

STARTING A BUSINESS



MCLEAN COUNTY **small
business**
development center
at Illinois State University

Starting a Business Checklist (Required)**Refer to Page:**

<input type="checkbox"/> Select a business structure	08
<input type="checkbox"/> Register the business name with County Clerk	02
<input type="checkbox"/> Register the business with State of Illinois	03
<input type="checkbox"/> Obtain a Federal Employer ID Number (FEIN)	03
<input type="checkbox"/> Register with the Town of Normal or the City of Bloomington	06
<input type="checkbox"/> Determine if your business requires a special license	05
<input type="checkbox"/> File the correct tax forms	11
<input type="checkbox"/> Report any new hires	17
<input type="checkbox"/> Comply with all Illinois laws and labor requirements	17

Starting a Business Checklist (Optional)

<input type="checkbox"/> Write a business plan	28
<input type="checkbox"/> Obtain financing	39
<input type="checkbox"/> Set up a business retirement plan	23
<input type="checkbox"/> Set up an employee health insurance plan	21
<input type="checkbox"/> Obtain accounting/bookkeeping services	26
<input type="checkbox"/> Obtain marketing services	27
<input type="checkbox"/> Obtain legal services	28
<input type="checkbox"/> Obtain real estate services	28

Disclaimer. The contact lists included in this guide are not conclusive; the EDC takes no responsibility for the validity of the contact information that is given. The contact information given is simply a start-up point for businesses that are seeking local resources.

General Business Start-up Procedures

Business Registration

1) *Registering Business Name with County Clerk*

Under the “Assumed Name Act,” any person(s) conducting business in Illinois must register the name of their business with the County Clerk’s Office in the county where the business is based. The only exception is if the business name is exactly the same as the person’s full legal name.

The County Clerk’s Assumed Name database can be used to determine if the business name that is chosen is already in use. This database can be accessed online at the McLean County Clerk’s website (<http://www.co.mclean.il.us/CountyClerk>) or by visiting the McLean County Clerk’s Office. The office is located at 115 E. Washington St., Room 102, in Bloomington.

After searching the Assumed Name database, an Assumed Name Certificate of Intention must be completed. This form can be found and printed online from the McLean County Clerk’s website. The signature(s) on this form must be notarized, which can be done at the McLean County Clerk’s Office.

File the completed Assumed Name Certificate of Intention form with the County Clerk’s Office. The fee for filing the Intention is \$5.00. Take the receipt from this transaction to a newspaper of your choice with general circulation for a legal advertisement.

The information on the Intention must be published in the legal section of a McLean County subscription newspaper. This legal ad must run at least once a week for three consecutive weeks. The first legal ad is required to be published within 15 days after the Assumed Name Certificate of Intention has been filed; failure to publish within 15 days will result in re-filing. At the end of the publication period (3 consecutive weeks) of the legal ad, the newspaper will provide a Certificate of Publication. This certificate must be returned and filed with the County Clerk within 50 days from filing the Assumed Name Certificate Intention. Failure to do so within 50 days will void the Intention and will result in re-filing. When the County Clerk’s Office has received the Certificate of Publication within the 50-day deadline, the registration process is complete. A Certificate of Ownership of Business will then be mailed to you.

For more information, contact the McLean County Clerk’s Office at (309) 888-5190 or visit http://www.co.mclean.il.us/CountyClerk/assumed_name_certificate.htm.

Other Resources

A resource for searching Corporation and Limited Liability Company (LLC) names that exist in Illinois is the corporate name search at www.CyberDriveIllinois.com. This website lets you know whether or not a specific name is used by another company registered to do business in Illinois.

A resource for searching and viewing existing copyrights, trademarks and patents is the United States Patent and Trademark Office (www.uspto.gov).

2) Registering Business with State of Illinois

All businesses in Illinois must register with the Illinois Department of Revenue (IDOR). This includes sole proprietors, exempt organizations and government agencies who withhold for Illinois employees.

Registration with IDOR must be done before any sales are made or before any employee is hired. Those businesses that produce sales or use tax liability in Illinois will receive a Certificate of Registration that must be displayed in a prominent location in the place of business.

To register a business and receive a Certificate of Registration and an Illinois Business Tax number (IBT number), choose one of these options:

- Register electronically with an Online Business Registration Application (1-2 days). This can be found at <https://pki.revenue.state.il.us/app/ibr/>.
- Complete and mail Form REG-1, Illinois Business Registration Application (6-8 weeks). This form can be printed online from <http://www.revenue.state.il.us/taxforms/REg/REG1.PDF>.
- Visit a Regional Office where an application can be processed in 1-2 business days.

3) Obtaining a Federal Employer ID Number (FEIN)

A Federal Employer Identification Number is also known as a Federal Tax Identification Number; the Internal Revenue Service (IRS) uses it to identify a business entity. Generally, businesses need a FEIN; criteria for needing a FEIN are as follows:

- A business that has employees
- A business that is a corporation or partnership
- A business that files one of the following tax returns: Employment, Excise or Alcohol, Tobacco, and Firearms
- A business that withholds taxes on income (other than wages) paid to a non-resident alien
- A business that has a retirement benefit plan
- A business involved with any of the following types of organizations:
 - Trusts, IRAs, Exempt Organization Business Income Tax Returns
 - Estates
 - Real estate mortgage investment conduits
 - Non-profit organizations
 - Farmers' cooperatives
 - Plan administrators

How to Apply for a FEIN

Taxpayers can obtain a FEIN immediately by calling the Business & Specialty Tax Line at 1-800-829-4933. An operator will take the information, assign the FEIN and provide the number to an authorized individual over the telephone.

It is also possible to apply for a FEIN by fax, mail or online at www.irs.gov. For more information on how to apply, visit the IRS website.

Illinois Licenses, Registration, Permits and Assistance

Illinois Business Registration Kit

The Illinois Department of Revenue has compiled a Business Registration Kit which includes the following forms:

- **NUC-1** - Illinois Business Registration
- **NUC-20** - Cover letter for prospective business owners
- **Schedule M** - Multiple Business Address Schedule
- **IL-W-4** - Withholding Allowance Certificate
- **CBS-1** - Notice of Sales or Purchase of Business Assets
- **IL-700** - Withholding Tax Guide
- **IL-501 & IL-941** - Withholding Tax forms
- **ST-19** - Retailers Tax Booklet
- **UI-1** - Application for the Department of Employment Security
- **IL-703-BK** - Request for Tax Forms
- Fact Sheet about the New Hire Reporting Program
- Free Federal Tax Kits postcard
- Sales tax chart order forms

These forms can be obtained by contacting the Illinois Department of Revenue:

Brian Hamer, Director
 Illinois Department of Revenue
 101 West Jefferson Street
 P.O. Box 19030
 Springfield, Illinois 62794-9030
 1-800-732-8866 or
 (217) 782-3336

If assistance is needed in completing any of the forms contained in the tax kit, call the Illinois Department of Revenue at 1-800-732-8866. The Department of Revenue also licenses and registers certain businesses which include:

- Cigarette and Cigarette Use Tax (distributors)
- Coin-Operated Amusement Device Tax
- Gas Revenue Tax
- Hotel Operators' Occupation Tax
- Liquor Tax
- Motor Fuel Tax (distributors, suppliers, bulk users and blenders)
- Motor Fuel Use Tax
- Public Utilities Tax (electric)
- Telecommunications Tax

For more information, call the Department of Revenue's Miscellaneous Taxes and Excise Tax Office at (217) 782-6045.

Illinois Division of Professional Regulation (IDPR)

IDPR is the main licensing agency for the State of Illinois. Individuals must be licensed prior to conducting business if a license is required. To find out if a business needs licensing, visit the IDPR online at <http://www.idfpr.com/dpr/default.asp>.

Daniel E. Bluthardt, Director
 Illinois Department of Professional Regulation
 320 West Washington Street, 3rd Floor
 Springfield, Illinois 62786
 (217) 785-0800
FirstStop@ildceo.net

Secretary of State's Securities Department

The Securities Department of the Secretary of State's Office licenses securities dealers, salespersons and investment advisors. Information application packages may be obtained from:

Tanya Solov, Director
 Securities Department
 Jefferson Terrace Suite 300 A
 300 West Jefferson Street
 Springfield, Illinois 62702
 (217) 782-2256
www.sos.state.il.us

Other Licenses & Registration

In addition, many businesses are required to obtain permits or register with other state agencies. An example of this would be day-care services which are licensed by the Department of Children and Family Services. Those in the plumbing business must register with the Department of Public Health. These are just two examples of other professions that are licensed by the state. To determine if a specific occupational activity is regulated, contact the First-Stop Business Information Center (FirstStop@ildceo.net).



U.S. Environmental Protection Agency (EPA)

The EPA establishes standards for various air and water pollutants such as sulfur dioxide, carbon monoxide, ozone, hydrocarbons, and dust. States are required to enforce the federal standards. For more information on Illinois' standards, contact:

Douglas P. Scott, Director
Illinois EPA
1021 North Grand Avenue
Springfield, Illinois 62702
(217) 782-3397
www.epa.state.il.us

Jack Lavin, Director
DCEO
East Small Business Office
620 East Adams Street
Springfield, Illinois 62701
1-800-252-3998
(217) 782-7500
www.illinoisbiz.biz/dceo

Local Business Registration

Registering with the Town of Normal

It is a requirement that all businesses located in the Town of Normal must be registered with the Town Clerk. There is no fee for this registration.

Registration forms are available in the Normal Clerk's Office located at Normal City Hall, or you can print a registration form online at <http://www.normal.org/Files/BusinessRegistration.pdf>. For any questions, contact:

Wendellyn J. Briggs, Town Clerk
Town Clerk's Office
100 East Phoenix Avenue, P.O. Box 589
Normal, Illinois 61761-0589
(309) 454-9509

Other forms and applications such as building permits and sign permits can be found at <http://www.normal.org/Services/Forms.asp>.

Registration Guidelines for the City of Bloomington

Only certain types of businesses need to register with the City of Bloomington. The businesses that require registration are those that are incorporated with health, life or safety issues. Health issues are businesses such as nursing homes or medical centers. Examples of life issues are those businesses that have amusements such as mini-golf, day-care or shuffleboard. Safety issues include plumbers, electricians or building contractors. In addition, any business that requires a building permit must register with the City of Bloomington.

For more information, to find out if your business needs to register with the City of Bloomington or to obtain a registration form, contact the City Clerk:

Tracey Covert, City Clerk
 City Clerk Department
 109 East Olive Street
 Bloomington, Illinois 61701
 (309) 434-2240
 cityclerk@cityblm.org

Permits and Zoning Regulations in McLean County

The McLean County Department of Building and Zoning is responsible for regulating construction activities in the unincorporated areas of McLean County. If an individual wants to build his/her place of business outside any city, village or town in the county, this department should be contacted before the project begins to be certain that all local regulations are met. This department regulates construction and use through zoning, flood hazard and subdivision regulations. The department's website is <http://www.mcleancountyil.gov/build>.

The McLean County Department of Building and Zoning can be contacted through:

Phil Dick, Director
 Building and Zoning Government Center
 115 East Washington Street
 Rm M102, P.O. Box 2400
 Bloomington, Illinois 61702-2400
 (309) 888-5160
 bldgzon@mcleancountyil.gov

If an individual will operate a business from the unincorporated area of McLean County (outside of a city or town), he or she needs to contact the Department of Building and Zoning since a permit to operate the business may be needed.

If an individual plans to place signs in the unincorporated area of McLean County, he or she also needs to contact the Department of Building and Zoning.

Agriculture Exemption

Certain agricultural uses are exempt from meeting local zoning regulations, except for setback from streets. According to state law, if a citizen believes his/her proposed use may be exempt, it is suggested that he/she verify that possibility with the department and then confirm the information provided with his/her legal counsel.

Selecting a Business Structure

When starting a business, it is necessary to choose which form of business entity to establish. The structure of a business determines the income tax return form that it must file. Legal and tax considerations should be involved when selecting a business structure. The five most common business structures are:

1. **Sole Proprietorship** – An unincorporated business that is owned by one individual who undertakes all risks. All liabilities are the owner’s own liabilities. The owner includes the income and expenses of the business on his/her own tax return.

A sole proprietor may be liable for...	Use Form...
Income tax	1040 and Schedule C or C-EZ (Schedule F for farm business)
Self-employment tax	1040 and Schedule SE
Estimated tax	1040-ES
Employment taxes: <ul style="list-style-type: none"> • Social Security and Medicare taxes and income tax withholding • Federal Unemployment (FUTA) tax • Depositing employment taxes 	941 (943 for farm employees) 940 or 940-EZ 8109
Excise taxes	Varies based on business/product

2. **Partnership** – The relationship existing between two or more persons who join to run a business. Each person contributes to the business and expects to share in the profits and losses of the business.

A partnership must file an annual information return to report the income, deductions, gains and losses from its operations - but it does not pay income tax. Instead, each partner includes his or her share of the partnership’s income or loss on his/her own tax return. In addition, Illinois has a replacement tax that applies to partnerships.

Partners are not considered employees and should not be issued a W-2 Form. The partnership must provide copies of Schedule K-1 (Form 1065) to the partners by the date that Form 1065 is required to be filed.

A partnership or individuals involved in a partnership can use the information in the charts that follow to determine the forms that must be filed.

SOURCE: Internal Revenue Service; <http://www.irs.gov/businesses/small/article/0,,id=98359,00.html>

Chart 1 (Partnership)

A partnership may be liable for...	Use Form...
Annual return of income	1065
Employment taxes: <ul style="list-style-type: none"> • Social Security and Medicare taxes and income tax withholding • Federal Unemployment (FUTA) tax • Depositing employment taxes 	941 (943 for farm employees) 940 or 940-EZ 8109
Excise taxes	Varies based on business/product

Chart 2 (Individual Partners in a Partnership)

A partner (individual) in a partnership may be liable for...	Use Form...
Income tax	1040 and Schedule E
Self-employment tax	1040 and Schedule SE
Estimated tax	1040-ES

3. **Corporation** – Prospective shareholders exchange money and/or property for the corporation's capital stock. Corporations must pay a corporate income tax and replacement tax to the Illinois Department of Revenue. Also, corporations are assessed a franchise tax each year based upon paid-in capital and other taxes; this is collected by the Secretary of State's Office.

The profit of a corporation is taxed to the corporation when earned and then taxed to the shareholders when distributed as dividends. The chart below can help a corporation determine the forms that must be filed:

A corporation may be liable for...	Use Form...
Income tax	1120 or 1120-A
Estimated tax	1120-W and 8109
Employment taxes: <ul style="list-style-type: none"> • Social Security and Medicare taxes and income tax withholding • Federal Unemployment (FUTA) tax • Depositing employment taxes 	941 (943 for farm employees) 940 or 940-EZ 8109
Excise taxes	Varies based on business/product

SOURCE: Internal Revenue Service; <http://www.irs.gov/businesses/small/article/0,,id=98359,00.html>

4. **S Corporation** – An eligible domestic corporation can avoid double taxation by electing to be treated as an S Corporation. This type of corporation is generally exempt from federal income tax other than tax on certain capital gains and passive income.

An S Corporation can use the information in the charts below to determine which forms to file:

Chart 1 (S Corporation)

An S Corporation may be liable for...	Use Form...
Income tax	1120-S (S Corporation)
Estimated tax	1120-W (corporation only) and 8109
Employment taxes: <ul style="list-style-type: none"> • Social Security and Medicare taxes and income tax withholding • Federal Unemployment (FUTA) tax • Depositing employment taxes 	941 (943 for farm employees) 940 or 940-EZ 8109
Excise taxes	Varies based on business/product

Chart 2 (S Corporation Shareholders)

An S corporation shareholder may be liable for...	Use Form...
Income tax	1040 and Schedule E
Estimated tax	1040-ES

5. **Limited Liability Company (LLC)** – A newer business structure allowed by state statute. It is similar to a corporation because owners have limited personal liability but also acts as a partnership, providing management flexibility and the benefit of pass-through taxation. Owners of LLCs may include individuals, corporations and foreign entities. A few types of businesses generally cannot be LLCs such as banks, insurance companies, and nonprofit organizations.

For information on which forms a Limited Liability Company must file, visit <http://www.irs.gov/pub/irs-pdf/p3402.pdf>.

SOURCE: Internal Revenue Service; <http://www.irs.gov/businesses/small/article/0,,id=98359,00.html>

Tax Information

Business Tax Registration

The structure of business determines which taxes must be paid and how they must be paid. The four general types of business taxes are:

- Income Tax
- Self-Employment Tax
- Withholding Taxes
- Excise Tax

Income Tax

All businesses except partnerships must file an annual income tax return. Instead, partnerships file an information return. Refer back to *Selecting a Business Structure* for the correct forms to file. The federal income tax is a pay-as-you-go tax; taxes must be paid as income is earned or received during the year. Employees generally withhold income tax from their pay. An estimated tax is paid if the withholding method is not used.

Self-Employment Tax (SE tax)

SE tax is a Social Security and Medicare tax primarily for individuals who work for themselves. Payments of SE tax contribute to an individual's coverage under the Social Security system, which provides the individual with retirement benefits, disability benefits, survivor benefits and hospital insurance benefits.

SE tax must be paid along with filing Schedule SE (Form 1040) if either of the following applies:

- Net earnings from self-employment were \$400 or more
- Church employee income was \$108.28 or more

Withholding Taxes

Certain taxes must be withheld from employee wages and remitted to the government. These include state and federal income taxes and FICA (Social Security). An individual may be required to register with both the federal government and the State of Illinois for tax withholding purposes. To learn more about federal government tax requirements, contact the Internal Revenue Service (IRS) at 1-800-829-3676 and request any of the following materials:

- Small Business Resource Guide (CD-ROM)
- Intro to Federal Taxes for Small Business/Self Employed (CD-ROM)
- Small Business Tax Workbook (Publication 1066A)
- Starting a Business and Keeping Records (Publication 583)
- A Tax Guide for Small Business (Publication 334)
- Employer's Tax Guide (Publication 15)
- Tax Calendar for Small Business

The IRS also operates a general information hotline: 1-800-829-1040.

Excise Tax

Excise taxes are taxes paid when purchasing specific goods, such as gasoline. These taxes are usually included in the price of the product. There are also excise taxes on activities; for example, wagering and highway usage both have excise taxes. For more information on excise taxes, go to <http://www.irs.gov/businesses/small/article/0,,id=99517,00.html>.

For additional information on Business Taxes, visit <http://www.irs.gov/businesses/small/article/0,,id=98966,00.html>.

Illinois Sales Tax

Sales tax is imposed on a seller's receipts from sales of tangible personal property for use or consumption. Tangible personal property does not include real estate, stocks, bonds or other paper assets that represent an interest. Sales tax is a combination of "occupation" taxes that are imposed on sellers' receipts and "use" taxes that are imposed on amounts paid by purchasers. The term "sales tax" refers to all state, local, mass transit, water commission, home rule occupation and use, non-home rule occupation and use, park district and county public safety taxes. Illinois Sales Tax has three rate structures:

- 1) **Qualifying food, drugs and medical appliances (Tax rate = 1%)** - Applies to food not prepared by the retailer for immediate consumption, including:
 - Most food sold at grocery stores, excluding hot foods, alcoholic beverages and soft drinks
 - Prescription medicines and nonprescription items claimed to have medicinal value, such as aspirin or cough medicine
 - Prescription and nonprescription medical appliances that directly replace a malfunctioning part of the human body, such as corrective eyewear, contacts, prostheses and dentures

- 2) **Vehicles (Tax rate = 6.25%)**
 - Motor vehicles, ATVs, watercraft, aircraft, trailers and mobile homes
 - Motor vehicles, aircraft and vessels owned by a business when that business relocates to Illinois

- 3) **Other General Merchandise (Tax rate = 7.50%)** - Includes sales of most tangible personal property, such as:
 - Soft drinks
 - Prepared food such as food purchased at a restaurant
 - Photo processing
 - Prewritten computer software
 - Prepaid telephone calling cards and other prepaid telephone calling arrangements
 - Repair parts and other items transferred or sold together with a service

Exemption Sales

The following examples of sales of tangible personal property are exempt from tax:

- Sales to state, local and federal governments
- Sales to not-for-profit organizations
- Sales of newspapers and magazines
- Sales of tangible personal property to interstate carriers for hire as rolling stock (semi trailers, railroad cars)
- Sales of legal tender, medallions and gold bullion issued by qualifying governments
- Fuel used for international flights

Exempt Organizations

Qualified organizations are exempt from paying sales and use taxes in Illinois. The organization is issued a sales tax exemption number which must be given to a merchant in order to make purchases tax-free. Examples of exempt organizations are:

- State, local and federal governments
- Not-for-profit organizations
- Certain senior citizen organizations
- County fair associations
- Certain licensed day-care centers

For information regarding tax requirements, visit <http://www.revenue.state.il.us/Businesses/TaxInformation/Sales/rot.htm>.

For further information on sales tax regulations, contact the Department of Revenue at (217) 785-3707 or 1-800-732-8866.

Local Tax Requirements

Local government agencies may impose their own taxes or fees in addition to the state and federal taxes. New businesses should contact units of local government (McLean County Clerk, municipal, mass transit, etc.) to determine if additional taxes or fees apply to their particular business activities.

Sales Taxes for Bloomington-Normal are:

- Food/Drugs: 1%
- Vehicles: 6.25%
- General Merchandise: 7.50% (McLean County collects 0.25%, which is included in this)

Property Tax

Property tax is a local tax that is imposed by local government taxing districts and is based on a property’s value. Anyone who owns real property such as land, buildings and permanent fixtures (fences, landscaping, driveways, sewers, etc.) must pay property taxes. Illinois does not tax personal property such as automobiles, trucks or boats. Illinois property is assessed at 33 1/3 percent of its market value, with the exception of farmland and farm-related buildings. The tax rates are based upon the dollars requested by the taxing bodies and the total equalized assessed value. These rates vary. Property taxes are collected and spent at the local level and are a major source of tax revenue for local government taxing districts. Below is an example of how a property tax bill is calculated.

In the Town of Normal property tax is distributed to nine different taxing bodies (see below). Assessed value of local property is taxed at a rate of 7.4647%.

Taxing Body	Tax Rate	Percent of Total
Town of Normal	0.82629	11.1%
Normal Library	0.3406	4.6%
McLean County	0.93874	12.6%
Township	0.12592	1.7%
Road & Bridge	0.08085	1.1%
Water Reclamation District	0.15014	2.0%
Airport Authority	0.1068	1.4%
Unit 5 School District	4.50786	60.4%
Community College	0.38752	5.2%
Total	7.46472	100.0%

- In Illinois, property is assessed at 1/3 its fair market value.
 - If you own property worth \$180,000 then your assessed value will be approximately \$60,000 ($\$60,000 = \$180,000 / 3$).
 - Your property tax bill would be approximately \$4,479 ($\$4,479 = \$60,000 * 7.46472\%$).
 - The \$4,479 tax bill is then split between the nine local taxing bodies at the percentages listed above. For example, the Town of Normal would receive \$497 of this tax bill ($\$497 = \$4,479 * 11.1\%$).

Objections to Property Tax Bill

Informal appeal before the local assessor: Since the local township assessor has primary responsibility for estimating the value of your property, this level of appeal is available at almost any time until the assessor closes the books for the year. Since this level is not considered a formal appeal, simply contact your assessor, explain why you feel your assessment is too high and ask that it be reviewed as part of the normal workload for the year. Provide the assessor with any evidence you might have to support your case. If the assessor agrees with you, he/she will adjust your value for that assessment year. The best time to contact the assessor is January through August.

Formal appeal before the county board of review: If you think your tax bill is unfair and want to protest it, you must pay the taxes and file a tax objection complaint form with the circuit court (payment under protest). The complaint must specify objections to assessments, taxes or levies. You must also appear in court to explain the objection to the tax bill amount. The court will hear the matter and make a decision. There is only a 30-day window of opportunity for filing the appeal with the Board of Review.

For any questions, contact the McLean County Assessor's Office:

Robert T. Kahman, Supervisor of Assessments
 McLean County Assessor's Office
 115 East Washington Street
 Rm 101, P.O. Box 2400
 Bloomington, Illinois 61701
 (309) 888-5130
 Assessor@mcleancountyil.gov

SOURCE: Illinois Department of Revenue; <http://www.iltax.com/LocalGovernment/PropertyTax/index.htm>
 McLean County Government; <http://www.mcleancountyil.gov>

Electricity Excise Tax

Statutory Reference – 35 ILCS 640/2-1 to 640/99

This tax is imposed on persons distributing, supplying, furnishing or selling electricity in Illinois for use and consumption (not for resale). Businesses subject to this tax are authorized to pass the tax onto their customers.

Allowable Deductions – The following sales of electricity are exempt from tax:

- Sales for resale
- Sales in interstate commerce
- Sales to businesses certified by the Illinois Department of Commerce and Community Affairs and located in an enterprise zone
- Sales to the federal government
- Sales to municipal corporations owning and operating a local transportation system for public service in Illinois

Utilities are also allowed a tax credit when they are required to purchase electricity produced from methane gas that is generated from landfills.

Tax Rate – Each month, municipal systems and electric cooperatives collect tax from each purchaser an amount equal to the lesser of 5 percent or \$.0032 per kilowatt-hour (kwh) per customer. Delivering suppliers collect the following tax amounts from each purchaser monthly:

- \$.0033 per kilowatt-hours (kwhs) for the first 2,000 kwhs
- \$.00319 per kwh for the next 48,000 kwhs
- \$.00303 per kwh for the next 50,000 kwhs
- \$.00297 per kwh for the next 400,000 kwhs
- \$.00286 per kwh for the next 500,000 kwhs
- \$.00270 per kwh for the next 2 million kwhs
- \$.00254 per kwh for the next 2 million kwhs
- \$.00233 per kwh for the next 5 million kwhs
- \$.00207 per kwh for the next 10 million kwhs
- \$.00202 per kwh for all kwhs in excess of 20 million kwhs

Self-assessing purchasers pay 5.1 percent of the purchase price for all electricity distributed, supplied, furnished, sold, transmitted and delivered to them in a month.

Local taxes – Municipalities may impose a tax on persons purchasing electricity for use or consumption (and not for resale) within the corporate limits of the municipality. Taxes are collected based on a schedule of maximum rates calculated on a monthly basis for each purchaser. This schedule of rates is found in the Illinois Municipal Code. The Department of Revenue does not collect these locally imposed taxes. ***The City of Bloomington, Town of Normal and any other municipality collects these taxes in McLean County.***

SOURCE: Illinois Department of Revenue

Telecommunications

Telecommunications Tax

Statutory Reference – 35 ILCS 630/1 to 630/21

The tax is imposed on intrastate messages (i.e., those that originate or terminate in Illinois and are billed to a service address in Illinois) as well as interstate messages. The types of telecommunications which are taxable include, but are not limited to, messages or information transmitted through use of local, toll, or wide area telephone services; private line services; channel services; telegraph services; teletypewriter; computer exchange services; cellular mobile telecommunication services; specialized mobile radio; stationary two-way radio; paging services; any other form of mobile and portable one-way or two-way communications and any other transmission of messages or information by electronic or similar means.

Tax Rate – The rate is 7 percent of gross charges.

Allowable Deductions and Nontaxable Sales

The following telecommunication messages are not subject to this tax:

- Sales for resale
- Sales in interstate commerce
- Sales to businesses certified by the Illinois Department of Commerce and Community Affairs and located in an enterprise zone
- Sales to federal and state governments and to state universities for their use and not for resale
- Sales between a parent corporation and its subsidiaries provided there is no markup and the parent paid the tax to the provider

Prepaid telephone calling arrangements (prepaid calling cards) are not subject to Telecommunications Excise Tax but are subject to sales tax.

Local Taxes

The Municipal Telecommunications Tax includes both intrastate and interstate telecommunications. The rate, which can be imposed in quarter-percent increments, cannot exceed 6 percent. The department collects the municipal tax for all municipalities that have an ordinance in effect.

The City of Bloomington levies a 6 percent tax on intrastate and interstate telecommunications. The Town of Normal also levies a 6 percent tax on intrastate and interstate telecommunications. Both of these are in addition to the 7 percent the state assesses.

Illinois Laws and Labor Requirements

New Hire Information

New Hire Reporting

All employers are required to report all persons hired or rehired within 20 days of their first day on the payroll. The information needed includes: employee's name, address and Social Security number and the employer's name, address and Federal Employer Identification Number (FEIN). An employer is also asked to provide an address where income withholding orders should be sent if different from the FEIN address, but this information is optional. For more information, contact:

Tom Revane, Chief Information Officer
 Illinois New Hire Directory
 P.O. Box 19473
 Springfield, Illinois 62794-9473
 1-800-327-4473
 NHire@ides.state.il.us

To find out more or to report new hires, visit
<http://www.ides.state.il.us/employer/newhire/general.asp>.



New Hire Forms and Filing

The following are the forms that must be filled out and filed when hiring a new employee:

SS-4 is the form that must be filed before any employee information can be reported. It is a request for a Federal Employer Identification Number (information about FEIN is listed under Business Registration). You can receive this number by calling 1-800-829-4933. *You must use this FEIN for every employee reporting.*

I-9 is the Federal Eligibility of an Employee Form. It should be filled out and filed with the employee records. Retain this form for at least three years after the date of hire or one year after the date of termination (whichever is later). It must be filled out for *every* employee.

W-4 is the form an employee fills out to notify the employer of the employee's withholding status. It should be revised or at least reviewed annually. This is a form the employer keeps on hand and does not need to be sent to the IRS. The number of allowances recorded on line 5 will be used to determine the amount of Federal Income Withholding per pay period.

Form 941 is filed at least quarterly to report Social Security and Medicare withholding. It uses a percentage basis to compute the amount withheld from an employee's wage. Half of the required payment is withheld from the employee and the other half is paid by the employer directly. Withhold 6.2% for Social Security and 1.45% for Medicare from the employee's wages. Use Form 941 to compute the total amount (including the employer's portion) required for quarterly submission.

Form 940 is filed when required. This is the Federal Unemployment Tax (FUTA) and is filed when more than \$1,500 is paid in any calendar quarter or if an employer has had an employee (full or part-time) for any 20 or more weeks. This form is typically filed by the first of February. FUTA is not to be collected or withheld from employees; it is paid by the employer.

W-2/W-3 are the wage reports mailed to the IRS and the employee (W-2 only) at the end of January each year. For federal purposes a W-3 accompanies all the W-2 reports, similar in fashion to a cover letter (just one W-3 for each business' W-2s). The W-2 reports the amount withheld from an employee's wages for Medicare, Social Security, FUTA, federal, state, and local withholdings and other amounts designated for benefits. It also lists wages and tips on other sources of income for the employee. The reports are due to the employee by January 31 and to the IRS by the end of February (end of March if electronically filed). They may now be submitted online at www.socialsecurity.gov/employer.

SOURCE: HomeBusiness Tax Solutions; http://www.hbtsinc.com/articles/2003_tax_season/hiring_employees.htm

Immigration Reform and Control Act

The Federal Immigration Reform and Control Act of 1986 requires every employer to keep on file a form for every employee certifying such employee's identity and work eligibility. For further information, contact the Bureau of Citizenship Immigration Services (formerly known as the U.S. Immigration and Naturalization Service):

Ruth A. Dorochoff, Director
 Bureau of Citizenship Immigration Services
 10 West Jackson Boulevard
 Chicago, Illinois 60604
 (312) 385-1500
www.uscis.gov

Unemployment Insurance

Employers may be required to make unemployment insurance contributions to the Illinois Department of Employment Security. Generally, employers are liable for such contributions if they:

- 1) Employed one or more workers in each of 20 weeks in a calendar year
- 2) Paid at least \$1,500 in total wages during a calendar quarter

Employers also may be liable if they acquire all or part of a business already subject to the Unemployment Insurance Act. To determine liability, complete a Report to Determine Liability form and submit it to the Unemployment Insurance Revenue Division of the Department of Employment Security.

If it is determined that an employer is liable, an account number will be assigned and reporting forms will be mailed each quarter. Reports and contributions are due no later than the last day of the month following the end of the calendar quarter. Most new employers are responsible for making contributions at the current rate of 3.1% of each worker's wages up to \$9,000 per calendar year. (There are other rates for certain industries such as construction, mining and agriculture). Reports must be filed quarterly listing the workers' wages even if there is no contribution due because all of the workers have already reached the \$9,000 threshold.

Contact the Illinois Department of Employment Security (IDES) to receive a State Unemployment Insurance New Employer Packet:

Brenda A. Russell, Director
 IDES
 33 South State Street
 Chicago, Illinois 60603
 (312) 793-5700
www.ides.state.il.us

Workers' Compensation

By law, an employer is required to provide insurance for employees' accidental deaths, injuries and occupational diseases arising out of and in the course of employment. The insurance requirement is applicable to almost all businesses and must include provisions for all medical expenses, rehabilitation and retraining, temporary and total disability, permanent disability and death benefits. Insurance generally is purchased through private firms or agents, although a business can apply to the commission for permission to self-insure. Annual premiums are based on total company payroll, loss experience and type of business. Employers must post a notice in the workplace listing the insurance carrier and explaining workers' rights under the law. Temporary workers who otherwise do not receive any company benefits are still provided workers' compensation. For further information on workers' compensation, contact:

Dennis R. Ruth, Chairman
 Illinois Industrial Commission
 100 West Randolph #8-200
 Chicago, Illinois 60601
 (312) 814-6611
www.state.il.us/agency/iic

Occupational Safety and Health Administration

The Industrial Services Office of the Department of Commerce and Economic Opportunity (DCEO) offers free, confidential pre-inspection consultation services which are designed to prevent citations and penalties resulting from the actual federal OSHA inspection. Consultants assist employers in complying with OSHA workplace safety and health standards in developing a complete safety and health program to eliminate employee lost time, production downtime and material damage in their operations. For further information, contact:

Jack Lavin, Director
 DCEO
 620 East Adams Street
 Springfield, Illinois 62701
 (217) 782-7500
www.illinoisbiz.biz/dceo

SOURCE: State of Illinois Business Start-up Handbook; http://www.sbdc.ilstu.edu/downloads/starting_in_il.pdf

Business Services

Employee Benefits

The key to long-term prosperity and maintaining great employees is a good benefits package. The most important of employee benefits are health insurance and retirement plans, but there are others that employees also value. Research shows that when employees feel their benefits needs are met, they are more productive and have higher work morale.

The law requires employers to provide the following benefits:

- Time off to vote, serve on a jury and perform military service
- Comply with all workers' compensation requirements
- Withhold FICA taxes from employees' paychecks and pay the employer's portion of FICA taxes, which provides employees with retirement and disability benefits
- Pay state and federal unemployment taxes, providing benefits for unemployed workers
- Comply with the Federal Family and Medical Leave Act (FMLA) if the business has 50 or more employees

Employers are not required to provide:

- Retirement plans
- Health plans
- Dental or vision plans
- Life insurance plans
- Paid vacations, holidays or sick leave

However, most businesses offer some or all of these benefits to stay competitive.

Key benefits such as health insurance and retirement plans fall under government inspection, and it is very easy to make mistakes in setting up a benefits plan. The IRS or U.S. Department of Labor can easily discover any violation of regulations during an audit. An employer can cut some costs by doing preliminary research, but before setting up any benefits plan, he/she should consult a lawyer or a benefits consultant. An upfront investment of \$1,000 could save an employer a lot of money down the road by helping him or her avoid expensive penalties due to legal mistakes.

Employee Health Insurance

Health insurance is the most desirable benefit that employers can offer to their employees. There are several basic options for setting up a plan:

- **A traditional indemnity plan, or fee for service** - Employees choose their medical care provider, and the insurance company then either pays the provider directly or reimburses employees for covered amounts.
- **Managed care** - The two most common forms of managed care are the Health Maintenance Organization (HMO) and the Preferred Provider Organization (PPO). An HMO is a prepaid health care arrangement, where employees must use doctors employed by or under contract to the HMO and hospitals approved by the HMO. Under a PPO, the insurance company negotiates discounts with the physicians and the hospitals. Employees choose doctors from an approved list and then usually pay a set amount per office visit (typically \$10 to \$25); the insurance company pays the rest.
- **Self insurance** - When an employer absorbs all or a significant portion of a risk, he or she is essentially self-insuring. An outside company usually handles the paperwork, the employer pays the claims and sometimes employees help pay premiums. The benefits include greater control of the plan design, customized reporting procedures and cash-flow advantages. The

drawback is that the employer is liable for claims, but he or she can limit liability with "stop loss" insurance; if a claim exceeds a certain dollar amount, the insurance company pays it.

- **Archer Medical Savings Account** - Under this program, an employee of a small employer (50 or fewer employees) or a self-employed person can set up an Archer MSA to help pay health care expenses. The accounts are set up with a U.S. financial institution and allow an employer to save money exclusively for medical expenses. When used in conjunction with a high-deductible insurance policy, accounts are funded with employees' pretax dollars. Under the Archer MSA program, disbursements are tax-free if used for approved medical expenses. Unused funds in the account can accumulate indefinitely and earn tax-free interest.
- **Employers' Coalition for Health Insurance (ECHI)** – ECHI is a powerful group of local CEOs who have joined together to ensure that businesses of all sizes have many employee benefit choices and solutions. The unique coalition formed in 1994, when local CEOs came together to address the mutual need for affordable healthcare benefits. ECHI is a subsidiary of the McLean County Chamber of Commerce, charged with the mission of ensuring small to medium-sized employers with access to quality health care at affordable rates.

Its membership of over 300 local employers collectively bargain to minimize renewal rate increases and help prevent employers from being priced out of the health insurance market as a result of a significant, isolated loss. It is operated by a board of directors, who are owners and key managers of local businesses that are also ECHI members. ECHI offers small and medium-sized businesses the negotiating power, benefits and protection typically only available to large corporations.

To find out more information or to join ECHI, contact the McLean County Chamber of Commerce at (309) 829-6344 or visit ECHI's website at <http://www.getechi.com>.

Setting up a health insurance plan can be costly for a business due to high premiums. Illinois has recently passed laws that make it easier for small businesses to get health insurance and prohibit insurance carriers from discriminating against small businesses. Insurance trade associations also assist smaller businesses with achieving better health care plans.

Insurance Trade Associations

Small businesses have come together to achieve economies of scale and gain more power with insurance carriers. Many trade associations offer health insurance plans for small businesses at lower rates. A business that has only five employees can unite with other members to form an association of 50,000 employees. The carrier issues a policy to the whole association, and one business' coverage cannot be terminated unless the carrier cancels the entire association. These associations are able to negotiate lower rates and improved coverage because the carrier does not want to lose that large portion of business.

For a list of insurance trade associations and their contact information, visit http://www.ohioinsurance.org/factbook2001/chapter7/chapter_7j.htm.

SOURCE: Entrepreneur.com; <http://www.entrepreneur.com/article/0,4621,323676-2,00.html>

Small Business Retirement Plans

Retirement savings plans help employees save for the future. These plans also help to attract and retain a qualified pool of employees and offer businesses tax savings. Small businesses have a few different options when it comes to offering retirement plans for their employees.

In order to set up a retirement plan for a business, contact any investment company or small business benefits consultant. Retirement plan options for small businesses include:

- 1) Simplified Employee Pension Plan (SEP IRA)** – This is a low-cost and low-maintenance plan that is funded with tax-deductible employer contributions (employee contributions are not allowed). There is no “plan document,” and no annual reports need to be filed with the IRS. The employer is not locked in, so contributions can vary from year to year.

SEP IRA		
	Employer	Employee
Eligibility	Any business owner or self-employed individual.	All employees who have worked for three of the past five years and who earned at least \$450 last year.
Contribution Limits	25% of compensation (if you're an employee of your own corporation) up to \$44,000; 20% of self-employment income (if self-employed) up to \$44,000.	Employees cannot contribute, but employers must contribute to eligible employee accounts the same salary percentage they contribute to their own.
Vesting	Immediate	Immediate
Pros	Contributions do not have to be made every year. Very easy and cheap to set up and maintain.	Vesting is immediate.
Cons	Must cover all qualifying employees. Employees cannot contribute. Vesting is immediate.	Employees cannot contribute.

- 2) Savings Incentive Match Plan (SIMPLE IRA)** – This type of plan is good for employees because it allows for employee contributions that the employer must match. The downside is that the employers have a limit as to how much they can contribute on their own.

SIMPLE IRA		
	Employer	Employee
Eligibility	Employers with 100 employees or less who do not maintain any other retirement plan.	All employees who have ever earned more than \$5,000 in any two years prior and who will earn at least \$5,000 this year.
Contribution Limits	3% employer match or 2% non-elective contribution for all employees, up to \$4,400 per employee.	\$10,000 plus employer match up to 3%. (Employer can contribute \$10,000 plus match to his or her own account). Additional \$2,500 if you are age 50 or older.
Vesting	Immediate	Immediate
Pros	Employees can make contributions. If employer has lower salary (or self-employment income), he or she can make larger contributions than under other types of plans.	Employees can make contributions.
Cons	Employers most likely cannot contribute as much as they can to a SEP IRA. Match is mandatory. Vesting is immediate.	None, unless the employee has a high salary that would permit larger contributions under other types of plans.

- 3) Profit Sharing Plans** – These types of plans generate annual contributions based on the performance of the business. The contributions vary from year to year based on how well the business performs.

Profit Sharing		
	Employer	Employee
Eligibility	Any business owner or self-employed individual.	Employees who worked at least 1,000 hours in past year; two years, if no vesting period.
Contribution Limits	25% of salary (20% of self-employment income) up to \$44,000.	Employees cannot contribute.
Vesting	Determined by employer.	Determined by employer.
Pros	Contributions can vary from year to year.	Simple and easy for employees to participate.
Cons	Administration of the plan usually requires hiring a professional.	Employees cannot contribute. Vesting takes time in most plans.

- 4) 401(k)** – A 401(k) plan is funded by employee contributions and often matching contributions from the employer. The major attraction of these plans is that the contributions are taken from pre-tax salary, and the funds grow tax-free until withdrawn. Also, the plans are self-directed and transferable. Both for-profit and many types of tax-exempt organizations can establish these plans for their employees.

401(k)		
	Employer	Employee
Eligibility	Any business.	Employees who worked at least 1,000 hours in the past year; two years, if no vesting period.
Contribution Limits	Combined employer and employee's contribution cannot exceed \$44,000 (\$49,000 if you are 50 or older).	\$15,000 (\$20,000 if you are age 50 or older).
Vesting	Determined by employer.	Determined by employer.
Pros	Employee/employer contributions. Match not required.	Employee can contribute.
Cons	Administration can be expensive.	Employer contributions usually take years to vest.

A new option for business owners with no full-time employees is a Self-Employed 401(k), also called a Solo 401(k). The spouses of owners can be employees and the business will still qualify for this plan. The advantage of these plans is that they are highly flexible.

- 5) Keogh Plan** – A Keogh or HR 10 plan is a tax-deferred retirement savings plan for self-employed individuals. It works much like any qualified plan such as defined benefit, money purchase or profit sharing plans. Keoghs can either be a defined contribution or a defined benefit plan, and the maximum amount of contribution depends upon the plan.

Sole proprietorships or partnerships are eligible to participate in a Keogh plan. These persons are not technically considered employees, and some significant special rules for self-employed individuals covered under the plan are indicated.

Advantages of a Keogh plan:

- Contributions are deducted from the gross income.
- Tax is deferred until the funds are withdrawn.
- Interest income generated is tax deferred until withdrawn.
- Certain lump sum benefits might be eligible for special 10-year averaging.
- Contribution limits are generally larger than IRAs.

Disadvantages of a Keogh plan:

- Plan involves all the costs and complexities associated with qualified plans.
- The same early withdrawal penalties of other qualified plans apply.
- If the participant is a more than 5% owner, payments must begin by April 1 of the year after reaching 70-1/2 whether or not the participant has retired.

SOURCE: SmartMoney Tax Guide; <http://www.smartmoney.com/tax/workbusiness/index.cfm?story=smallbiz>

Business Insurance Coverage

Many individuals starting a small business fail to consider their insurance needs. A well-planned insurance program is essential for protecting a business from unforeseen losses and significant financial burdens. Four types of insurance coverage are essential: fire, liability, vehicle and workers' compensation. In addition, there are several desirable types of insurance coverage such as business interruption, crime and key employee.

Accounting/Bookkeeping

Access to proper information is provided by a sound bookkeeping system. Functions of a good system include:

- Starting and keeping an accounting system for the accurate and timely recording of the company's cash receipts, disbursements, sales and operating expenses.
- Preparing periodic statements. This includes a statement of assets and liabilities as of a given date (balance sheet), a statement of results of operations for a given period of time (income statement), a statement of changes in financial position and establishment of systems that track accounts receivable and payments due.
- Preparing state and federal income tax returns, as well as Social Security, withholding, property and others.

These responsibilities may be undertaken from within or outside the business. This depends on the size and nature of the business, experience and available time. An accountant, attorney or banker can help decide the needs for a bookkeeping service.

In addition to bookkeeping requirements, an employer may need the services of a Certified Public Accountant (CPA), an accountant who has passed a written examination prepared by the American Institute of Certified Public Accountants and who has received a state license for their public practice of accountancy. CPAs provide the following services:

- Auditing - Although an employer may hire a bookkeeper to maintain accounting records and prepare financial statements, there are many reasons why he or she may need financial statements certified by a CPA. For example, banks and other lenders frequently require an audit before a loan is granted and during the period that the loan is outstanding.
- Taxes - Most businesses do not have employees who are experts in tax matters and, therefore, must rely on professional assistance. This is particularly true today when the tax laws are complex and continually changing. The tax services provided by CPAs include planning transactions for the lowest present and future tax liabilities, preparation of tax returns, conferences with taxing authorities who are examining prior years' tax returns and estate planning.
- Consulting - Because of their experience with many companies in many industries, CPAs may be able to assist in cost reduction, improvement of reports, installing or upgrading accounting systems, budgeting and forecasts, financial analyses, production control, quality control, compensation of personnel and records management.

- Business Services – CPAs' services to business owners include:
 - Setting up accounting systems
 - Securing financing
 - Developing business plans, forecasts and budgets
 - Auditing, reviewing or compiling financial statements
 - Analyzing operating results
 - Management consulting services
 - Preparing tax returns
 - Assessing benefit and compensation plans

Marketing

Marketing Plan

Marketing is an essential part of business operations that determines how successful a business will be. A marketing plan is crucial in spreading the word about a business and reaching all potential customers. The goals of a marketing plan are to attract and maintain a steady group of loyal customers, expand the customer base by identifying and attracting new customers and reduce risks by anticipating market shifts that can affect profitability.

A marketing plan should at least include the “4 Ps of Marketing,” which are Product/Service, Price, Place and Promotion. These four Ps should be described in detail as to how they will be utilized in your business. A complete marketing plan should include an explanation of all the strategies listed as follows:

- *Describe the Target Market* – By age, sex, profession, income level, education level and residence.
- *Identify the Competition* – Identify the five nearest direct competitors and observe their pricing strategy, advertising and promotional activities. Also identify their strengths and weaknesses.
- *Describe Product/Service* – Describe the benefits of your goods and services from your customers' perspectives. Emphasize the special features (selling points).
- *Develop a Marketing Budget* – Allocate funds from your operating budget to cover advertising, promotional and other marketing costs. Develop a marketing budget based on the costs of the media that will be used, collecting research data and monitoring shifts in the marketplace.
- *Describe Location (Place)* – Describe in detail the location of your business from the customers' perspectives. This includes issues such as convenience, accessibility to public transportation, safety aspects (street lighting, well-lit parking lot) and surrounding environment.

- *Develop a Pricing Strategy* – Identify pricing techniques, compare prices to competitors' to evaluate your pricing position and identify how your products/services will be priced in order to maintain profits.
- *Develop an Effective Promotional Strategy* – Develop the strategy that will promote your business and get the word out. Monitor the different media that you choose, and identify those that most effectively promote your business. Promotional strategies include:
 - Advertising media (radio, television)
 - Print media (newspaper, magazine, classifieds, yellow pages, brochures)
 - Networking
 - Business cards
 - T-shirts, hats, buttons, pens

Since financial institutions weigh the credibility of marketing plans when deciding whether a business is a good risk for their money, it is important to prepare and present credible market data that shows there is a need in the community for the business and that demonstrates the ability to compete successfully.

SOURCE: U.S. Small Business Administration; <http://www.sba.gov/gopher/Business-Development/>

Legal

Business owners can face various legal troubles when it comes to running their businesses. Legal business issues include business name, business structure, business licenses, zoning, labor laws, non-disclosure agreements, etc. A lawyer or law firm may be needed to overcome these legal issues.

Real Estate

The Location One Information System (LOIS)

The Economic Development Council offers the Location One Information System. This centralized database provides the ability to conduct real time on-line searches for sites and buildings in McLean County. The LOIS database is free to anyone inside or outside of McLean County. Local McLean County real estate brokers and realtors can contact the EDC to include their properties in the system. LOIS is accessible online at www.bnbiz.org/LOIS.asp.

Writing a Business Plan

A business plan is essential to determine the credibility of a new business opportunity. It can be used as a management tool and is required if outside financing is needed. A good plan provides a description of the proposed or existing business and should include information on the business' products and services, markets, marketing strategies, manufacturing procedures, ownership, management structures, projections and needs (organizational, personnel and financial). The business plan also offers a well-defined course of action to potential investors. It should help guide the business owner through goals and objectives of the business as well as marketing and financial strategies.

A well-written business plan should include the following sections:

A) Executive Summary

A well-written executive summary allows prospective lenders and investors to quickly decide if they want to examine the entire plan in detail. Therefore, your objective in the executive summary is to convince them to study the plan further. Although an executive summary appears first, it should be the last part you write. The summary should briefly highlight the key elements of your business plan and include the following points:

- A brief history of your business or business concept
- A description of your products or services with emphasis on their distinguishing features, the market needs they will meet, the market potential and assessment of the competition
- How the products will be made or services performed
- An outline of your management team's experience and talent
- A summary of your financial projections
- How much money you are seeking, in what form, for what purpose and how it will be repaid

B) Company and Industry

The purpose of this part of the plan is to provide background information on your company and to describe the condition and prospects of your industry. The following points should be covered:

Company

- The business you are in or plan to be in, including a description of your product or services
- The background of your business, including when it was started, current ownership, its legal structure and highlights of its progress and prospects
- The principals of your business and the roles each played or will play in the firm

Industry

- A brief discussion of your industry (e.g., restaurant, plastics, executive recruiting, etc.)
- Your view of the current status and prospects for the industry
- Description of your principal competitors and how they are performing in terms of growth in sales, profits and market share
- An analysis of the effect of major economic, social, technological or regulatory trends

C) Product or Service

In this section you need to thoroughly describe your product or service, along with any proprietary features and future development plans. The following information should be presented:

- *Description of product or service* - Describe in detail and include engineering studies, photographs and sales brochures, if needed, to help further the reader's understanding.
- *Research and development* - If applicable, describe the nature and extent of research and development work that must be accomplished before your product or service is placed on the market. Also indicate the time and costs involved.
- *Proprietary features* - Describe any patents, copyrights and any other proprietary features. Also discuss other factors that have enabled you or could allow you to obtain an advantageous position in your industry.

- *Future development* - Outline any plans you have for the extension of your product or service or development of new or related products.

D) Market Analysis

This section and the "Marketing Strategy" section are generally the most difficult parts of the business plan for an entrepreneur to develop. It is here that you show how you plan to turn your idea into a product or service that people will want to buy. Your objective is to convince lenders or investors that:

- There is a market need for your product or service.
- You understand the potential customers' or clients' needs, and your product or service will meet such needs.
- You can sell your product or service at a profit.

Included in this section should be the following information:

- *Market definition* - Define the target market and your niche in it by describing the potential customers, their locations, why they buy or might buy your product or service, when they buy or might buy and their expectations for price, quality and service. If your company has a track record, discuss how its products or services have been received in the marketplace. It is important to discuss any negative reactions to your product or service, as well as current or planned actions to overcome such problems.
- *Market size* - Describe the market's current size. The market should be determined based on a review of statistical data and discussions with potential distributors, sales representatives and customers.
- *Market trends* - Describe the market's growth potential. Discuss how big you believe the market will be in three years, five years and 10 years. Support growth estimates with industry trends, technological developments, changing customer needs and other related factors. Your sources and assumptions should be clearly stated and realistic. If you overstate the size of the market or your market share, investors will question the credibility of the entire business plan.
- *Competition* - Name and describe the companies that will be your competitors, and describe their market share potential. Compare products and/or services with your competition on the basis of price, performance, service, warranties and other important features. Review your competitors' strengths and weaknesses in financial, marketing and operational areas. If there are no competitors, describe the possible development of competition and from where it is likely to come. Discuss barriers to entry and the likelihood of technological or other obsolescence factors.

E) Marketing Strategy

The purpose of this section is to provide projections of sales, market share, and target market(s) and to support your belief that your marketing plan will achieve projections. It should include the following:

- *Estimated sales and market share* - Provide an estimate of sales and market share (units and dollars) based on your assessment of customer or client acceptance of your product/service, potential market size and trends and the competition. Also, identify any major customers who have made or are willing to make purchase commitments.
- *Market strategy* - Identify your target market(s). It is important to target and/or segment your market carefully. Concentrating your resources on the needs of a specific segment and carving out a market niche may mean the difference between success and failure. Also, outline your method of identifying and contacting potential customers or clients, as well as the product or service features that will be emphasized.
- *Pricing* - Discuss the prices to be charged for your product or service, and compare your pricing policy with those of major competitors. Explain how your pricing or fee structure will enable you to gain acceptance of your product or service, maintain and increase market share and provide for a profit.
- *Sales and distribution* - Discuss your plans for selling and distribution. If a direct sales force will be used, describe how it will be organized and controlled. This should include the number and location of sales personnel and the salary or commission each will receive. If distributors or sales representatives will be used, describe how they will be recruited and paid and what geographic territories will be covered. Also, you could discuss sales efficiency issues such as how many sales calls it will take to get an order and how large an average order will be.
- *Service and warranty issues* - Discuss your service and warranty policies and your methods for handling service and warranty problems.
- *Promotion* - Discuss how you will generate awareness of your product or service, including the use of such tactics as: trade show participation, trade periodical ads, promotional literature, public relations, etc. Estimate the percentage of total expenses that will be allocated to promotion and when such expenses are likely to be incurred.

F) Operations

In this section, you should describe how you plan to produce your product or perform your service, including how and where it will be carried out, your physical space and equipment needs and your labor requirements. Included should be the following information:

- *Location* - Describe the location of the business and the advantages and disadvantages of the site with respect to labor and material costs and availability, proximity to customers, access to transportation, state and local laws (including zoning) and utility costs.
- *Physical space and equipment* - Describe the physical facilities in use or to be acquired (leased, purchased or built) and the costs and timing of such acquisitions. Estimate future facilities and equipment needs based on sales projections, including the cost of additional capacity and its timing.
- *Production processes* - Describe the production processes necessary to develop your product or provide your service, including: method of production; procedures for quality, production and inventory control; raw materials required (including sources, costs, etc.);

organization and control of purchasing; breakdown of fixed production costs; and breakdown of variable unit costs by product/service.

- *Labor* - Other than management, describe to what extent the local labor force is adequate in terms of quality and quantity. If applicable, discuss the type of training needed and the cost to your company.

G) Management and Organization

The experience, training and talent of your management team is very important, particularly if you are seeking equity financing. Generally, venture capital firms will conduct a complete reference check of each member of your management team. Therefore, this section of your business plan should describe the following:

- *Organization* - Explain how your company's management team is organized, and describe the primary role of each team member. If appropriate, include an organizational chart. Demonstrate how team members' skills complement each other. Investors are looking for a team with a balance of management, financial, production and marketing skills, as well as experience with the product or service you intend to provide.
- *Key management* - Prepare a brief summary of each key member of the management team to include duties and responsibilities, career highlights and significant accomplishments (include resumés in the appendix). The discussion of the management team should also outline any weaknesses and how they will be overcome (e.g., training, recruiting, outside advisors, etc.).
- *Compensation of ownership* - Indicate how each member of the management team will be compensated (e.g., salary, profit sharing, incentive bonus, stock options, etc.) and what investment each has in the company. Include a list of key stockholders with the number of shares each owns.
- *Board of directors* - Identify your board members, briefly discuss how they are expected to benefit your company and list their investment in the company, if any.
- *Professional services* - List the legal, accounting, banking and any other service organization that will advise your company or help fill gaps in the organization.

H) Schedule of Activities

A realistic schedule that shows the timing of activities for the major events of your business plan is critical to your company's success. It also indicates the ability of management to plan the company's development. A schedule should be prepared outlining steps to be taken in your company's development and the completion date of each step for a period of three to five years. Entrepreneurs tend to underestimate the amount of time needed to complete various tasks. Be realistic.

I) Financial Information

The amount of financial information needed in your business plan will depend on the stage of financing, the amount of money needed and the nature of financing being sought. Generally, the amount of information required will increase as the amount of financing requested increases, as it will when equity (versus fully collateralized) lending is requested.

Your business plan should describe, in general terms, the type and amount of funding you are seeking. Also, information on your firm's present financial status (include current financial statements if your firm is already in operation) and financial projections must be included. The Financial Information section should cover the following:

- *Desired financing* - State how much money is needed and how it will be used.
- *Capitalization*- Explain the capital structure of your company and what effect funding will have on it.
- *Use of funds* - Explain how you plan to use the funds. The use should be consistent with your financial projections. For example, if you need seed capital, you might indicate that the money will be used to further develop your product and set up a marketing organization.
- *Future financing* - Clearly outline your company's future funding needs. Discuss when you will require future funding and what the milestones are for reaching that point.
- *Current financial statements* - If your company has a track record, provide financial statements for the last three years or from inception.
- *Financial projections* - You should provide a three-year cash flow, projected income (profit and loss) statements and balance sheet projections (**A financial statements overview is given in the next section**). If your company has been in business for awhile, the cash flow projections should be on a quarterly basis for the first year and annually thereafter. Otherwise, cash flow projections should be on a monthly basis for the first year, a quarterly basis for the second year and annually thereafter. When making financial projections, it is mandatory that you explain all key assumptions. They can get involved, so make use of your accountant and/or other professional advisors. There are also several good computer software packages available to help you accomplish these tasks.

Your financial projections and funding requests must be keyed to your market expectations. You should begin your financial projections with a sales forecast. Starting with a sales forecast will help you define how much cash you will have coming from operations and when it will be coming in. This is essential to forecasting cash flow and determining how much equity and debt capital you will require until the company generates a positive cash flow. You may want to seek assistance from an accountant or the Illinois Small Business Development Center at Illinois State University in developing the Financial Information section of your plan.

Supporting Documents

- 1) Tax returns of principals for last three years
- 2) In the case of a franchised business, a copy of franchise contract and all documents provided by the franchiser
- 3) Copy of proposed lease or purchase agreement for building space
- 4) Copies of licenses and other legal documents
- 5) Copies of resumés of all principals
- 6) Copies of letters of intent from suppliers, past customers, potential customers, etc.

- 7) Any other supporting documents such as advertising plans and quotes for outside services, bills for utilities, research results, product descriptions, quotes for any major planned expenditures, shareholder details and any other data that you can use to support your decisions, assumptions and projections

Business plan features that are attractive to banks/investors:

1. Have an attractive overall appearance that is packaged nicely - use charts, tables or graphics if appropriate
2. Are well organized with a table of contents and numbered pages
3. Are market-oriented in meeting customer needs, not product-oriented - focus on competitive advantages
4. Show evidence of customer acceptance of the proposed product or service (i.e., sales)
5. Recognize the investors' needs for required rates of return on investments or banks' needs for proof of repayment - have a second source of repayment or other contingency plan in case of failure
6. Demonstrate evidence of focus on a limited number of products or services - niche markets are better
7. Have a proprietary market position through patents, copyrights and/or trademarks

Business plan features that are UNattractive to banks/investors:

1. Showing an infatuation with the product or service and downplaying market needs or acceptance
2. Overestimating your financial projections or have unrealistic growth projections - better to underestimate
3. Typos and misspelled words - this is the fastest way to lose someone who *was* taking you seriously
4. Ignoring obvious risks or problems such as competition, inadequate labor supply, timing of introduction to market, history of low sales, etc.
5. Amateurish financial projections - spend some money and get an accountant to do these for you so they are in a standard business format that a businessperson expects
6. Containing empty claims that cannot be backed up with a statistic, fact or quote from another source

Business Plan Overview

In summary, your plan should describe:

- Your company and industry
- The product or service
- The market and marketing approach
- How the product or service will be produced
- Management of the company
- How much money the company needs and what it will do with it

By following these guidelines, you should be able to describe your company and its market niche, your operations strategy and future goals and objectives. Your business plan will also be able to provide a prospective investor or lender with information about your company that is well prepared and persuasive in portraying the potential of your company.

This information was taken from the *Starting a Business in Illinois Handbook*:
http://www.sbdc.ilstu.edu/downloads/starting_in_il.pdf

Useful Business Plan Resources

A website that contains templates for business plans and financial statements:

http://www.score.org/template_gallery.html

A website with 60 free business plans to browse through:

<http://www.bplans.com/sp/businessplans.cfm>

A website that contains a large archive of free existing business plans:

<http://www.businessplanarchive.org/>

Financial Statements Overview

The three major financial statements are:

Income Statement: Summarizes how much money your business earned and spent over a period of time. It reports your revenues and then subtracts all the costs of doing business to arrive at your *net profit*, or bottom line. The basic equation is (Net Profit = Revenue – Costs).

Balance Sheet: Captures a financial snapshot of your business at a particular moment in time. The top half tallies the company's assets (monetary value of everything the company owns), and the bottom half contains its liabilities (money that the company owes to others). The assets and liabilities must balance each other and equal out.

Cash-flow Statement: Tracks money that flows in and out of your business over a given period of time. The top half details funds coming in and out of the company, while the bottom half shows the resulting changes in cash position.

The following pages have three basic templates for an income statement, balance sheet and cash flow statement.

COMPANY INCOME STATEMENT		
INCOME STATEMENT AS OF:		
	Year:	Year:
Revenue from _____	+	+
Revenue from _____	+	+
Other revenue _____	+	+
Gross Revenue	=	=
Cost of goods sold	-	-
Other direct costs _____	-	-
Gross Profit	=	=
Sales, general & administration	-	-
Depreciation expense	-	-
Other expenses _____	-	-
Operating Profit	=	=
Dividend and interest income	+	+
Interest expense	-	-
Other income _____	-	-
Profit Before Taxes	=	=
Taxes	-	-
Net Profit	=	=

COMPANY BALANCE SHEET			
BALANCE SHEET ON DECEMBER 31			
Assets		Year:	Year:
1	Current Assets		
	Cash	+	+
	Investment portfolio	+	+
	Accounts receivable	+	+
	Inventories	+	+
	Prepaid expenses	+	+
	Other _____	+	+
	Total Current Assets	=	=
2	Fixed Assets		
	Land	+	+
	Buildings	+	+
	Equipment	+	+
	Other _____	+	+
	Accumulated depreciation	-	-
	Total Fixed Assets	=	=
3	Intangibles (goodwill, patents)	=	=
4	TOTAL ASSETS (add totals 1-3)	=	=
Liabilities and Owners' Equity		Year:	Year:
5	Current Liabilities		
	Accounts payable	+	+
	Accrued expenses payable	+	+
	Other _____	+	+
	Total Current Liabilities	=	=
6	Long-term Liabilities		
	Business loans	+	+
	Bank mortgages	+	+
	Other _____	+	+
	Total Long-term Liabilities	=	=
7	Owners' Equity		
	Invested capital	+	+
	Accumulated retained earnings	+	+
	Total Owners' Equity	=	=
8	TOTAL LIABILITIES and EQUITY (add totals 5-7)	=	=

COMPANY CASH FLOW STATEMENT			
<i>CASH FLOW AS OF DECEMBER 31</i>			
Inflow and Outflow		Year:	Year:
1	Funds Provided By:		
	Receipts _____	+	+
	Receipts _____	+	+
	Dividend and interest income	+	+
	Invested capital	+	+
	Other _____	+	+
	Total Funds In	=	=
2	Funds Used For:		
	Cost of goods acquired	+	+
	Sales, general & administration	+	+
	Interest expense	+	+
	Taxes	+	+
	Other _____	+	+
	Buildings and equipment	+	+
	Long-term debt reduction	+	+
	Distributions to owners	+	+
	Total Funds Out	=	=
3	NET CHANGE IN CASH POSITION (Total Funds In – Total Funds Out)	=	=
Changes By Account		Year:	Year:
4	Changes in Liquid Assets:		
	Cash	+	+
	Investment portfolio	+	+
	Other _____	+	+
	Total Changes	=	=
5	NET CHANGE IN CASH POSITION (Total Funds In – Total Funds Out)	=	=

For financial statements that are more detailed, go to the *Starting a Business in Illinois Handbook* at http://www.sbdc.ilstu.edu/downloads/starting_in_il.pdf.

Financial Considerations

Obtaining Financing

Financial resources available to small businesses can vary depending on whether an individual is starting a new business or purchasing an existing business. The most common source of financing for a small business is personal resources. Many businesses begin on a household budget until their financial situations and cash flows are stable. Friends, relatives and financial institutions are also potential sources of financing. Business loans for startup enterprises are not easily obtained, but, fortunately, there are various alternatives to consider.

How to Apply for a Loan

The following guidelines should be used for the current or potential business owner when preparing to request financial assistance.

Those wanting to start a business should:

- Describe the type of business that will be established
- Submit information on the products or services the business plans to offer, and identify existing and potential customers and competitors
- Describe all experience and management capabilities
- Prepare an estimate of how much must be invested in the business and how much will need to be borrowed
- Prepare a current financial statement (balance sheet) listing all personal assets and all liabilities
- Prepare a detailed projection of earnings for the first three years the business will operate
- List collateral to be offered as security for the loan, indicating an estimate of the present market value of each item
- State the amount of the loan and exact purpose(s) for which it can be used

Those already in business should:

- Submit a brief history of the business and its employment growth
- Submit information on the company's products or services and identify existing and potential major customers and competitors
- Prepare a current financial statement (balance sheet) listing all assets and liabilities of the business
- Have an earnings (profit and loss) statement for the last two years and for the current period to the date of the balance sheet
- Prepare a current personal financial statement of the owner, each partner or each stockholder owning 20 percent or more of the corporate stock in the business
- List collateral to be offered as security for the loan with an estimate of the present market value of each item
- State the amount of the loan requested and exact purposes for which it will be used

Along with this information, a business plan should be submitted to the lender outlining the basic structure and direction of the business.

Financial Assistance Programs

The Economic Development Council can facilitate financing through several financial programs and incentives. The primary programs available to businesses are offered through the McLean County Revolving Loan Fund, the Illinois Finance Authority, DCEO, the Illinois State Treasurer, SBA, workforce assistance programs and others.

For a complete list of available financial programs and incentives visit the Economic Development Council's website at <http://www.bnbiz.org/Incentives>

McLean County Revolving Loan Fund (RLF)

RLF was established to provide financial assistance to new or expanding businesses in McLean County. In addition, the fund serves a public policy goal of developing a stronger economic base and expanded job opportunities. Use of the funds is governed by a variety of rules and regulations mandated by the state and federal agencies that provided the original grants to McLean County.

The mission of the fund is:

- To assist short-term economic development by supporting projects that create and retain jobs
- To encourage growth and involvement of area financial institutions
- To assist long-term economic development projects that protect the existing tax base and that wish to expand it
- To insure financial security for the fund through appropriate use

(Working directly with your lender is the best way to obtain access to the Revolving Loan Fund.)

General Guidelines

Eligible borrowers include business or property owners who are locating or expanding in the McLean County area. Funding can generally be used for site development and infrastructure extension costs, construction of new facilities or additions, renovation of existing facilities, leasehold improvements, the purchase of new or used machinery or equipment and working capital. Projects of a speculative nature are ineligible for funding. The minimum amount of funding is \$50,000 and the maximum amount is \$500,000.

Job Creation & Retention

One of the key fund requirements calls for the business receiving funds to create or retain at least one full-time equivalent job for every \$15,000 of funds loaned. In addition, at least 51 percent of those jobs created or retained must benefit low to moderate income positions.

Financial Need

Financial need must be met through one of the following criteria:

- Funds are needed to “fill the gap” between estimated project costs and what lenders are willing to lend.
- The estimated ROI exceeds the bank determined industry-wide standard.
- RLF funding is needed to keep the firm in the community.

Interest Rate and Terms

A minimum fixed rate shall be charged on a program loan. The rate varies from time to time. The participating lender and the applicant may negotiate any mutually acceptable loan term. The term of the McLean County loan depends on the type of asset or purpose it is funding. Generally, terms can range from seven to 15 years.

Contact the EDC at (309) 661-6332 for more information about this program.

DCEO Programs

The Department of Commerce and Economic Opportunity (DCEO) is Illinois' leading economic development agency with a wide range of programs and services. DCEO assists Illinois businesses to compete successfully in the global economy. The First Stop Business Information Center can assist in learning more about DCEO and other public financing programs. For more information, call the Illinois Business Assistance Line at 1-800-252-2923. A few of their programs are given below:

Capital Access Program (CAP)

CAP is designed to encourage lending institutions to make loans to businesses that do not qualify for conventional financing. CAP is based on a portfolio insurance concept where the borrower and the Department of Commerce and Economic Opportunity each contribute a percentage of the loan amount into a reserve fund located at the lender's bank. This reserve fund enables the financial institution to make loans beyond its conventional risk threshold and is available to draw upon to recover losses on loans made under the program.

A CAP loan is a private market transaction between the lender and the borrower with all terms, fees, conditions, rates, collateral, etc. being determined by the lending bank. The borrower's non-refundable contribution to the reserve fund must be between 3 and 7 percent of the total loan amount. DCEO will provide a matching contribution. A 133 percent match to the borrower's contribution will be provided on the first \$2,000,000 in CAP loans enrolled at the lender bank. A higher match will be provided to minority/woman/disabled owned businesses (150 percent) and businesses located in a federally designated Empowerment Zone or Enterprise Community (200 percent). Loan proceeds cannot be used for debt refinancing or for financing passive real estate ownership.

Eligibility

The business must be for-profit, located in Illinois and employ 500 employees or less. The borrower cannot be in the business of manufacturing or selling firearms at wholesale or retailer in the business of manufacturing or selling tobacco products, liquor or sexually explicit materials at wholesale.

Contact the DCEO at (217) 782-3891 for more information about this program.

Illinois EDGE Program

The Illinois EDGE program is administered by the Illinois Department of Commerce and Economic Opportunity (DCEO). A Business Investment Committee of the Illinois Economic Development Board (IEDB) makes recommendations regarding the types of projects that may seek this tax credit. DCEO's review will be based on written applications submitted by interested firms.

The amount of the tax credit is calculated on a case-by-case basis. The tax credits could be as high as the amount of tax receipts collected from the Illinois income taxes paid by newly-hired and/or retained employees of the firm as pertaining to the project. As a tax credit, the EDGE program allows a firm to reduce the costs of doing business in Illinois when compared with similar costs in other states where it could have located its operation.

The credits would be available to the firm for up to a total of 10 years for each project. While each annual tax credit amount cannot be larger than the firm's state income tax liability (the income tax credits would not be refundable), the credit can be carried forward for up to five years. Each firm receiving competitive credits would have to maintain the jobs created and/or retained along with the capital investment concurrent with the period in which it claims the credits.

Eligibility

The development project must add to the export potential of Illinois; for example, manufacturing or services exported out of state would be acceptable, but not retail trade and personal services. The project must be an expansion of an existing operation or a new location. Plant relocations within Illinois are eligible for consideration only if there is a documented and substantiated business reason why their current location is inadequate.

Each project must commit to making a capital investment in the state of at least \$5 million and must create a minimum of 25 new jobs (excluding recalls, transfers, etc.), or the project must meet the investment and job creation and/or retention requirements as set forth by DCEO. The applicant must demonstrate that if not for the credit, the project would not occur in Illinois by providing documentation evidencing that:

- The applicant has multi-state location options and could reasonably and efficiently locate outside of the state, OR
- At least one other state is being considered for the project, OR
- Receipt of the credit is a major factor in the applicant's decision and that without the credit, the applicant likely would not create and/or retain jobs in Illinois, OR
- The credit is essential to the applicant's decision to create and/or retain jobs in the state.

The cost differential should be identified using the best available data in the projected costs for the applicant's project compared to the projected costs in the competing state, including the impact of the competing state's incentive programs. The cost differential should, for example, demonstrate the following:

- specific costs of labor, utilities, taxes and other costs of an out-of-state site or the industry's cost structure in the competing region
- specific cost differential due to the impact of a competing region.

Contact Dennis Gorss (Dgorss@illinoisbiz.biz) of the DCEO at (217) 524-8449 for more information about this program.

Business Enterprise Act

The Business Enterprise for Minorities, Females and Persons with Disabilities Act helps state government promote the economic development of businesses certified as owned and controlled by minorities, females and persons with disabilities. It does so by establishing a goal that at least 19 percent of procurement contracts let by the state go to businesses certified under the Act. There are currently 62 agencies and nine universities letting contracts subject to the Act.

Program Activities

Day-to-day activities designed to help meet the contracting goal:

- Agency Training Program staff work with each agency's purchasing group to educate them about the Act and provide them with information about BEP-certified businesses interested in contracting with the state.
- Compliance and Monitoring Program staff help ensure that agencies actively consider BEP-certified businesses when issuing bids/proposals or when entering into contracts.

Program Eligibility

The program is open to:

Minority Business Enterprise (MBE): A business concern which is at least 51 percent owned by one or more minority persons or, in the case of a corporation, at least 51 percent of the stock of which is owned by one or more minority persons, and the management and daily business operations of which are controlled by one or more minority individuals who own it. The 51 percent owners must be U.S. citizens or resident aliens.

Minority is defined as:

- Black/African American: A person having origins in any of the black racial groups in Africa
- Hispanic: A person of Spanish or Portuguese culture with origins in Mexico, South or Central America or the Caribbean Islands, Spain or Portugal regardless of race
- Asian American: A person having origins in any of the original peoples of the Far East, Southeast Asia, the Indian Subcontinent or the Pacific
- Native American or Alaskan Native: A person having origins in any of the original peoples of North America

Female Business Enterprise (FBE): A business concern which is at least 51 percent owned by one or more females or, in the case of a corporation, at least 51 percent of the stock of which is owned by one or more females, and the management and daily business operations of which are controlled by one or more females who own it. The 51 percent owners must be U.S. citizens or resident aliens.

Person with a Disability (PBE): A business concern which is at least 51 percent owned by one or more persons with a disability or, in the case of a corporation, at least 51 percent of the stock of which is owned by one or more persons with a disability and the management and daily business operations of which are controlled by one or more persons with a disability who own it. The 51

percent owners must be U.S. citizens or resident aliens. The Act also qualifies not-for-profit agencies for persons with a disability organized pursuant to Section 501 of the Internal Revenue Code of 1954 (this is the only instance in which not-for-profit entities are eligible under the Act).

Combinations: When a business concern is owned by at least 51 percent of any *combination of minority persons, females or persons with disabilities*, even though none of the three classes alone holds at least a 51 percent interest, the ownership requirement for purposes of the Business Enterprise Act is considered to be met. The certification category for the business is that of the class holding the largest ownership in the business.

Annual Sales Limitation

Eligible businesses must have annual gross sales of \$27 million or less for the most recent fiscal period. However, businesses with gross sales over \$27 million can apply for a waiver to participate in the program on an individual contract basis, if the contract will provide significant employment and/or subcontracting opportunities for minorities, females and persons with disabilities.

For More Information

You can obtain more information about the program and the necessary forms by contacting:

Business Enterprise Program for Minorities, Females and Persons with Disabilities
James R. Thompson Center
100 West Randolph Street
Suite 3-350
Chicago, Illinois 60601
(312) 814-4190

Illinois Finance Authority Programs

IFA Industrial Participation Loan Program

The Illinois Finance Authority assists Illinois businesses that create or retain jobs by offering a loan participation program in conjunction with their banks. Through this program the Authority will purchase up to the lesser of \$1,000,000 or a 50 percent participation in the loan directly from the borrower's bank. Details are available from your IFA Funding Manager.

Benefits

- Participation loans will finance the purchase of land or buildings, construction or renovation of buildings and acquisition of machinery and equipment.
- Interest rates are 200 basis points (i.e., 2.0 percent) below the rate charged to the borrower by the bank, thereby resulting in a lower blended interest rate on the loan. Participating banks may retain up to 100 basis points as a servicing fee. A minimum of 100 basis points must be passed on to the borrower.
- IFA will share in all collateral prorated on a first mortgage position (*pari passu*) with the bank
- Long-term maturities with a maximum term of 10 years
- Single application process



Type of Financing

Participating banks will originate, underwrite and service all loans. IFA staff will review the bank's analysis to assure it meets IFA standards. If the maturity exceeds 10 years, IFA requires a balloon payment at the end of 10 years.

Eligibility

Financing is available to businesses in Illinois that create new or retain existing jobs. Funds from the participation purchased by IFA must be used primarily for the acquisition of fixed assets.

Fee

There are no IFA fees. Participating banks may retain a servicing fee; a minimum of 100 basis points are passed on to the borrower.

SOURCE: http://www.il-fa.com/products/ind_part.html

SBA Programs

The SBA offers a number of programs and services, including training and educational programs, advisory services, publications, financial programs and contract assistance. The agency also offers specialized programs for female business owners, minorities, veterans, international trade and rural development. For more information, call or write:

Alan Clay Kilgore, Branch Manager
 Small Business Administration
 3330 Ginger Creek Drive, Suite B East
 Springfield, Illinois 62711
 (217) 793-5020
<http://www.sbaonline.sba.gov/il>

For a complete list of SBA Loan programs, visit the EDC at
<http://www.bnbiz.org/Incentives/SBA.asp>

Other Financial Resources

Grants

Unless you are planning to start a not-for-profit organization, there are no grants available for businesses. That is a huge myth perpetrated by people who sell books and programs that "guarantee" to get you a grant. The local SBDC office states that it hears from at least one person a week who has lost hundreds to thousands of dollars through these scams. The fact is that free grant money for start-up businesses that earn profits do not exist.

The SBA does have a few specialized grants listed at the following website:
<http://www.sba.gov/expanding/grants.html>

State of Illinois grants can be found at
http://www.illinoisbiz.biz/dceo/Bureaus/Business_Development/Grants.

Angel Investors

Angel investors are wealthy individuals who become personally involved in seeking out ventures, lending their expertise, experience and money. Often, the angel investor is someone who has a personal connection with the entrepreneur, but angels can also be outsiders on the lookout for a successful business venture. When searching for outside money, a well-written business plan is critical in showing off the proposed business and proving your credentials.

Venture Capitalists

Venture capitalists are individuals organized into large firms that will give entrepreneurs money to fund their business if they think the business will be profitable. In exchange for their money, entrepreneurs must promise the venture capitalists a percentage or share of their company. Venture capital is all about high-risk, high-return; the only way to convince them to give you money is if they are persuaded by your business plan. Managers of these firms look at hundreds of business plans each year, and they reject almost all of them. A well-written, exciting executive summary of the business plan is the key to sparking the interest of a venture capitalist. Visit the Economic Development Council's website for a full list of financial programs and incentives available to local businesses: <http://www.bnbiz.org/Incentives>.

Bank Loan Services

In some instances, a bank can provide assistance in obtaining and financing loans. The following are some possible areas of assistance:

- Working capital loans provide short-term access to interim operating funds.
- A revolving line of credit is a pre-established borrowing limit that can help meet monthly expenses.
- Inventory financing or a seasonal line of credit can help see the business through cyclical, capital-intensive periods which are common to agriculture and certain types of wholesale and retail operations.
- A letter of credit from a bank can improve purchasing power in business transactions outside the local area.
- Accounts receivable financing allows borrowing against business already on the books.
- Equipment financing and leasing arrangements can help to properly equip the business or expand it when it is ready to grow.
- Capital loans provide venture capital to help start or invest in a commercial enterprise.
- Real estate mortgages are available to help acquire property, and real estate management services can help manage the property.
- Credit investigations can help protect the business owner when dealing with unfamiliar sources.

SOURCE: State of Illinois Business Start-up Handbook; http://www.sbdc.ilstu.edu/downloads/starting_in_il.pdf

Job Training

The Economic Development Council of the Bloomington-Normal Area can partner with its state and local partner agencies in assisting with the development of a wide variety of training packages. These agencies have worked with hundreds of companies to develop training programs specifically designed to meet the needs of business and industry. Many of these packages have included a variety of state and federal programs.

Programs

The Workforce Investment Act (WIA) combines federally-funded job training programs in Illinois into a "workforce development" system where individuals can find a job or train for a new career. Services are provided through the state's one-stop delivery system, the Illinois Employment & Training Center (IETC) network. Individuals in Bloomington-Normal and McLean County that wish to apply for available training programs or obtain other services should report to the IETC office located in Bloomington for assistance.

Three Levels

WIA establishes three basic levels of employment and training services to eligible individuals. All adults, ages 18 or older, are eligible to receive "core services." Additional "intensive services" are available to unemployed individuals who have been unable to obtain jobs through core services and those who are employed but need additional training services to reach self-sufficiency. "Training services" are also available for those who meet intensive services eligibility but are unable to find employment through those services.

Core Services (available to all adults ages 18 years or older):

- Job search and placement assistance (including career counseling)
- Labor market information (which identifies job vacancies; skills needed for in-demand jobs; and local, regional, and national employment trends)
- Initial assessment of skills and needs
- Information about and costs for local training providers
- Follow-up services to help customers keep their jobs once they are placed

Intensive Services (available to eligible adults who have been unable to find work through core services or need additional training to reach self-sufficiency):

- Comprehensive assessments
- Development of individual employment plans
- Group and individual counseling
- Case management
- Short-term prevocational services
- Out-of-area job search assistance or relocation assistance
- Internships and literacy activities

Training Services (for those who have received "intensive services" but are still unable to find employment):

- Occupational skills training
- On-the-job training
- Cooperative education programs and private sector training programs
- Job readiness training
- Adult education and literacy activities
- Customized employer training

Dislocated Worker and Youth Services

To be eligible for the dislocated worker program, a person must have received a layoff notice or have been laid off due to a company closure or mass layoff. Workers may also be eligible if they are currently unemployed and are unlikely to return to their prior occupation due to economic conditions in that industry.

To be eligible for the youth program, a person must be between the ages of 14 and 21, have low income and have a substantial barrier to employment such as: deficient in basic literacy skills, school dropout, homeless, a runaway or a foster child, pregnant or parenting, an offender or an individual who requires additional assistance to complete an educational program or to secure and hold employment.

Services include:

- Tutoring, mentoring, study skills training and instruction leading to completion of secondary school
- Alternative school services
- Paid and unpaid work experience (such as internships and job shadowing)
- Occupational skills training
- Leadership development
- Supportive services
- Guidance counseling
- Follow-up services

The Employer Training Investment Program (ETIP)

The Employer Training Investment Program (ETIP) helps keep Illinois workers' skills in pace with new technologies and business practices. ETIP grants can reimburse Illinois companies for up to 50 percent of the cost of training their employees. Grants may be awarded to individual businesses, to original equipment manufacturers sponsoring multi-company training for employees of their Illinois supplier companies and to intermediary organizations operating multi-company training projects.

Employer Training Investment Program / Large Company Component (ETIP/LCC)

There are two ways large Illinois companies (with 250 or more full-time employees) can access state training funds available through the ETIP/LCC. Individual employers may apply for grant funds to assist with training their employees. The multi-company training component allows

companies with common employee training needs to join together in meeting these common needs and applying for training funds.

Single-Company Training Projects

Individual companies (with 250 or more full-time employees) undertaking eligible training activities may apply for an ETIP/LCC grant. Frequently, these companies are undertaking a major retention, expansion or location project in the state. Other situations which may contribute to an individual company applying for a training grant include a major capital investment in new equipment or technology(ies) or specialized or customized training needs not shared with other companies in the area.

Multi-Company Training Projects

Companies that have identified common training needs are encouraged to apply for ETIP/LCC grant funds under the program's multi-company training component. An intermediary organization may apply for grant funds on behalf of the companies participating in the project. This organization conducts or sponsors the employee training programs. The intermediary organization coordinates all grant administrative and training evaluation reporting functions on behalf of the companies in the project.

Eligible applicants include business and industry associations, institutions of higher education, large manufacturers for supplier network companies, labor organizations and strategic business partnerships.

Contact Information

Employer Training Investment Program / Large Company Component
620 East Adams Street, 3rd Floor
Springfield, IL 62701
Tel: 217/785-6284 Fax: 217/558-6971
rick_rovers@commerce.state.il.us

Incumbent Worker Training Summary: Career Link

The Incumbent Worker Training Program provides funds for targeted employers to provide training to their current employees.

The targeted industries in our region are manufacturers and health care providers. Additional requirements are:

1. Operated in the region for at least four months
2. Has currently at least five full-time employees
3. Can demonstrate financial viability
4. Can provide a match toward requested funding

The match may be either in-kind or cash. The required match is based on the size of the employer - 10 percent for 50 or fewer employees, 25 percent for 51 to 99 and 40 percent for 100 or more employees.

Requested training must meet at least one of the following criteria:

1. Train employees in skills necessary to enable the company to establish, maintain or expand into new markets
2. Introduce more efficient technologies or continuous improvement systems
3. Provide additional training to employees who are threatened with layoff
4. Provide training that will result in benefits to employees such as enhanced employability, job upgrades, increased wages and/or increased job security
5. Provide job-linked training in response to new or changing technologies, processes, product lines, machinery or equipment
6. Provide training related to regulatory compliance issues mandated for the workplace

Training may be provided on-site or off-site. It may be conducted by in-house staff or outside staff. Employees who are paid while receiving training may count the wages and fringe benefits as part of the match requirement. Most costs associated with providing the training can be covered by the program.

Contact Information

Warren Cheatham
 Career Link
 207 E. Hamilton Rd.
 Bloomington, IL 61704
 Tel: (309) 827-6237 ext. 220
 wcheatham@careerlink16.com

Industry-Specific Start-up Procedures

Specific Business License and Registration

The Department of Commerce and Economic Opportunity offers a complete list of businesses and their start-up requirements such as registration and licenses needed. This can be located at <http://spinotew1.commerce.state.il.us/dfsimsim.nsf/Business%20Profiles>.

The Illinois Division of Professional Regulation also has a website with a complete list of professions and specific information related to licenses, forms, permits and rules. This can be found at <http://www.idfpr.com/dpr>.

Retail

All retailers must register with the Illinois Department of Revenue (IDOR) for an Illinois Business Taxpayer Certificate of Registration in order to collect and remit sales tax on all retail sales. Contact information for IDOR can be found in the *Resources and Contacts* section.

IDOR also registers and licenses operations related to grocery and/or convenience store businesses, including Gas Revenue Tax, Liquor Tax and Cigarette Tax. Contact the Department of Revenue's Miscellaneous Taxes Office at (217) 782-6045 for more information.

Note: For information on Illinois sales/use taxes, refer back to the *Illinois Sales Tax* section under *General Business Start-up Procedures*.

Small Business Food Labeling Exemption

The Federal Food, Drug, and Cosmetic Act requires that packaged foods and dietary supplements must display nutrition labeling unless they qualify for an exemption. Exemptions for small business are as follows:

Exemptions that **do not require a notice** to be filed with the FDA:

- Retailers with annual gross sales of less than \$500,000
- Retailers with annual gross sales of foods or dietary supplements to consumers of not more than \$50,000

Exemptions that **do require a notice** to be filed annually with the FDA:

- Employers with fewer than an average of 100 full-time employees and fewer than 100,000 units of that product are sold in the U.S. in a 12-month period

If a person is **not an importer** and has fewer than 10 full-time employees, that person does not have to file a notice for any food product with annual sales of fewer than 10,000 total units.

For more information on Food Nutrition Labeling or how to file a notice go online to www.cfsan.fda.gov/~dms/sbel.html or contact:

Robert E. Brackett, Director
Center for Food Safety & Applied Nutrition
Food & Drug Administration
HFS-820
5100 Paint Branch Parkway
College Park, Maryland 20740-3835
(301) 436-2371
sbusines@cfsan.fda.gov

Restaurant

Illinois Restaurant Association (IRA)

The IRA is the trade association for Illinois-based restaurant/food service establishments. The major benefits of becoming a member of the IRA are:

- Expert legislative representation
- Networking and marketing opportunities
- Information resource center
- Subscription to restaurant magazines
- Discounted training and certification
- Dual membership with the National Restaurant Association (food service members only)
- Exclusive member-only savings programs

For more information on membership and other benefits, contact:

Colleen McShane, President
 Illinois Restaurant Association
 200 North LaSalle Street, Suite 880
 Chicago, Illinois 60601
 1-800-572-1086
www.illinoisrestaurants.org

National Restaurant Association

The National Restaurant Association is the leading business association for the restaurant industry. The association represents restaurants, promotes the restaurant industry, offers networking opportunities, and provides information to restaurateurs. Contact:

Edward R. Tinsley, Chairman
 National Restaurant Association
 1200 17th Street, NW
 Washington, DC 20036
 (202) 331-5900
www.restaurant.org

U.S. Food and Drug Administration (FDA)

The FDA offers information on food safety guidelines and regulations it has established that are required for informative labeling and the safe preparation, manufacture, and distribution of food products. A guide to the regulations and requirements can be found online at www.cfsan.fda.gov/~comm/foodbiz.html, or contact the FDA:

Darlene Bailey, Director
 FDA Chicago District Office
 550 West Jackson Boulevard
 Suite 1500 South
 Chicago, Illinois 60661
 (312) 353-5863 or
 (312) 353-7126
dbailey@ora.fda.gov

Illinois Law Requirements

State law requires food service establishments to employ a Certified Food Service Sanitation Manager. For more information, contact:

Eric E. Whitaker, Director
 Illinois Department of Public Health
 Division of Food, Drugs and Dairies / Office of Health Protection
 Food Program
 535 West Jefferson Street
 Springfield, Illinois 62761
 (217) 782-7532
www.idph.state.il.us

Building Maintenance Requirements

Buildings must be maintained by owners, occupants or lessees in compliance with standards and rules established by the Office of the State Fire Marshal (OSFM) to avoid injury by fire or collapse. Local governments share jurisdiction with the OSFM. For more information, contact:

David B. Foreman, Fire Marshal
Office of the State Fire Marshal
Fire Prevention
James R. Thompson Center
100 West Randolph, Suite 11-800
Chicago, Illinois 60601
(312) 814-2693
www.state.il.us/osfm

Measuring Devices

All weighing and measuring devices used for commercial purposes must be inspected by the Department of Agriculture once each year. Devices that meet the prescribed requirements are certified with a state decal. For more information, contact:

Charles A. Hartke, Director
Illinois Department of Agriculture
Bureau of Weights & Measures
State Fairgrounds, P.O. Box 19281
Springfield, Illinois 62794-9281
(217) 785-8301

Illinois Liquor License

The State of Illinois requires restaurant owners serving alcohol to acquire a liquor license. The Illinois Liquor Control Commission has a website containing information and license application forms at www.state.il.us/lcc/default.htm.

Additional information is available by contacting the local commission at the following location:

Michael J. Malone, Executive Director
Illinois Liquor Control Commission
222 South College, Room 100
Springfield, Illinois 62704
(217) 782-2136
www.state.il.us/LCC/

Restaurant Taxes

Restaurant owners face various federal tax requirements. Since these can be complex, the Internal Revenue Service (IRS) has developed a special location just for restaurants on its website (www.irs.gov). To access the restaurant information, visit <http://www.irs.gov/businesses/small/industries/content/0,,id=98720,00.html>.

The information found in this section can also be accessed by using the site's search engine. This website contains a great deal of information regarding compliance with federal tax obligations such as payment of income, Social Security/Medicare and employment taxes. It also addresses the requirements of proper tip reporting and how to take advantage of specific provisions in the law favorable to restaurant owners.

Local Registration

Bloomington Liquor Licenses

It is illegal under both state law and city ordinance to sell alcoholic liquor in the City of Bloomington without first obtaining liquor licenses from the City of Bloomington and the Illinois Liquor Control Commission. New liquor licenses are created by a vote of the Bloomington City Council after a hearing in front of the Bloomington Liquor Commission.

For more information regarding the licensing and regulation of liquor license establishments by the City of Bloomington, contact the office of the Bloomington City Clerk at (309) 434-2240.

Normal Liquor Licenses

In order for a business to sell alcohol in Normal, an application must be filed with the Town of Normal. Only after the application is reviewed and a liquor license is granted may a business sell alcohol in Normal.

For more information regarding the licensing and regulation of liquor license establishments by the Town of Normal, contact the Normal Liquor Commission:

Chris Koos, Mayor
Normal Liquor Commission
100 East Phoenix Avenue
P.O. Box 589
Normal, Illinois 61761
(309) 454-9500

Bloomington/Normal Food and Beverage Registration

Bloomington and Normal share two forms for businesses that prepare food and beverage: the Prepared Food & Beverage Registration Form and the Prepared Food & Beverage Sales Tax Form (which must be submitted monthly). These and other forms are available online at <http://www.cityhall.ci.bloomington.il.us/forms.asp>.

Service

Plumbing Services

A license is required from the Illinois Department of Public Health for any business or individual performing plumbing services. Except for individuals performing plumbing in his or her own residence, all planning and designing of plumbing systems and all plumbing may be performed only by licensed plumbers or licensed apprentice plumbers under the supervision of a licensed plumber. For more information, contact:

Eric E. Whitaker, Director
 Illinois Department of Public Health
 Office of Health Protection / Plumbing Section
 525 West Jefferson
 Springfield, Illinois 62761
 (217) 524-0791

Child Care

A Child Care License is required to operate a home day-care, a day-care center, a child welfare agency, child care institution, group homes, and similar facilities. The purpose of the license is to specify minimum standards for the care of children apart from their parent or guardian. Day-care licenses are valid for three years; all other types of licenses are valid for four years. Providing child care without a license is a Class A misdemeanor, and violators are subject to fines.

Those desiring to operate a child care facility must complete and file an application for licensure, which is available at a local office of the Illinois Department of Children and Family Services (DCFS). Applicants, members of the household or employees must authorize a search of the Child Abuse and Neglect Tracking System and a criminal history check if 18 years of age or older. The proposed site for the child care facility must be established and identified in the application. The Department will conduct an on-site inspection of the proposed child care facility, health and fire safety inspections and health clearances for caregivers and staff qualifications as required by facility type.

Applications require two to six months to process and may be denied due to criminal or child abuse or neglect history. Applicants may be subject to local fire, health, zoning and other governmental requirements as well. For more information, contact:

Bryan Samuels, Director
 DCFS
 Bureau of Licensure and Certification
 406 East Monroe Street
 Springfield, Illinois 62701
 (217) 785-2688
www.state.il.us/dcfs/

Manufacturing

Illinois Manufacturers' Association (IMA)

The IMA is a resource for manufacturing companies; it is the largest state manufacturing trade association in the U.S. The IMA provides information on business and legal issues that affect the manufacturing industry. Contact the IMA:

Gregory W. Baise, President
 IMA Headquarters
 1211 West 22nd Street, Suite 620
 Oak Brook, Illinois 60523
 (630) 368-5300
www.ima-net.org
ima@ima-net.org

National Association of Manufacturers (NAM)

The NAM's mission is to enhance the competitiveness of manufacturers by shaping a legislative and regulatory environment conducive to U.S. economic growth and to increase understanding among policymakers, the media and the general public about the vital role of manufacturing to America's economic future and living standards. Contact NAM at:

John Engler, President
 National Association of Manufacturers
 1331 Pennsylvania Avenue
 Washington, D.C. 20004
 (202) 637-3182
www.nam.org
manufacturing@nam.org

Registration of Food Facilities

The Bioterrorism Act requires domestic and foreign facilities that manufacture, process, pack or hold food for human or animal consumption in the U.S. to register with the FDA. Retailers, restaurants, farmers and private residences do not need to register. To find out if a business needs to register or to register a business with the FDA, go online to www.fda.gov/FURLS.

IFA Industrial Revenue Bond

The Illinois Finance Authority issues tax-exempt Industrial Revenue Bonds (IRB's) on behalf of manufacturing companies to finance the acquisition of fixed assets such as land, buildings and equipment. Bond proceeds also may be used for either new construction or renovation.

Benefits

Benefits of Industrial Revenue Bond financing include:

- Long-term financing at interest rates lower than conventional financing, usually below prime
- Fixed or variable rate financing
- Finance up to 100 percent of project cost (subject to credit approval and underwriting standards of the borrower's bank)

Type of Financing

Because of significant up-front costs of issuance, Industrial Revenue Bond issues of less \$1.5 million generally are not cost effective. Smaller fixed asset projects may be eligible for financing through other IFA loan programs. For most companies bank participation is necessary before bonds can be sold to investors. The participating bank will make the credit decision, structure terms and set collateral requirements. Banks can either (1) guarantee the bonds by providing a Direct Pay Letter of Credit or (2) purchase bonds directly to hold as an investment in their portfolio.

Eligibility

Qualified Industrial Revenue Bond projects include facilities that are primarily used to manufacture or process tangible products. The Internal Revenue Code defines all IRB eligibility requirements. Final determination of project eligibility is subject to a legal opinion from a recognized municipal

bond attorney. A completed Economic Disclosure Statement (EDS) and a Volume Cap Application must accompany the Industrial Revenue Bond application.

Fee

A non-refundable application fee is due when the application is submitted. There are also closing fees plus other applicable charges. For a fee schedule, contact a funding manager at your local IFA office. In most cases, applications can be reviewed by staff and considered by the board of directors within 30 to 45 days of submission.

SOURCE: http://www.il-fa.com/products/ind_irb.html

Construction

Illinois Registration

No state license is required to be a general contractor in Illinois. However, both Bloomington and Normal have their own construction registration requirements.

Note: A license is required from the Illinois Department of Professional Regulation for any person offering services as a roofing contractor. Also, a license is required from the Illinois Department of Public Health for any business or individual performing plumbing services. Electricians in Illinois are also licensed through Bloomington or Normal.

Local Registration

City of Bloomington Registration

Any individual starting a construction business that operates in Bloomington must register with the city. Contractor Eligibility forms, Building Permit applications, Building Plan Reviews and Contractor Registration forms can be found online at www.cityblm.org/forms.asp#form2881.

To be added to the Bloomington contractor list, the Contractor Eligibility form must be completed and returned to the Community Development Office with a copy of certificate of insurance (which includes worker's compensation for any employees). A tax ID number and/or Social Security number of the principle owner of the firm are also needed.

The Community Development Division requires the following insurance coverage:

- Comprehensive Public Liability - no less than \$500,000 for injuries including accidental death to any person, per accident and \$1,000,000 in the aggregate for policy term
- Workers Compensation and Employees Liability - not less than \$100,000 per person for employers liability
- Auto Insurance - for injuries or damages caused by the contractor's vehicle on the job site, a minimum combined single liability limit of \$500,000

All contractors must also be approved with the Building Safety Division (do this by filing the Contractor Registration form). Contractors will not be added to the Community Development list until they have been approved by Building Safety. Once the completed application and insurance have been received and approved and the contractor has been approved by Building Safety, he/she will be sent a letter confirming his/her status as an approved contractor. The contractor

will then start receiving bid notifications of Community Development rehabilitation jobs. The completed Contractor Eligibility form can be sent to:

Angie Milewski
 City of Bloomington
 Community Development Division
 P.O. Box 3157
 Bloomington, Illinois 61702
 (309) 434-2244

Town of Normal Registration

Normal requires that certain permits be filed before construction begins, such as a commercial building permit or a commercial plumbing permit. Such permits can be found online at <http://www.normal.org/Services/Forms.asp>.

Local Permits

Permits for most construction projects in McLean County are required before the construction starts. Occupancy permits are issued upon completion of the construction project or when the use of the land changes. On residentially-used land, for example, permits are generally required for most construction including: new homes; additions to homes, including decks, porches and patios; detached buildings, including small storage buildings and permanent play equipment and above-ground and in-ground swimming pools; some fences; and ponds. Generally, three inspections are made during the course of construction: a stake-out inspection to verify the location of the improvement, a foundation inspection and a final inspection before an occupancy permit is issued. For more information, visit <http://www.mcleancountyil.gov/build> or contact:

Phil Dick, Director
 Building and Zoning Government Center
 115 East Washington Street
 Rm M102, P.O. Box 2400
 Bloomington, Illinois 61702
 (309) 888-5160
bldgzon@mcleancountyil.gov

Illinois Tax Requirements

Construction owners face various federal tax requirements. The IRS has developed a special location just for construction businesses on its website (www.irs.gov). To access the construction information, visit <http://www.irs.gov/businesses/small/industries/content/0,,id=98720,00.html>.

Agriculture

IFA Agriculture Programs

For more information, please contact the EDC at (309) 661-6332.

Beginning Farmer Bond Program

This program provides affordable financing to farmers by using federally tax-exempt bonds ("Aggie Bonds") to reduce the interest rate on a loan to purchase farmland. This program can be used between a buyer and his/her local lender or between a buyer and the seller for a contract purchase. The lender or contract seller make all credit decisions for the loan. Loans may be used to purchase capital assets including farmland, new or used farm improvements or buildings, new equipment and used equipment when purchased with farmland. Loan proceeds may not be used to finance a residence. The maximum loan size is \$250,000.

Eligibility requirements include:

- Must be an Illinois resident at least 18 years old
- Have a net worth of less than \$500,000
- Borrower will be the principal user of the capital item
- Have not owned a significant amount of farmland

State Guarantee Program for Restructuring Agricultural Debt

This loan program allows a farmer to consolidate existing debt and spread the payments out over a longer term. Loans are made through a local lender and the lender will receive an 85 percent guarantee on the principal and interest of the loan. The maximum loan size is \$500,000, and 30 years is the longest term available. The interest rate can be variable or fixed and must be less than the market rate of interest generally available to the borrower.

Eligibility requirements include:

- Must be an Illinois resident at least 18 years old
- Must be the principal operator of a farm who derives at least 50 percent of gross income from farming
- Have a debt/assets ratio between 40 and 65 percent on a current balance sheet
- Have adequate cash flow and collateral for the loan

Specialized Livestock Guarantee Program

This program is designed to provide family-sized livestock operations the access to capital needed to enter, upgrade or expand their livestock business. Local lenders receive an 85 percent guarantee of the principal and interest on the loan. Loan proceeds may be used for the purchase of capital assets used in livestock production. This includes construction, purchase or remodeling of livestock facilities and the purchase of equipment and/or breeding livestock. Purchases cannot be made more than six months prior to IFA loan approval. The maximum loan size is \$1,000,000, and the maximum term is 15 years. The interest rate can be variable or fixed, and the interest rate must be less than the market rate of interest generally available to the borrower.

Eligibility requirements include:

- Borrower or the owner of a partnership or corporation must be an Illinois resident at least 18 years old
- Applicant must be the principal operator and materially involved in the operation
- Debt/asset ratio of borrower generally should not exceed 70 percent after the project is considered unless risk reduction measures are undertaken
- Cash flow and collateral must be adequate for the loan

Value-Added Stock Purchase

These loans are made by local lenders who receive an 85 percent guarantee on the principal and interest of loans to Illinois farmers planning to purchase stock in value-added entities that further process their commodities. Loan proceeds are used to purchase stock in a value-added entity. In conjunction with a purchase, debt may be refinanced to improve lien position or financial structure, up to the amount of the purchase. A portion of the stock can be used as collateral for this loan. The maximum loan size is \$100,000, and maximum term is 10 years. The interest rate can be variable or fixed and must be less than the market rate of interest generally available to the borrower.

Eligibility requirements include:

- Borrower or the owner of a partnership or corporation must be an Illinois resident at least 18 years old
- Applicant must be the principal operator and materially involved in the operation
- Debt/asset ratio of borrower generally should not exceed 70 percent after the project is considered unless risk reduction measures are undertaken
- Cash flow and collateral must be adequate for the loan

Young Farmer Guarantee Program

This program allows farmers to make capital purchases that will expand or upgrade their operation. Loans are made by local lenders who receive an 85 percent guarantee of the principal and interest on the loan. The loan proceeds may be used for the purchase of farm related capital assets including farmland, machinery and breeding livestock. The maximum loan size is \$500,000, and the maximum term is 15 years. The interest rate can be variable or fixed and must be less than the market rate of interest generally available to the borrower.

Eligibility requirements include:

- Must be an Illinois resident at least 18 years old
- Must be the principal operator of a farm who derives at least 50 percent of gross income from farming
- Must have a net worth of at least \$10,000
- Debt/asset ratio of borrower cannot exceed 70 percent after the project is considered
- Cash flow and collateral must be adequate for the loan.

State Guarantee Program for Agri-Industries

This program is designed for farmers and agribusinesses that wish to diversify into new enterprises or to further process existing crops or livestock. Loans can be made to farmers or agribusinesses to purchase new or used property, equipment or other capital items that will be used for one of the following purposes:

1. Growth and development of new crops or livestock not customarily grown in Illinois
2. The further processing of grain or livestock grown in the state

Loans are made through a local lender who receives an 85 percent guarantee on the principal and interest of the loan. The interest rate can be variable or fixed and must be less than the market rate of interest generally available to the borrower.

Eligibility requirements include:

- Must be an Illinois resident at least 18 years old
- Must be the principal operator of a farm or land
- Must have at least 50 percent of gross income come from farming
- Must have a gross income of at least \$20,000 based on previous years tax return
- Must have a net worth less than \$500,000
- An agribusiness must be located in Illinois, and the products used must be or will soon be grown in Illinois
- Must have a cash flow and collateral adequate for the loan

SOURCE: <http://www.il-fa.com/products/programs.html#VA>

Business Resources and Contact Information

Start-up Resources

Illinois Small Business Development Center (SBDC) at ISU

The Illinois Small Business Development Center located on the Illinois State University campus can assist in starting a small business. The center helps entrepreneurs start a new business or expand or improve an existing business by providing management, marketing, and financial counseling. The SBDC offers one-on-one confidential counseling for all phases of business activities in efforts to improve business ownership skills, financial analyses and accessing specialized services. It also provides a variety of start-up information and sponsors frequent business-oriented seminars. Contact the SBDC office:

Elizabeth Binning, Director
 Illinois SBDC at ISU
 214 College of Business Building, Campus Box 5580
 Normal, Illinois 61790-5580
 (309) 438-3610
 sbdc@ilstu.edu
 www.sbdc.ilstu.edu



Economic Development Council (EDC) of the Bloomington-Normal Area

The EDC offers a variety of small business/entrepreneurship services to existing or new businesses. These services include financing, job training, utility information and services, demographic information and real estate services. The EDC's goal is to attract new business and retain existing businesses within McLean County. Contact:

Marty Vanags, CEO
 EDC of the Bloomington-Normal Area
 3201 CIRA Drive, Suite 201
 Bloomington, Illinois 61704
 (309) 661-6332
 mvanags@bnbiz.org
 www.bnbiz.org

SCORE (Service Corps of Retired Executives)

The SCORE Association is a nonprofit association dedicated to entrepreneur education and the formation, growth, and success of small business. SCORE provides free consulting services to both start-up and existing small businesses in the Central Illinois service area. There are more than 20 counselors in the chapter who have many years of business experience in various fields such as accounting, banking, restaurants, retail stores, construction, etc. Contact the local SCORE association:

Chuck Armitage, Chairman
 Central Illinois SCORE
 402 North Hershey Road
 Bloomington, Illinois 61704
 (309) 664-0549
 www.central-illinois-score.org

IDOR Registration Division

An employer can register a business with the state for Illinois income tax, sales and use tax and employer withholding all on one form, *Form NUC-1, Illinois Business Registration* (included in the Business Registration Kit). This can be obtained from the Illinois Department of Revenue:

Brian Hamer, Director
 Illinois Department of Revenue
 Central Registration Division
 P.O. Box 19030
 Springfield, Illinois 62794-9030
 (217) 785-3707



State Licenses

The following agency is the main Illinois licensing agency for special state licenses and can help you determine whether your business is required to be licensed by the state for a particular occupation or profession.

Daniel E. Bluthardt, Director
 Illinois Department of Professional Regulation
 320 West Washington Street, 3rd Floor
 Springfield, Illinois 62786
 (217) 785-0800
<http://www.idfpr.com/dpr>

Resources for Existing Businesses

Illinois Manufacturing Extension Center (IMEC)

IMEC provides management and technology expertise to small and mid-sized manufacturers. A team of more than 30 specialists provide manufacturers with hands-on assistance to develop creative business strategies, achieve and sustain enterprise efficiencies and maintain product and service quality. Contact:

Bob Weinstein, President
 IMEC
 c/o Bradley University
 1501 West Bradley Avenue
 428 Jobst Hall
 Peoria, Illinois 61625-0001
 (309) 677-4632
www.imec1.org

Illinois Technology Enterprise Center (ITEC)

ITEC serves technology-based entrepreneurs, innovators and small businesses by assisting them with critical business startup and marketing needs. The center helps entrepreneurs locate financing, helps innovators in the high growth and high technology sectors to further their technical and managerial skills and assists with new product development and marketing. Contact:

Nancy Wright, Director
 Bradley University's Heartland Illinois
 Technology Enterprise Center (HITEC)
 USDA-ARS-NCAUR
 1815 North University Street, Room 1013
 Peoria, Illinois 61604
 (309) 687-2066
www.heartlanditec.org

Procurement Technical Assistance Center (PTAC)

PTAC assists existing business owners working with the federal, state and local governments. This includes specialized procurement counseling, access to bid specifications, assistance in identifying government markets, help in reviewing bid packages and information regarding contracting assistance services. Contact:

Susan Gorman, Director
 Illinois Central College
 124 Southwest Adams Street, Suite 300
 Peoria, Illinois 61602-1388
 (309) 495-5972
www.icc.edu/ptac

International Trade Center (ITC)

ITC provides existing business owners with professional advice and resources to enter the global marketplace. The center helps identify specific foreign markets in which a company's product or service would have the greatest demand, helps in meeting national and international government requirements, and assists in obtaining visas, licenses, copyrights and patents. Contact:

Roger Luman, Director
 Bradley University
 141 Jobst Hall
 1501 West Bradley Avenue
 Peoria, Illinois 61625-0001
 (309) 677-3075
www.bradley.edu/turnercenter

Networking/Association Resources

McLean County Chamber of Commerce

The Chamber of Commerce offers opportunities for businesses to network and build relationships in the community. It is a resource that connects business to the community and helps them thrive through various organizations and events. Contact:

Michael Malone, Executive Director
 McLean County Chamber of Commerce
 210 South East Street
 P.O. Box 1586
 Bloomington, Illinois 61702-1586
 (309) 829-6344
info@mcleancochamber.org
www.mcleancochamber.org

American Management Association (AMA)

AMA is a global not-for-profit, membership-based association that provides a full range of management development and educational services to individuals, companies and government agencies worldwide. Contact:

Edward T. Reilly, President
AMA
1601 Broadway
New York, New York 10019
1-800-262-9699
www.amanet.org

State Resources

1st Stop Business Information Center

Illinois has set up a "one-stop" office to help new and existing businesses obtain all necessary state licenses and permits. Contact this agency (part of the Department of Commerce and Economic Opportunity):

1st Stop Business Information Center
Illinois Department of Commerce and Economic Opportunity
620 East Adams Street
Springfield, Illinois 62701
(217) 782-7500 or
1-800-785-0211

Illinois Department of Commerce and Economic Opportunity (DCEO)

DCEO provides technical and financial assistance to businesses, local governments, workers and families. Programs include expansion incentives, technology support services, access to capital, global marketing expertise, job training and education for workers. Contact:

Jack Lavin, Director
DCEO
620 East Adams Street
Springfield, Illinois 62701
(217) 524-8449
www.illinoisbiz.biz/dceo

State Tax Information

Obtain state income, sales and use tax and other miscellaneous business tax forms, instructions and information from the following agency, which is the main tax collection agency in Illinois. Also register with this agency as an employer for state income tax withholding purposes.

Brian Hamer, Director
Illinois Department of Revenue
101 West Jefferson Street
Springfield, Illinois 62702



(217) 782-3336
1-800-732-8866

Business Income Tax Hotlines:
(217) 782-3336 (Information)
1-800-356-6302 (24-hour forms line)

State Labor Laws

Contact the Illinois Department of Labor (IDOL) to obtain the poster "Notice to Employers and Employees," which will fulfill all IDOL posting requirements, and for information about obligations as an employer under various state labor laws, including:

- Illinois wage-hour laws
- Illinois child labor laws and regulations
- Other Illinois labor laws
- Illinois anti-discrimination laws

Art Ludwig, Director
Illinois Department of Labor
160 North La Salle, C-1300
Chicago, Illinois 60601
(312) 793-2800
www.state.il.us/Agency/IDOL

State Unemployment Tax

Contact the following state agency to determine whether an employer is subject to payment of state unemployment taxes and to register for a state employer identification number:

Brenda A. Russell, Director
Employer Services
Illinois Department of Employment Security
401 South State Street
Chicago, Illinois 60605
(312) 793-4880
www.ides.state.il.us

New Hire Reporting

Report newly hired or rehired employees within 20 days of hiring, by mail or by fax, to the following state agency:

Tom Revane, Chief Information Officer
Illinois New Hire Directory
P.O. Box 19473
Springfield, Illinois 62794-9473
1-800-327-4473
NHire@ides.state.il.us

Workers' Compensation

Employers who must supply workers' compensation coverage should contact the following agency for further information and to obtain the *Handbook on Workers' Compensation and Occupational Diseases*:

Dennis R. Ruth, Chairman
 Illinois Industrial Commission
 100 West Randolph Street, Suite 8-200
 Chicago, Illinois 60606
 (312) 814-6611

State OSHA Program

For information on State of Illinois occupational safety and health laws that affect you as an employer in Illinois, contact the Illinois Department of Labor:

Art Ludwig, Director
 Illinois Department of Labor
 160 North La Salle, C-1300
 Chicago, Illinois 60601
 (312) 793-2800
www.OSHA.gov

State Anti-Discrimination Agency

For information on Illinois civil rights laws, contact:

Rocco J. Claps, Director
 Illinois Human Rights Department
 100 West Randolph Street, Suite 5-100
 Chicago, Illinois 60601
 (312) 814-6200
www.state.il.us/dhr

Financing Sources

The Small Business Administration (SBA) specializes in business counseling and training and offers a variety of financing options for small businesses. The SBA's assistance is usually in the form of loan guaranties. The SBA guarantees loans made by banks and other private lenders to small business clients. For information and help on locating financing for your small business, contact the U.S. Small Business Administration office located in Springfield:

Alan Clay Kilgore, Branch Manager
 U.S. Small Business Administration
 3330 Ginger Creek Road, Suite B
 Springfield, Illinois 62711
 (217) 793-5020
www.sbaonline.sba.gov/il

SBA Illinois District Office in Chicago:
 Judith A. Roussel, District Director
 U.S. Small Business Administration
 500 West Madison Street, Suite 1250
 Chicago, Illinois 60661-2511
 (312) 353-4528