

Frequently Asked Questions for Small Business Start-Ups¹

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Introduction

“Take this job and shove it” is the title of a 1977 song written by Johnny Paycheck and David Alan Coe. The song expresses some of the frustration people experience when they lack control over their work life. If you have ever wondered what it would be like to be your own boss, this publication provides a series of questions to assist you in deciding whether owning your own business is right for you.

Every person starting a business will have questions along the way, and as soon as one question is answered, another one arises. In fact, several questions may exist at the same time. This fact sheet presents questions that encapsulate the most important issues that must be addressed by those interested in starting a business:

- Do I have the acumen to operate a business?
- What business should I start?
- What do I do first?
- How should I organize my business?
- What permits or licenses do I need?
- How do I market my product/service?
- Why do I need a business plan?
- How do I finance my business?
- What records do I need to keep?
- Where can I go for help?

These questions address a central point in assessing your “readiness” to own and operate a business. Often each of these questions leads to more questions that must be answered. The following sections offer some guidance as you work through these questions toward the eventual goal of owning a business.

Do I have the acumen to operate a business?

While you may have an idea for a business, the best place to start your planning process is to determine whether you “have what it takes” to start and operate a business. It is an important question and should be answered before taking any further steps to start a business. Assessing whether you possess business acumen requires an honest and objective appraisal of your personal skills, abilities, and talents, as

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well as an overall assessment of your strengths, weaknesses, and personal situation. A thorough appraisal and assessment should provide you with answers to the following questions:

- Am I a self-starter?
- Am I willing to take risks?
- Do I get along well with others?
- Can I make good decisions?
- Do I have the physical and emotional stamina to run a business?
- How well do I plan and organize?
- Can I maintain my motivation?
- Can I work alone?
- Can I blend the business with the family?

While few people starting a new business possess or excel at all of these qualities, all are important to business success. It is for this reason that your first investment should be the time necessary to complete an honest evaluation of your own talents, skills, and experience. To be a successful business owner, you must look for ways to compensate for weak areas, such as taking classes, reading about successful business skills, finding a mentor, hiring capable people, adding a partner with the necessary skills, or contracting for the needed help.

What business should I start?

Once you have decided you have what it takes to operate your own business, your next task is to decide what kind of business you want to start. Again, you are the only person who can decide what business is best for you. As with question above, you begin by assessing your skills, abilities, and talents. Next, you explore ways to use your skills and interests in a business that has potential markets available for your product/service.

In reviewing available options, you should consult with local experts and other business owners of the product/service you are proposing, and check with potential customers to see if they are willing to pay for that product/service. Your chance of success increases when you match a product/service with available or potential markets.

What do I do first?

Once you have decided that starting a business is the right step for you and you have a feasible business idea, there

are several more steps to be completed before actually starting the business. These steps involve choosing a name and location for the business; registering the business with the proper authorities; obtaining the necessary licenses and permits; and developing production schedules and marketing/pricing plans. Take your time and plan these steps carefully. Do not rush the process or skip any of the important steps/tasks because the decisions you make now will affect your business activities in the future.

How should I organize my business?

Most small businesses are formed as sole proprietorships. The advantages of sole proprietorship are its simplicity and the fact that business income is treated the same as personal income for tax purposes. A significant disadvantage is that you, the owner, assume personal liability for the actions of the business.

Other types of business organization in Florida include general and limited partnerships, S corporations, and limited liability companies. Each type has its advantages and disadvantages. For information on ways to organize a business in Florida and the actions required for each organizational type, visit the Florida Department of State's website at <https://dos.myflorida.com>. In addition, you need to obtain expert legal and accounting help to determine the best legal structure for your business.

What permits/licenses do I need?

Acquiring permits and licenses in Florida involve four issues:

1. Licensing and permitting regulations
2. Zoning
3. Sales and use taxes
4. Employer identification numbers

Licensing and permitting regulations vary with the type of business and the city, county, and state where the business is located. Some businesses face minimal licensing requirements while others are tightly controlled. Local sources of information assistance include your county Cooperative Extension Service, the city or county clerk's office, and the Chamber of Commerce. State and national organizations that can provide you with assistance include Enterprise Florida, the US Small Business Administration (SBA),

and the Service Corps of Retired Executives (SCORE); websites are listed at the end of this document. Additional training or educational resources can be obtained from local colleges or universities (both on campus and online). Remember that in some cases both you as an individual and the business itself must have separate licenses.

Zoning is the regulation of buildings and structures that presents a concern for all businesses. The local planning and zoning office is an excellent place to start with questions about the physical location of your business. Governing bodies, typically the local city or county, are cautious in allowing a business to operate in residential areas. They want to avoid problems with traffic, noise, fumes, signs, or parking. Obtain the proper zoning permit before opening your business. If businesses are prohibited, learn if there is a waiver provision or if the ordinance can be changed. Do not just start the business because without the necessary permit or waiver, local authorities can close your business immediately. As the owner, you can face civil and/or criminal penalties. Even with the proper permits, maintaining good relations within your community is a good business practice.

Most Florida businesses need *sales and use tax permits*, which are available from the Florida Department of Revenue's website at https://floridarevenue.com/taxes/taxesfees/Pages/sales_tax.aspx. Other important information is available at the main DOR website at https://floridarevenue.com/Pages/info_business.aspx.

In addition to the sales and use tax permit, you will need to obtain an *Employer Identification Number* (EIN) issued by the Internal Revenue Service. Sole proprietors who have no employees can use their personal social security number. All other businesses must obtain an EIN.

How do I market my product or service?

Sales do not just happen. Sales happen because of marketing. Businesses use market research to identify their customers and what it is that they want to buy. Marketing involves six issues, which are defined as:

1. Product or service: what are you producing and what benefits does it offer?
2. Production: how is your product/service produced, at what rate, and what raw materials and time are used?
3. Price: at what price can the product or service be sold?

4. Promotion: how will potential customers know about the product or service?
5. Place: where is the business located and what distribution channels will be used?
6. Perception (or brand image): how should the customer see the business and the product or service provided?

Why do I need a business plan?

A business plan is the firm's résumé and lists its goals and objectives. Develop a business plan as much for you as for the partners, investors, and bankers involved with the business.

The business plan identifies the product/service, the market, the management team, where the business will operate, and your business experience. Parts of the plan include a market study, promotional strategies, current and projected balance sheets, income statements, and cash flow analyses. It outlines how, when, and where financial support will be obtained, and how any loans made to the business will be repaid. The plan provides general operating information, along with information about where the business is now, where it has been, and where it is going.

Business plans have three distinct uses: (1) feasibility and marketing plans; (2) operating (procedural) plans for financial needs, production schedules, and marketing goals; and (3) tools to secure loans or outside capital. In addition to SBA and SCORE, many other resources are available to business owners for developing business plans, such as software programs, professional workshops, and training.

How do I finance my business?

Your commitment of personal funds is often the first financing step. It is an indicator of how serious you are about the business. Risking personal money conveys your confidence to investors. Personal investment sources of capital include savings, current cash flow, second job income, home equity or equity from other property or assets, retirement accounts, personal lines of credit, and personal credit cards. All of these options include certain risks.

In addition to personal funds, family members and friends may be a source of financial help. Remember that successful loans from friends or relatives begin with a written document known as a contract. Contracts must clearly define the amount of the loan, interest rates, payment dates, amounts, etc. Signing a contract signifies agreement to the

requirements of the contract. You may want to seek professional legal help in drawing up a contract.

Other, more complex financing options are also available, and again, should include professional legal and accounting assistance. Partnerships and incorporations must be in writing and filed with the clerk of the court. Business loans can be obtained from several sources, such as commercial banks and credit unions, commercial finance companies, local development companies, venture capital firms, and insurance companies. However, venture capital firms and insurance companies are typically not useful for owners of small businesses.

Excellent sources of financing information are your banker, the SBA, and Farm Credit (for agriculturally related businesses). In Florida, your local Chamber of Commerce and Enterprise Florida office can provide information on financing options. Another source of information is business incubators. Business incubators are facilities designed to assist businesses to become established and profitable during their startup phase. You can contact your local Chamber of Commerce about incubator locations.

What records do I need to keep?

The records needed to manage the business and the records required by the IRS may differ. While the business owner is interested in where and how income is generated and where expenses are incurred, the IRS requires records that will allow for the preparation and documentation of a completed tax return. There are, however, basic financial records all businesses keep: journals and ledgers (such as a checkbook register), accounts receivable, accounts payable, records of sales, inventory, cash receipts, and cash disbursements.

Records must also document mileage, meal expenses, and entertainment. If the business hires employees, additional records are required. Remember that all financial records are historical documents. This includes tax returns and the documentation for those returns. Business documents such as filing of the business name, incorporation/partnership papers, sales tax permit, federal employer identification number, and insurance records must be retained indefinitely.

Some of these records, such as incorporation papers and tax permits, must be kept for three or more years after the business closes. For yearly tax returns, the IRS says to keep the records for three years after the filing of that year's taxes. Records involving property must be kept for the entire

time the property is owned plus an additional three years minimum.

Where can I go for help?

There are a wide variety of local, state, and national resources to help answer these and other questions. The local county Cooperative Extension Office is a good place to start. Ask if that office has a State or National Resource Directory for small and home-based businesses. Another good place to find specific information you are looking for is the local Florida Cooperative Extension Service (online at <https://ifas.ufl.edu>). Other resources and sources of information referenced in this article are listed in the Summary.

Summary

Starting your own business requires time, resources, and planning. These ten questions only represent the beginning questions a potential business owner faces when getting started. Business owners may also need answers about insurance, intellectual property issues, employee concerns, and independent contracting. The resources listed below are excellent places to get help for questions you may still have.

Enterprise Florida
<https://www.enterpriseflorida.com>

Farm Credit
<https://farmcredit.com>

Florida Cooperative Extension Service
<https://ifas.ufl.edu>
<https://edis.ifas.ufl.edu>

Florida Department of Revenue
https://floridarevenue.com/Pages/info_business.aspx

Florida Department of State
<https://dos.myflorida.com>

Florida Small Business Development Center Network
<https://floridasbdc.org>

Service Corps of Retired Executives (SCORE)
<https://www.score.org>

Small Business Administration (SBA)
<https://www.sba.gov>

(SBA) North Florida District Office
<https://www.sba.gov/district/north-florida>

(SBA) South Florida District Office
<https://www.sba.gov/district/south-florida>

Florida Women's Business Center
<https://flwbc.org>

SBA Learning Center
<https://www.sba.gov/sba-learning-platform>

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