

**Have a real estate lawyer read and approve your lease or purchase contract before signing anything.**

Do not hurry to choose your location. It is better to take a little more time and pick a location that is best suited to your needs.

**Check with your city's Building Inspection office to see if you need a Building Permit before making any repairs or construction changes to your business space!**

# Criteria for Selecting a Business Location

## Accessibility

- Is it easily accessible from the street?
- Is it close to other businesses that will attract customers?

## Area

- Is it in a good part of town?
- Is the area improving or deteriorating?
- Is it difficult to commute to this area?

## Competition

- Is it too close to your competition?

## Condition

- Is the building in good condition?
- Can it pass an independent building inspection?
- Can it pass the city's building code inspection?

## Convenience

- Is it easy to get in and out of the area or parking lot?

## Cost

- Can you afford the rent?
- Is it worth the rent?

## Crime

- Is this a high crime area?
- What are the shoplifting rates of nearby businesses?

## Customers

- Do your potential customers live in the area?

## Employees

- Are qualified employees available nearby?
- Are qualified employees willing to travel to this location?

## Growth

- Is there room to expand?
- Can you rent an adjoining building or space if you need to expand?

## Neighborhood

- Will your business bother your neighbors?
- Will your neighbors bother your business?

## Parking

- Is there enough parking?
- Is the parking area in front of the building?
- Is the parking area smooth, in good condition and clearly marked?

## Regulations

- Does the building meet all government regulations for this type of business?

## Requirements

- Does it meet all of your requirements for business?
- Will it need improvements to meet your requirements?

## Safety

- Is the area safe?
- Is there enough lighting around the building?

## Signage

- Is the sign appropriate and easy to see?

## Space

- Is there enough space to conduct your business?
- Is the space suitable for your needs?

## Suppliers

- Are your supplies located nearby?
- Can suppliers quickly and easily access the building for loading and unloading?

## Traffic

- How is the traffic flow in the area? Too much? Too little?

## Utilities

- Are the provided utilities enough for your business needs?
- Are the utilities included in the rent?

## Visibility

- Can you see the business from the street?
- Can you distinguish it from nearby businesses?

## Zoning

- Does the area comply with local government zoning requirements?

## Site Criteria Checklist

You can use the following Site Criteria Checklist to evaluate potential business locations and grade them according to those things that are most important for your business. Make copies of this page and take the checklist along with you to make notes when you look at potential business locations.

Location Address:		
Factors	Grade	
	✓	✗
Accessibility		
Area		
Competition		
Condition		
Convenience		
Cost		
Crime		
Customers		
Employees		
Growth		
Neighborhood		
Parking		
Regulations		
Requirements		
Safety		
Signage		
Space		
Suppliers		
Traffic		
Utilities		
Visibility		
Zoning		
<b>Total</b>		

Location Address:		
Factors	Grade	
	✓	✗
Accessibility		
Area		
Competition		
Condition		
Convenience		
Cost		
Crime		
Customers		
Employees		
Growth		
Neighborhood		
Parking		
Regulations		
Requirements		
Safety		
Signage		
Space		
Suppliers		
Traffic		
Utilities		
Visibility		
Zoning		
<b>Total</b>		

## Leasing Glossary

The Leasing Glossary below provides an overview of general terms included in most lease agreements. Be sure to understand each of these terms and have a lawyer read over your contract before you sign it.

### Basic Lease Provisions

**Rent** – Is it comparable to others in the location?

**Term** – Short term or long term?

- Try to keep the initial lease *short term* in case the business is not successful at the initial location or you realize later that you need more room to grow.

**Exclusive** – No businesses similar to yours is to be allowed in the shopping center.

**Expansion clause** – A provision that allows you to expand your business.

- Make sure the lease provides stipulations so that you can:
  - Expand the space.
  - Move your location.
  - Cancel the lease.

**Floor area** – How much square footage?

**Options** – Is there an option to renew the lease after the first term expires?

**Parking rights**

- Adequate parking space is provided.
- Make sure nearby businesses don't take over parking spaces.

**Percentage rent** – Is there a *fixed rent plus a percentage* of your sales?

- If so, negotiate a cap.

**Personal guarantee** – AVOID this; consult your lawyer.

**Rent increase** – Is there a *fixed rent increase* or is it based on the Consumer Price Index (CPI)?

- If it is based on the CPI, negotiate a percentage cap.

**Right to assign or sublet**

- Make sure the landlord's consent is "not to be unreasonably withheld."

**Signs** – Be specific with exhibit and description.

**Storage** – Is there enough room for storage?

**Tenant costs** – What costs are included in the rent?

- Business property insurance?
- Gardening/landscaping?
- General maintenance?
- Graffiti removal?
- Litter collection?
- Remodeling costs?
- Security?
- Sewer?
- Structural maintenance?
- Taxes?
- Trash collection?
- Utilities?

**Tenant improvements** – Who is responsible for improvements to the building?

- Landlord is responsible.
- Renter is responsible.

## Step 7

# Developing Your Business Financial System

Now that you have:

- developed a solid business idea,
- chosen your business legal structure,
- hired your professional advisors and
- selected your business location,
- you must **develop a financial system for your business.**

Slightly more than 16 percent of the Latino immigrant entrepreneurs who participated in our study said they would like to receive management training. Managing your company's financial system is an important part of supervising your business team.

A financial system is the process of organizing, recording and tracking your financial transactions. Keeping organized records helps you monitor your funds and make good decisions about how to spend your money.

This section explains:

- The importance of having a business checking account
- How to choose a banker
- Accounting methods
- How to prepare financial statements

The worksheets in this step will help you write the Part IX, Financial Plan, of your Business Plan. The Financial Plan must include your start-up investment requirements, your cash-flow projections and financial records for your business.

## Business Banking

It is very important to keep your business and personal checking accounts separate at all times. A separate business account adds legitimacy to your business and makes it easier to keep accurate records of your expenses and cash flow.

The first step in opening a business checking account is to choose a bank (or banker) who is right for you. Having a good relationship with your banker is essential; you must feel comfortable talking with your banker about your financial issues. Do not feel pressured to open a business checking account with the first bank you visit; you should shop around and see which bank offers you the best deals.

Here is a list of criteria that you should consider when choosing a bank (or banker) for your business:

### Size of the bank

- The bank should be large enough to service your needs but not so large that it ignores your requests.

### Experience working with small businesses

- Look for a bank that has worked with, and enjoys working with, other small and growing companies.

### **Problem response guidelines**

- Ask how the bank will react if you are late on a payment – will they foreclose immediately or will they work with you?

### **Helpfulness**

- Will the bank (or your banker) go out of his/her way to help you or are you just a number.

### **Experience in your industry**

- Look for a bank that is familiar with your industry and understands the problems you may encounter.

## **Accounting Methods**

After you have established a separate business account, you will need to organize and manage your financial records. Talk to your accountant about what financial information you need to record. Ask your accountant to help you create filing and record-keeping systems that work best for you. You may also consider buying financial management tools (such as accounting software) that can help you record and manage your business finances.

Two basic methods of accounting are:

- Cash Basis Method
  - Record income when you **receive** cash.
  - Record expense when you **pay** bill.
- Accrual Method
  - Record income when **sale** occurs.
  - Record expense when you **receive** service/goods (when expense is incurred) – even if you pay bill later.

## **Financial Statements**

The three basic financial statements are:

- Balance sheet
- Income (profit and loss) statement
- Cash flow statement

## Balance Sheet

The balance sheet is a **point-in-time statement** of all of your assets and liabilities. The difference between these two numbers (total assets and total liabilities) is your equity in your business.

BALANCE SHEET	
Company Name:	
Date:	
<b>ASSETS</b>	
Cash on hand	
Cash in checking account	
Cash in savings account	
Automobiles	
Buildings	
Furnishings	
Inventory	
Investments	
Land	
Life insurance cash value	
Money owed to me	
Stocks and bonds	
Other personal property	
Other assets	
<b>Total Assets</b>	
<b>LIABILITIES</b>	
Bills	
Credit card balances	
Installment account (auto)	
Loans	
Mortgages	
Unpaid taxes	
Other liabilities	
<b>Total Liabilities</b>	
<b>Net Worth (Total Assets - Total Liabilities = Net Worth)</b>	

## Income Statement/Profit and Loss Statement

The income statement describes your income and expenses over a period of time, usually monthly or quarterly.

INCOME STATEMENT	
Company Name	
From (date to date):	
<b>INCOME</b>	
Revenues/gross sales	
Less returns	
Less discounts	
Interest	
Refunds	
<b>Total Income</b>	
<b>EXPENSES</b>	
Advertising	
Automobile	
Bank charges	
Benefits, disability	
Benefits, health	
Cleaning supplies	
Cost of goods sold	
Equipment costs	
Insurance, business	
Interest on loans	
Internet	
Payroll	
Professional fees	
Rent/mortgage	
Repairs/maintenance	
Sales expenses	
Shipping and postage	
Storage	
Taxes, except income tax	
Telephone	
Travel	
Utilities	
Miscellaneous	
<b>Total Expenses</b>	
Net Income	
Less Income Tax	
<b>Net Income After Tax</b>	

## Cash Flow Statement

A cash flow statement gives an overview of how cash flows in and out of your business. It allows you to see how much money you usually earn and spend so you can plan your future cash needs.

CASH FLOW STATEMENT						
Company Name: _____						
Time period: January – June 20__						
	January	February	March	April	May	June
Beginning cash balance						
<b>CASH IN</b>						
Sales						
Loans						
Deposits						
<b>Total Cash In</b>						
<b>CASH OUT</b>						
Payroll						
Purchases						
Overhead expenses						
<b>Total Cash Out</b>						
<b>Cash Balance</b> (Cash In - Cash Out = Cash Balance)						

## Step 8

# Writing Your Business Plan

A business plan is a written outline that describes every aspect of your business venture. It provides specific and organized information about you, your company and your finances.

A business plan can be used for several different purposes during the lifetime of your business. A well-written business plan is a guide that helps keep you focused on your business goals and objectives during the start-up process. You can consult your plan later on in the venture to see if you have accomplished what you set out to do. The business plan also serves as a résumé, or presentation package, for your company. You can use the plan as a presentation tool with bankers and investors when you apply for a business loan. Approximately 17 percent of the Latino entrepreneurs who responded to our survey said they would like to learn how to write a business plan. Many respondents said they learned about business plans from banks that required them as part of the loan application packet.

This section describes:

- The standard procedures for developing a business plan.
- The documents you need to prepare a business plan.
- The contents of a business plan.

### Standard Business Plan Procedures

Although a business plan is tailored to describe your particular business, there are certain standards and topics that apply to all business plans.

- The business plan should be prepared with a word processing system on a computer.
- The plan should be typed with a 12-point font, 1-inch margins on all sides, single-spaced and printed on one side of white paper.
- You should present clear, logical ideas.
- Use simple language that is easy to read and understand.
- Avoid optimism – be extremely conservative.
- Do not be overly creative or imaginative.
- Use charts or graphs to describe difficult concepts.
- Review and update the business plan often.
- Ask someone to read over the business plan to help you edit it.

## Preparing to Write a Business Plan

Before sitting down to write your business plan, gather all of the documents you will need to consult. Some of the documents you may need are:

- **Résumés** for you, your management team and all of your employees
- **Financial statements**
  - Personal credit reports
  - Balance sheet
  - Income statement
  - Cash flow statement
  - Bank account statements
  - Loan agreements
- **Contracts**
  - Rental/purchase agreements
  - Partnership agreements
  - Equipment rental
- **Receipts** for business purchases
- **Licenses** or permits
- **Building inspections**
- **Insurance** policies
- **Letters** of recommendation
- **Certificates** (occupational, diplomas, etc.)
- **Advertising** samples (newspaper articles, flyers, etc.)
- **Worksheets** from the *Start-Up Guide for Small Businesses in Arkansas*.



**!!REMEMBER!!**  
*Your business plan contains sensitive information about you, your business and your associates. Treat it carefully; do not leave it lying around!*

# Business Plan Contents

Once you have assembled the necessary paperwork, you can start writing your business plan. The outline below shows the standard information that should be included in a business plan. We have also included a sample business plan at the end of this booklet for your reference.

## I. Cover Sheet/Title Page

- One page
- Company name
- Company address
- Company phone number (including area code and extension)
- Logo (if you have one)
- Owners' names, titles, addresses and phone numbers
- Month and year in which plan was issued
- Indicate that the plan is confidential

## II. Table of Contents

## III. Executive Summary

- Brief, one- to two-page summary of the business
- Write this section last
- Company name
- Nature of the business
- Purpose of the business
- Business legal structure
- Financial requirements
- Repayment plans

## IV. Business Description

- Mission statement
- Business goals and objectives
- Business status (start-up, expansion, buying existing business)
- Business legal structure
- Location
- Management

## V. Description of Products or Services

- Features of your product/service
- Benefits to your customers
- Intellectual property and proprietary rights issues
- Production plans
- Future products/services

## VI. Market Plan

- Description of industry
  - Background of industry
  - Current and future industry trends
  - How this business fits in the industry
- Your market
  - Customer profile and target market
  - Description of your trade area
  - Size of your market
  - Market potential
  - Market trends
- Your competitive advantage
  - Describe your competition
  - Describe your competitors' weaknesses
  - Describe the uniqueness of your product/service
- Marketing strategies
  - Advertising
  - Customer service
  - Distribution
  - Marketing tactics
  - Packaging
  - Pricing
  - Promotion
  - Public relations

## VII. Management Structure and Organization

- Legal form of ownership
- Management and personnel
  - Your background and experience in this business
  - Describe your management team – their background and experiences
  - Duties and responsibilities
  - Training needs and costs
- Organizational structure
  - Organizational chart
  - Description of who does what

## VIII. Business Operations

- Business location
  - Business address
  - Describe why you chose that location
  - Own or lease building
  - Terms and length of contract
  - Renovations and improvements (needs and costs)
  - Describe neighborhood
  - Describe surrounding businesses
- Licenses and permits
  - Copies of all licenses and permits obtained
  - List of needed licenses and permits
- Operations plan
  - Billing and collections process
  - Design and product manufacture
  - Distribution network
  - Insurance
  - Inventory control program
  - Record-keeping systems
  - Security
  - Shipping
  - Warehousing

## IX. Financial Plan

- Start-up investment requirements
  - Start-up costs
  - Business needs/capital equipment list
  - Source and application of funds statement

- Cash-flow projections
  - Monthly estimate of revenue and expenses
  - Projected income statement
  - Projected balance sheet
  - Summary of financial plans and needs
- For existing business
  - Income statements
  - Balance sheets
  - Tax returns for the past three years

## X. Future Directions

- Expansion
- Purchase of another company

## XI. Supporting Documents

- Résumés for managers
- Personal financial statement
- Credit reports
- Copies of leases
- Copies of all contracts
- Legal documents (partnership agreements, Doing Business As (DBA) certificate, etc.)

## Step 9

# Understanding Regulatory Requirements

Before opening your business to the public, you must meet certain regulatory requirements. These requirements are based on laws written to protect business owners, their employees and their customers. This section of the guide provides a basic outline of regulatory requirements you must complete to open a business. This overview includes local, state and federal regulatory, tax and insurance requirements.

This section deals with the second biggest barrier that Latino immigrant entrepreneurs face when opening a business in Arkansas. Almost 13 percent of the people who participated in our survey said they have difficulty understanding regulations and taxes in Arkansas. While we have made every effort to include relevant information, some cities and counties may have different or additional requirements. It is your responsibility to make sure your business complies with local, state and federal government regulatory requirements – we strongly suggest that you consult your city and county clerk’s offices for more information.



## Establishing Your Business in Arkansas

To register a new business in Arkansas, you must first file a **Doing Business As Certificate (DBA)** with your County Clerk’s office to assure that the name you have selected for your business is available.

After you secure your business name, you must **register your business legal structure**. You must register sole proprietorships with your local county clerk. Register corporations, partnerships and LLCs with the Arkansas Secretary of State Business and Commercial Services Division.

After you register your business legal structure, you must apply for an **Employer’s Identification Number with the U.S. Internal Revenue Service (IRS)** so that your business can be officially recorded by the federal government as a tax-compliant entity.

Once you have the Federal EIN, you must register your business with **Arkansas’ Department of Finance and Administration** so that you can pay all the necessary state taxes according to your business’ legal structure.

Filing a DBA and obtaining federal and state identification formally establishes your business as a legitimate entity and now allows you to move on to the local (city and county) regulatory process. Your next step is to have your **commercial property assessed by the county assessor’s office**.

The “final step” in the regulatory process actually involves obtaining licenses, permits and certificates from various city, county and state agencies including a **city business license**.

Depending on your type of business, government agencies (such as the State Board of Cosmetology, the County Health Department and the City Building Inspector) will inspect your business premises to make sure the building, equipment and operational procedures comply with health and safety requirements. Some of the inspections vary by city and/or county, but some are standard throughout the state.

### **I. Doing Business As (DBA) Certificate**

The State of Arkansas requires that sole proprietorship and general partnership businesses operating under an assumed name must file a Doing Business As (DBA) Certificate with the County Clerk's office. This certificate registers the business name to the business owner. You can get this certificate at the County Clerk's office. You must fill it out, sign it in front of a notary, have it notarized and return it to the Clerk's office. There is a \$25 filing fee. This is a one-time certification process.

#### **County Clerk's Office**

### **2. Arkansas Secretary of State Business and Commercial Services Division**

The State of Arkansas requires that all businesses, other than sole proprietorships, apply to the Arkansas Secretary of State for authority to conduct business or other activities as a corporation. This includes corporations, partnerships and LLCs. All of the **business entities filing forms** are available on the Secretary of State's website at [http://www.sos.arkansas.gov/business\\_entity\\_fees\\_forms\\_pro.html](http://www.sos.arkansas.gov/business_entity_fees_forms_pro.html). The filing fees depend on the type of business entity; fees are higher for paper filing than online filing. Registering with the Secretary of State also signs up the business to pay for the Arkansas Corporate Franchise Taxes. Tax payments are due in the office of the Secretary of State each year by May 1.

#### **Arkansas Secretary of State**

Business and Commercial Services Division

1401 West Capitol Avenue, Suite 250

Little Rock, AR 72201

Tel: 501.682.1010

Website: [www.sosweb.state.ar.us/corp\\_ucc.html](http://www.sosweb.state.ar.us/corp_ucc.html)

E-mail: [corporations@sos.arkansas.gov](mailto:corporations@sos.arkansas.gov)

### **3. Federal Employer Identification Number (EIN)**

The Employer Identification Number (EIN) is a federal tax identification number – it is like a social security number for your business. You must use the EIN to identify your business when you pay your federal, state (Arkansas) and city taxes. You can get your Federal EIN by filling out an online application on the IRS website (<https://sa1.www4.irs.gov/modiein/individual/index.jsp>) or by filling out and returning Form SS-4 to the local IRS office. There is no fee to get the EIN, and this is only done once when you start your business. **In Arkansas, the Federal EIN also serves as the Arkansas EIN tax identification number.**

#### **IRS Little Rock Office**

700 West Capitol Avenue

Little Rock, AR 72201

Tel: 501.324.5111

#### **IRS Fayetteville Office**

655 East Millsap Road

Fayetteville, AR 72703

Tel: 479.442.3948

#### **IRS Ft. Smith Office**

4905 Old Greenwood Road

Ft. Smith, AR 72903

Tel: 479.649.8602

#### 4. Arkansas Taxpayer Business Registration

The state of Arkansas' Department of Finance and Administration has created a website, the **Arkansas Taxpayer Access Point (ATAP)**, where business owners can register a business and file tax returns. You must have your federal EIN to register as a sole proprietor, partnership, corporation or LLC. The ATAP website also allows business owners to access their accounts and pay the Sales and Use Tax and Withholding Tax online. You can find more information about Arkansas business taxes in the Arkansas Department of Finance and Administration's brochure "Starting a New Business," [http://www.dfa.arkansas.gov/offices/policyAndLegal/Documents/starting\\_a\\_new\\_business.pdf](http://www.dfa.arkansas.gov/offices/policyAndLegal/Documents/starting_a_new_business.pdf).

##### Arkansas Department of Finance and Administration

1509 West Seventh Street

Little Rock, AR 72201

Tel: 501.683.2827

Tel: 877.280.2827

Online ATAP application: [https://atap.arkansas.gov/AR\\_xwTapMgr.aspx](https://atap.arkansas.gov/AR_xwTapMgr.aspx)

#### 5. Commercial Personal Property Assessment

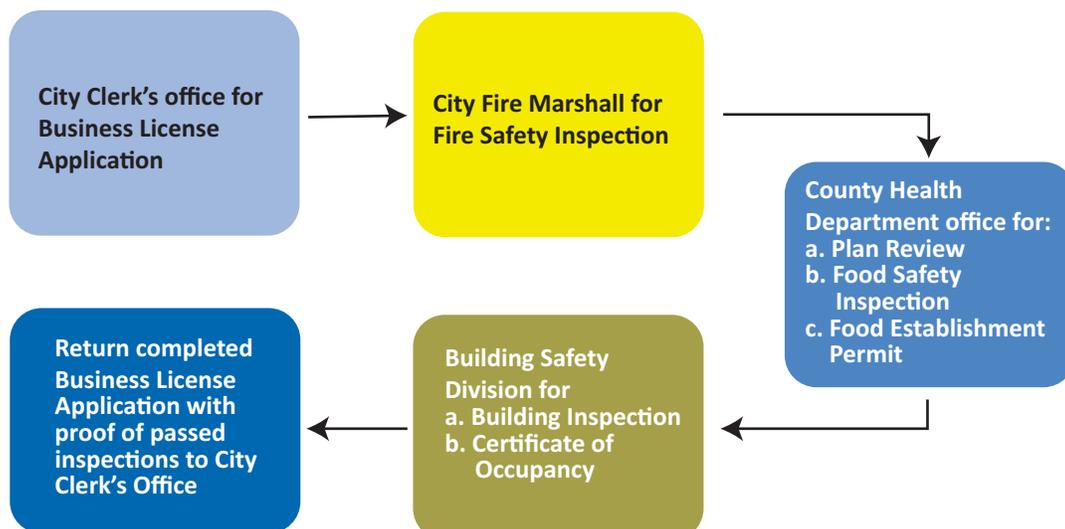
Arkansas law requires businesses to assess their personal property (fixed assets, supplies and inventory) to determine their county property taxes. To assess your property, get the **Commercial Personal Property Assessment Form** from your County Assessor's office. Fill it out, sign it and return it to the Assessor's office before May 31.

##### County Assessor's Office

#### 6. Local Business Licenses, Permits and Inspections

Most cities in Arkansas require businesses to have a business license to operate within the city limits. Business licenses are usually issued by the City Clerk's office and may require several inspections by various local and state government offices to make sure the business is safe and ready for operations. Also, you may need to attach a Letter of Consent from your business' property owner (if you rent the building) with your city Business License Application.

Below is an example of how the business license application process might look for a business that serves food:



Here are some other licenses and permits you may have to get to comply with all local and state regulations. Be sure to ask your **City and County Clerk's offices** for more information about licenses and permits that are specific to your business.

- Building Inspection
- Building Permits
- Certificate of Occupancy
- Fire Code Inspection
- Food Establishment Permit
- Historic District Permit
- Home Occupation Permit
- Remodeling Permit
- Sign Permit
- Zoning Approval/Permit

## **Additional Licenses, Permits and Inspections**

Below are listed some additional licenses and permits that are required depending on the type of business you plan to operate.

### **Alcoholic Beverage Control**

A business must be inspected and licensed by the Alcoholic Beverage Control (ABC) Administration Division of the Arkansas Department of Finance and Administration to sell alcohol in the state of Arkansas. Contact the ABC Division for more information about the licensing procedure.

#### **Alcoholic Beverage Control Administration**

1515 Building  
1515 West Seventh Street, Suite 503  
Little Rock, AR 72201  
Tel: 501.682.1105  
Fax: 501.682.2221  
Website: [www.dfa.arkansas.gov/offices/abc/Pages/default.aspx](http://www.dfa.arkansas.gov/offices/abc/Pages/default.aspx)

### **Arkansas Department of Environmental Quality (ADEQ)**

Some businesses are required by state law to obtain permits to comply with environmental regulations. Contact the Arkansas Department of Environmental Quality to see if your business requires special permits to dispose of certain waste materials.

#### **Arkansas Department of Environmental Quality Business Assistance Programs Public Outreach and Assistance Division**

5301 Northshore Drive  
North Little Rock, AR 72118-5317  
Tel: 501.682.0820  
Tel: 888.233.0326  
Fax: 501.682.0880  
Website: [www.adeq.state.ar.us/poa/businessasst.htm](http://www.adeq.state.ar.us/poa/businessasst.htm)

### **Child Care**

Child care facilities are licensed and regulated by the Arkansas Department of Human Services. Contact your county office of Human Services for more information and to receive a packet of regulations.

#### **Arkansas Department of Human Services**

Tel: 501.682.8590  
Website: <http://www.arkansas.gov/dhs/homepage.html>

### **Occupational Licenses**

Persons working in certain occupations are required to get occupational licenses to open a business. The occupational license shows that you have the necessary education or certification to perform your duties. Contact the Arkansas Department of Workforce Services to find out about regulations that apply to specific occupations such as cosmetology and mechanics.

#### **Arkansas Department of Workforce Services**

2 Capitol Mall  
Little Rock, Arkansas 72201  
Tel: 501.682.3200  
Website: [www.arkansas.gov/esd/](http://www.arkansas.gov/esd/)

### **Restaurant and Food Services**

All businesses that prepare and/or sell food are required to obtain a Food Establishment Permit from the Arkansas Department of Health. You must contact your local county Health Department office to make an appointment for an Environmental Health Specialist to visit and inspect your business. The Food Establishment Permit costs \$35 and must be renewed every year.

#### **Arkansas Department of Health**

4815 West Markham Street  
Little Rock, Arkansas 72205  
Tel: 501.661.2000  
Tel: 800.462.0599  
Website: [www.healthy.arkansas.gov/Pages/default.aspx](http://www.healthy.arkansas.gov/Pages/default.aspx)

## **Businesses With Employees**

There are several additional tax and regulatory requirements for businesses that hire employees. First, before hiring a new employee, you will need to verify their eligibility to work in the United States. After your workers are hired, you are required to pay income and payroll taxes to the state and federal governments based on your employees' salaries.

### **Employment Eligibility Verification – Form I-9**

All of your employees will need to complete the U.S. Citizenship and Immigration Services' Employment Verification Form (Form I-9) to verify they are eligible to work in the United States. You can obtain a copy of this form at your local IRS office or online at <http://www.uscis.gov/files/form/i-9.pdf>. After you and your employee have signed the I-9, you must keep the form at your place of business and make it available for inspection by U.S. government officials. You do not need to file the I-9 with any U.S. government agency.

### **Insurance Benefits Plan**

Most employees expect their employers to provide them with an insurance benefit package. There are many different plans available to employers. We recommend that you get professional advice to help you evaluate the options available to you. You can also contact Arkansas Health Networks to learn about the Arkansas state healthcare benefits program that is specifically for small businesses and self-employed individuals who do not have medical coverage.

**Arkansas Health Networks**

Westlake Corporate Center  
Shannon Building  
10801 Executive Centre Drive  
Suite 101  
Little Rock, AR 72211  
Tel: 1.800.540.7566  
Fax: 501.228.6532  
Fax: 501.537.8081  
Website: [www.arhealthnetworks.com/index.php](http://www.arhealthnetworks.com/index.php)

**Labor Laws**

There are state and federal labor laws that apply to businesses employing four or more people. Contact the Arkansas Department of Labor to obtain more information about minimum wage requirements, overtime, child labor and workplace safety. The Department of Labor can also send you workplace safety and wage requirement signs that you must post in your business.

**Arkansas Department of Labor**

10421 West Markham, First Floor  
Little Rock, AR 72205  
Tel: 501.682.4500  
Website: [www.arkansas.gov/labor/index.html](http://www.arkansas.gov/labor/index.html)

**U.S. Department of Labor**

200 Constitution Avenue, NW  
Washington, DC 20210  
Tel: 866.487.2365  
Website: [www.dol.gov](http://www.dol.gov)

**Social Security and Medicare**

The Federal Insurance Contributions Act (FICA) requires employers to withhold a certain portion of their employees' salary to pay Social Security and Medicare taxes. Employers are required to file the Form W-2 with the Social Security Administration for each employee to report wages earned. Contact the local IRS office or website ([www.irs.gov](http://www.irs.gov)) for more information.

**Workers' Compensation Insurance**

Businesses with three or more employees are required to pay Workers' Compensation Insurance that will pay their employees if injured on the job. The amount of insurance you must buy depends on the type of business you have. Contact a licensed insurance agent and the Arkansas Workers' Compensation Commission (AWCC) for more information. Also, employers must post signs in their place of business that inform employees how to handle workplace injuries. The AWCC provides some signs.

**Arkansas Workers' Compensation Commission**

324 Spring Street  
P.O. Box 950  
Little Rock, AR 72203  
Tel: 501.682.3930  
Tel: 800.622.4472  
Website: [www.awcc.state.ar.us/](http://www.awcc.state.ar.us/)

## Taxes

The taxes you pay to the state and federal governments depend on your business legal structure and the products or services you offer. Refer to the local IRS office and the Arkansas Department of Finance and Administration for more information.

### Federal Taxes

#### ***Federal Income Tax***

All businesses must file an annual income tax return with the federal government (IRS). The amount of taxes you pay depends on the legal structure of your business. Refer to the local IRS office or the IRS website at [www.irs.gov](http://www.irs.gov) for more information.

#### ***Federal Unemployment Tax (FUTA)***

The Employer's Annual Federal Unemployment Tax (FUTA) is a federal tax that you pay to the state unemployment system. **This tax is an employer-paid tax that you do not withhold from an employee's salary.** You must pay FUTA taxes quarterly using Form 940 or 940-EZ.

#### **Arkansas Department of Workforce Services**

2 Capitol Mall  
Little Rock, Arkansas 72201  
Employer Account Services: 501.682.3798  
Technical and Wage Services: 501.682.3100  
Employer Charges: 501.682.1181  
Website: [www.arkansas.gov/esd/](http://www.arkansas.gov/esd/)

#### ***Federal Employment Tax (Payroll Taxes)***

If you have employees, the federal government requires you to collect and deposit employment taxes from their wages/salaries as well as your employer's share. The Federal Insurance Contributions Act (FICA) requires that 12.4 percent of any earned income up to an annual limit must be paid into Social Security and an additional 2.9 percent must be paid into Medicare. In order to file the taxes, you must have your employees fill out the Employee's Withholding Allowance Certificate (Form W-4) when you hire them. Refer to the local IRS office or the IRS website at [www.irs.gov](http://www.irs.gov) for more information.

### State Taxes

#### ***State Income, Sales and Withholding Taxes***

All businesses must file an annual income tax return with the state government and pay quarterly sales and withholding taxes. The amount of taxes you pay depends on the legal structure of your business and the number of employees you have. You enroll your business in the state tax system when you register your business with the Arkansas Department of Finance and Administration.

#### **Arkansas Department of Finance and Administration**

1509 West Seventh Street  
Little Rock, AR 72201  
Tel: 501.683.2827  
Tel: 877.280.2827  
Online application ATAP: [https://atap.arkansas.gov/AR\\_xwTapMgr.aspx](https://atap.arkansas.gov/AR_xwTapMgr.aspx)

### **State Unemployment Tax (SUTA)**

The Employer's Annual State Unemployment Tax (SUTA) is a state tax you pay to the state unemployment system. **This tax is an employer-paid tax that you do not withhold from your employee's salary.**

#### **Arkansas Department of Workforce Services**

2 Capitol Mall  
Little Rock, Arkansas 72201  
Employer Account Services: 501.682.3798  
Technical and Wage Services: 501.682.3100  
Employer Charges: 501.682.1181  
Website: [www.arkansas.gov/esd/](http://www.arkansas.gov/esd/)

## **Insurance**

As an entrepreneur, you are responsible for protecting your business and maintaining your family's well-being. Having appropriate insurance coverage is one of your best strategies to protect your interests and minimize your risks. You should consult an insurance agent to learn more about insurance policies available to business owners. A qualified agent will help you identify your insurance needs and develop a plan to meet those needs.

Most businesses require the following types of insurance:

- Property
  - Fire
  - Hazard
  - Crime/Theft
- Liability
- Automobile

Other coverage includes:

- Business interruption
- Dental
- Disability
- Group life
- Health
- Vandalism

Some insurance companies offer a package of property and liability insurance called Business Owner's Policy (BOP). A BOP is easier to handle and is streamlined to meet business owner's needs.

Bankers will require property and liability insurance as a condition.

### **Health Insurance**

Contact Arkansas Health Networks to learn about the Arkansas state healthcare benefits program that is specifically for small businesses and self-employed individuals who currently do not have medical coverage.

#### **Arkansas Health Networks**

Westlake Corporate Center  
Shannon Building  
10801 Executive Centre Drive, Suite 101  
Little Rock, AR 72211  
Tel: 1.800.540.7566  
Fax: 501.228.6532  
Fax: 501.537.8081  
Website: [www.arhealthnetworks.com/index.php](http://www.arhealthnetworks.com/index.php)

### Register Business Name

- File a Doing Business As (DBA) Certificate at the County Clerk's office.

### Register Business with Secretary of State

- File your Business Entity Form online with the Secretary of State Business and Commercial Services Division at <https://www.ark.org/sos/ofs/docs/index.php>.

### Federal Employer Identification Number (EIN)

- Apply for your Employer Identification Number (EIN) for filing federal and state (Arkansas) taxes.
- You may apply online (Form SS-4) at <https://sa1.www4.irs.gov/modiein/individual/index.jsp>.

### Arkansas Taxpayer Access Point

- Register your business with the State of Arkansas.
- You may apply online with Arkansas Department of Finance and Administration, Revenue Department at [https://atap.arkansas.gov/AR\\_xwTapMgr.aspx](https://atap.arkansas.gov/AR_xwTapMgr.aspx).
- Use your EIN to apply.

### Business Property Assessment

- Fill out and return the Commercial Personal Property Assessment Form to the County Assessor's office.

### Local Business Licenses

- Obtain local Business License Application at the City Clerk's office.
- Schedule and obtain required inspections.
- Attach information to Business License Application and return to the City Clerk's office.

## Step 10

# Obtaining Financial Assistance

Results from our 2009 survey show that many Latino entrepreneurs have problems getting a sufficient amount of money to start their businesses. Almost 40 percent of the people who took the survey said that having enough money was their biggest obstacle when they were starting out. Only 16 percent of the participants got bank loans to start their businesses. This section is designed to help you get the money you need to establish your business.

Topics covered in this section:

- Sources of financing
- Applying for a bank loan

Before starting this section, update the start-up costs table in Step 2 (page 11) and the Financial Plan section of your Business Plan. Think about the questions below while you are updating these documents – these are the types of questions lenders might ask before agreeing to loan you money:

- How much money do I need?
- What exactly will this money be used for?
- How long have I been in this type of business?
- What is my personal experience in managing money and business?
- What is my credit score?
- What personal financial resources can I invest in the business?
- What am I willing to give up to acquire the money to start my business (credit, ownership of business)?

These questions are important because they will tell the bank what kind of a person you are, how well you know your business and whether you are able to pay back the loans you get. You need to know exactly how much money you need and what it will be used for. The bank needs to know that you have accounted for all of your costs and that you understand where your money needs to be spent. Your personal knowledge about running a business and managing money is important because it shows the bank that you are responsible and experienced. A bank will not lend money to someone who does not know how to organize his or her finances or maintain a good credit record. Finally, the bank will want to see how much of your personal money you are investing in the business. They will be more likely to assist someone who has a substantial stake in the business.

Here are the three traditional sources of financing that small business owners usually rely on to help them start their business. We suggest that you carefully consider your personal savings and equity funding options before applying for a bank loan.

### Sources of Financing

- **Personal savings**
  - Personal savings are monies you have saved for your business venture. This is usually the primary source of capital for small businesses.
- **Debt financing**
  - Debt is money you borrow from a bank, family or friends to start your business venture. You are legally obligated to repay the amount of money you borrow from these sources.
- **Equity funding**
  - Equities are funds provided by investors or partners in exchange for owning a part of the business.

	Advantages	Disadvantages
<b>Debt</b>	<ul style="list-style-type: none"> <li>You retain total control of the company.</li> <li>More flexibility in how you use the money and how much you use.</li> </ul>	<ul style="list-style-type: none"> <li>It can be difficult to get more debt financing later if you need it.</li> <li>It can be more difficult to obtain than equity funding.</li> <li>If the business fails, you are still obligated to repay the money.</li> </ul>
<b>Equity</b>	<ul style="list-style-type: none"> <li>You are not required to pay it back.</li> <li>It increases the company's net worth and makes it more stable.</li> <li>You can qualify for more debt funding.</li> <li>If the business fails, you do not have to repay investors' money.</li> </ul>	<ul style="list-style-type: none"> <li>You lose total control of the company.</li> <li>You must share the business profits.</li> </ul>

## Applying for a Bank Loan

Before you apply for a bank loan, you need to understand that banks are in the business of making money; they are not charitable institutions. When the bank's loan officer interviews you for a loan application, he or she will be mainly interested in how you will repay the money they lend you.

Keeping this in mind, it is also important that you know the following information about getting a bank loan:

- 100 percent loans do not exist.
- Banks will require you to put up 25 to 30 percent of the start-up costs.
- Getting a loan is a difficult and time-consuming process – it may take 60 to 90 days.
- You must have good personal credit scores – your credit history shows your ability/likelihood to repay.
- You must have a good work history.
- You must show that you have experience and/or training in this type of business.
- You must show that you have enough cash flow to make the monthly loan payments.
- You should have letters of recommendation.

Additional information about bank loans:

### Five Cs of Credit

#### Capacity to repay

- How will you repay?
  - Repayment plan (time frame)
- How much profit will your company generate?
  - Sources of repayment
- Will business cash flow provide enough money to repay?
  - Probability of repayment

**Capital**

- How much of your money did you invest in the business?
  - Your capital investment indicates how much you are risking if the business fails.
  - Banks believe that you are more likely to make sure the business succeeds if you have money invested.
- How much money do you have in reserve?

**Collateral**

- What are your repayment sources in case the business fails?
- What guarantees can you provide the lender?
- What assets (equipment, building) do you have?

**Conditions**

- What is the intended purpose of the loan?
- What will the money be used for – equipment, inventory?
- What are the current industry conditions/trends?
- How will the bank evaluate the risk/reward of investing in your business?

**Character**

- What kind of impression do you make on the lender?
- What is the lender's opinion of you, your education and your experience in the business?
- What is the quality of your references?
- What is your employees' background and experience?

**Types of business loans**

- Short-term – 1 year
- Long-term – more than 1 year/less than 7 years

**Financial statements you will need for a bank loan application**

- Personal financial statement
- Balance sheet
- Profit and loss statement
- Statement of cash flow

## Appendix A

# Business Start-Up Preparations Checklist

### Long-Term Preparations

- Research the industry and market you plan to enter.
  - Know the trends, forecasts, developments, opportunities, risks, competitors, etc.
- Decide if you will work at your business full-time or part-time.
- Investigate courses and seminars dedicated to helping small business owners and start-ups.
- Choose the hours and days of operation for your business.
- Outline a monthly and yearly budget.
- Select a business lawyer.
- Select an accountant.
- Make a plan to obtain funding/financing.
- Choose a legal form for your business (sole proprietorship, partnership, corporation, or limited liability).
- Choose a name for your company.
- Register the name (*DBA Certificate*) with your *County Clerk's office*.
- Form a legal entity and acquire an *Employer Identification Number from the IRS*.
- Become familiar with federal, state and local regulations and compliance requirements.
- Select a location.
- Have business building inspected before signing lease/purchase agreement.
- Have lease/purchase agreement reviewed by your lawyer before signing.
- Sign a lease/purchase agreement for your new business space.
- Create a floor plan for your new business space.
- Obtain risk and property insurance for your business.
- Open a business bank account.
- Obtain company contact information: telephone and fax number, e-mail address, postal address.
- Connect business utilities: electricity, water, gas, telephone, internet.
- Obtain required local and state licenses and permits.
- Set the prices for your product/service.
- Determine what financing you will need and how you will get it.
- Write a business plan.
- Register trademarks, copyrights, logos, patents, etc.
- Select office equipment and suppliers.

## **Mid-Term Preparations**

- Set up accounting/record-keeping system.
- Set up financial management system.
- Write a sales and marketing plan.
- Create a customer service policy.
- If you're hiring staff:
  - Post available jobs or find a recruiting company.
  - Become familiar with labor laws.
  - Find payroll services.

## **Short-Term Preparations**

- Create marketing materials (signs, flyers, brochures, stationery or business cards).
- Attend networking opportunities to build your business (Chamber of Commerce events, business contacts, conferences, social networking, word of mouth, etc.).
- Write and distribute a press release announcing your new business.
- Find an answering service solution for when you can't take phone calls.

**Appendix B**  
**Contact Information for**  
**Small Business Resources**  
**Arkansas State Government**

**Arkansas Attorney General**

323 Center Street, Suite 200  
Little Rock, Arkansas 72201  
Tel: 501.682.2007  
Tel: 800.482.8982  
Website: [www.ag.arkansas.gov](http://www.ag.arkansas.gov)

**Arkansas Contractors Licensing Board**

4100 Richards Road  
North Little Rock, AR 72117  
Tel: 501.372.4661  
Fax: 501.372.2247  
Website: [www.state.ar.us/clb/](http://www.state.ar.us/clb/)

**Arkansas Department of Environmental Quality  
Public Outreach and Assistance Division  
Business Assistance Programs**

5301 Northshore Drive  
North Little Rock, AR 72118-5317  
Tel: 501.682.0820  
Tel: 1.888.233.0326  
Fax: 501.682.0880  
Website: [www.adeq.state.ar.us/poa/businessasst.htm](http://www.adeq.state.ar.us/poa/businessasst.htm)

**Arkansas Department of Finance  
and Administration**

1509 West Seventh Street  
Little Rock, AR 72201  
Tel: 501.683.2827  
Tel: 877.280.2827  
Online ATAP application:  
[https://atap.arkansas.gov/AR\\_xwTapMgr.aspx](https://atap.arkansas.gov/AR_xwTapMgr.aspx)

**Arkansas Department of Finance  
and Administration  
Alcoholic Beverage Control Administration**

1515 Building  
1515 West Seventh Street, Suite 503  
Little Rock, AR 72201  
Tel: 501.682.1105  
Fax: 501.682.2221  
Website: [www.dfa.arkansas.gov/offices/abc/Pages/default.aspx](http://www.dfa.arkansas.gov/offices/abc/Pages/default.aspx)

**Arkansas Department of Finance  
and Administration  
Alcoholic Beverage Control Enforcement**

P.O. Box 2259  
Little Rock, AR 72203  
Tel: 501.682.8174  
Fax: 501.682.3874  
Website: [www.dfa.arkansas.gov/offices/abc/Pages/default.aspx](http://www.dfa.arkansas.gov/offices/abc/Pages/default.aspx)

**Arkansas Department of Health  
Environmental Health  
Food Protection**

4815 West Markham Street, Slot 46  
Little Rock, AR 72205  
Tel: 501.611.2171  
Fax: 501.611.2572  
Website: [www.healthy.arkansas.gov/programsServices/environmentalHealth/foodProtection/Pages/default.aspx](http://www.healthy.arkansas.gov/programsServices/environmentalHealth/foodProtection/Pages/default.aspx)

**Arkansas Department of Human Services**

P.O. Box 1437  
Donaghey Plaza South, Slot S201  
Little Rock, AR 72203  
Tel: 501.682.1001  
Tel: 800.482.8988  
Website: [www.arkansas.gov/dhs/homepage.html](http://www.arkansas.gov/dhs/homepage.html)

**Arkansas Department of Labor**

10421 West Markham  
Little Rock, AR 72205  
Tel: 501.682.4500  
Fax: 501.682.4535  
Website: [www.arkansas.gov/labor/index.html](http://www.arkansas.gov/labor/index.html)

**Arkansas Department of Workforce Services  
Employer Services**

2 Capital Mall  
Little Rock, AR 72201  
Tel: 501.682.3798  
Website: [www.arkansas.gov/esd/](http://www.arkansas.gov/esd/)

**Arkansas Economic Development Commission  
Small and Minority Businesses**

900 West Capital Avenue  
Little Rock, AR 72201  
Tel: 501.682.6105  
Tel: 1.800.ARKANSAS  
Fax: 501.682.7394  
Website: [http://arkansasedc.com  
/small-and-minority-businesses.aspx](http://arkansasedc.com/small-and-minority-businesses.aspx)

**Arkansas Health Networks**

P.O. Box 25330  
Westlake Corporate Center, Shannon Bldg  
10801 Executive Centre Drive, Suite 101  
Little Rock, AR 72211  
Tel: 800.540.7566  
Fax: 501.228.6532  
Website: [www.arhealthnetworks.com/index.php](http://www.arhealthnetworks.com/index.php)

**Arkansas Insurance Department**

1200 West Third Street  
Little Rock, AR 72201  
Tel: 501.371.2600  
Tel: 800.282.9134  
Fax: 501.371.2618  
Website: [www.insurance.arkansas.gov/](http://www.insurance.arkansas.gov/)

**Arkansas Secretary of State  
Business and Commercial Services Division**

1401 West Capitol Avenue, Suite 250  
Little Rock, AR 72201  
Tel: 501.682.1010  
Website: [www.sosweb.state.ar.us/corp\\_ucc.html](http://www.sosweb.state.ar.us/corp_ucc.html)  
E-mail: [corporations@sos.arkansas.gov](mailto:corporations@sos.arkansas.gov)

**Arkansas Tobacco Control**

101 East Capitol Avenue, Suite 401  
Little Rock, AR 72201-3826  
Tel: 501.682.9756  
Fax: 501.682.9760  
Website: [www.arkansas.gov/atcb/](http://www.arkansas.gov/atcb/)

**Arkansas Workers' Compensation Commission**

P.O. Box 950  
324 Spring Street  
Little Rock, AR 72203-0950  
Tel: 501.682.3930  
Tel: 800.622.4472  
Website: [www.awcc.state.ar.us/](http://www.awcc.state.ar.us/)

## Entrepreneurial Resources

**Arkansas Small Business and  
Technology Development Center  
ASBTDC Lead Center  
UALR College of Business  
Donald W. Reynolds Center for Business and  
Economic Development**

2801 South University  
Little Rock, AR 72204  
Tel: 501.683.7700  
Tel: 800.862.2040  
Fax: 501.683.7720  
Website: <http://asbtdc.ualr.edu/>

**Small Business Administration  
Arkansas District Office**

2120 Riverfront Drive, Suite 250  
Little Rock, AR 72202-1796  
Tel: 501.324.7379  
Fax: 501.324.7394  
Website: [www.sba.gov/ar](http://www.sba.gov/ar)

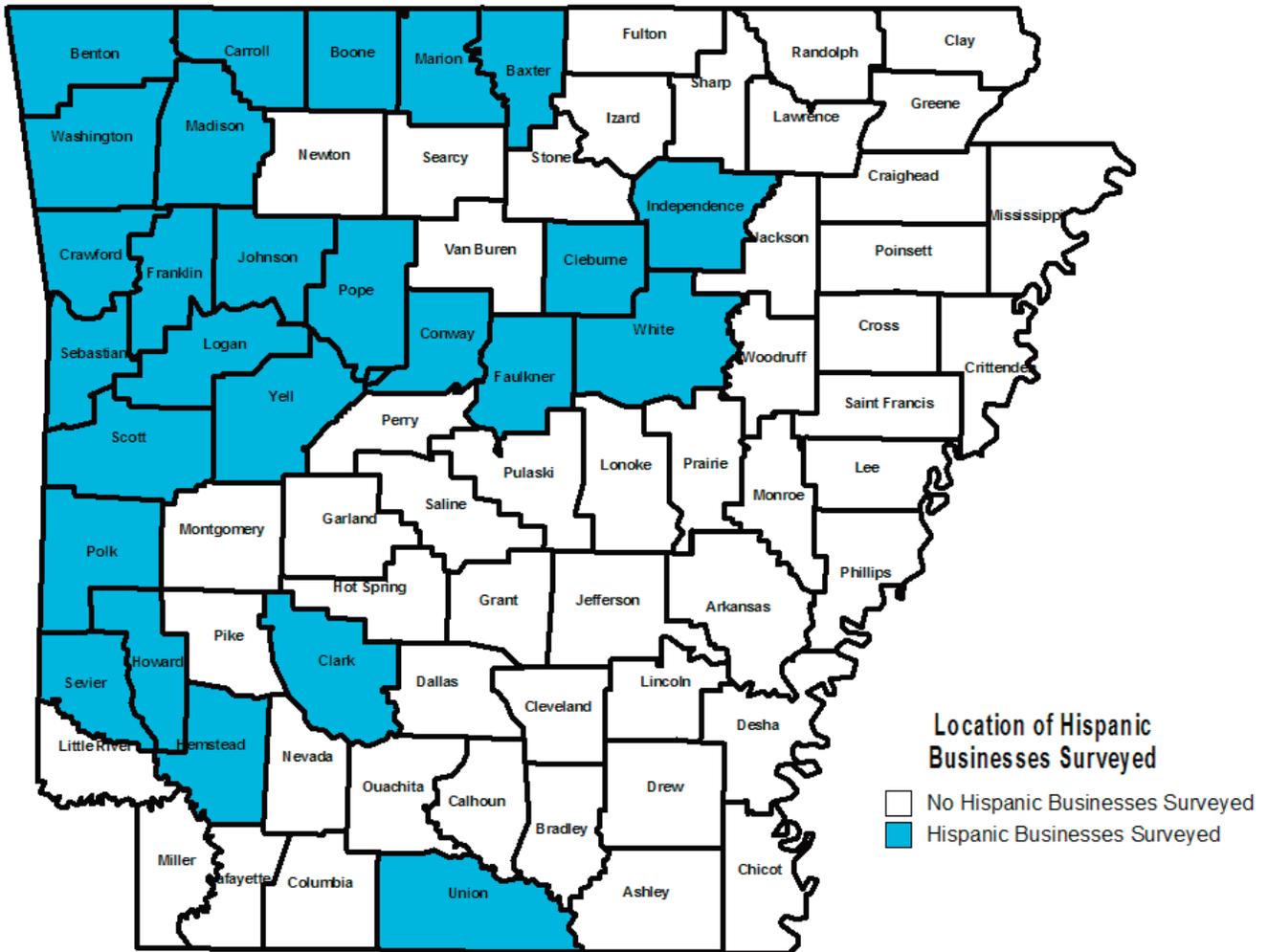
**Northwest Arkansas SCORE**

614 East Emma Street, Room M412  
Springdale, AR 72764  
Tel: 479.725.1809  
Website: [www.nwascore.org/](http://www.nwascore.org/)

**Little Rock SCORE**

2120 Riverfront Drive, Suite 250  
Little Rock, AR 72202-1796  
Tel: 501.324.7379, Ext. 302  
Fax: 501.324.7395  
Website: [www.littlerock.scorechapter.org/](http://www.littlerock.scorechapter.org/)

## Location of Hispanic Businesses Surveyed



University of Arkansas, United States Department of Agriculture and County Governments Cooperating

Pursuant to 7 CFR § 15.3, the University of Arkansas System Division of Agriculture offers all its Extension and Research programs and services (including employment) without regard to race, color, sex, national origin, religion, age, disability, marital or veteran status, genetic information, sexual preference, pregnancy or any other legally protected status, and is an equal opportunity institution.