Small Business Toolkit

A Business Survival Manual

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U.S. Small Business Administration

SMALL BUSINESS TOOLKIT

A Business Startup and Survival Manual

DOTHAN ALABAMA

DOTHAN AREA CHAMBER OF COMMERCE

Revised July 2022

PREFACE

The backbone of America's economy is small business. The following pages contain basic information that is intended to provide help to individuals who are contemplating starting a small business here in Southeast Alabama. We hope you will find the information contained herein helpful and useful as you plan your business. This publication is intended only to serve as a guide and cannot attempt to answer all questions or provide all information that you need. We encourage you to also seek the advice and counsel of professionals in your planning process. The involvement of a good accountant and attorney is strongly recommended to assist you in making appropriate choices for your particular business venture. Above all, seek the advice and guidance from several sources as you go forward with your project.

The definition of "Small Business" used by the Small Business Administration is broad enough to encompass approximately 99% of U.S. Business. The business size for qualification in the definition varies with the North American Industry Classification System (NAICS) Code, and can be researched on the SBA listing on-line at: www.sba.gov/content/small-business-size-standards.

North American Industrial Classification System (NAICS)

The North American Industry Classification System (NAICS) is the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy.

The organization of NAICS is as follows:

- **Sector**: 2-digit code
    - **Subsector**: 3-digit code
        - **Industry Group**: 4-digit code
            - **NAICS Industry**: 5-digit code
                - **National Industry**: 6-digit code
                -

To locate your business NAICS go to: www.naics.com/search. For more in-depth explanation of NAICS, visit www.referenceforbusiness.com/encyclopedia/Mor-Off/North-American-Industry-Classification-System-NAICS.htm.

In Alabama Code §25-10-3 a small business is defined as having 50 employees or less or having less than $1,000,000 in gross receipts.
http://alisondb.legislature.state.al.us/alison/codeofalabama/1975/coatoc.htm

We wish you success in the planning and development of your business and invite you to call on us if we may be of further assistance. Good Luck!

Local Resources

DOTHAN AREA CHAMBER OF COMMERCE
www.dothan.com

DOTHAN CITY BUSINESS SERVICES
www.dothan.org/653/Business-Services

ENTREPRENEURSHIP COUNCIL
www.entrepreneurshipcouncil.org

TROY UNIVERSITY, SMALL BUSINESS DEVELOPMENT CENTER
www.troy.edu/about-us/strategic-approach/small-business-center.html

SOUTHEAST ALABAMA REGIONAL PLANNING & DEVELOPMENT COMMISSION
www.searpdc.org

State Resources

STATE OF ALABAMA, DEPARTMENT OF COMMERCE, SMALL BUSINESS DIVISION
www.madeinalabama.com/business-development/small-business/

ALABAMA SMALL BUSINESS DEVELOPMENT NETWORK
http://asbdc.org/register/

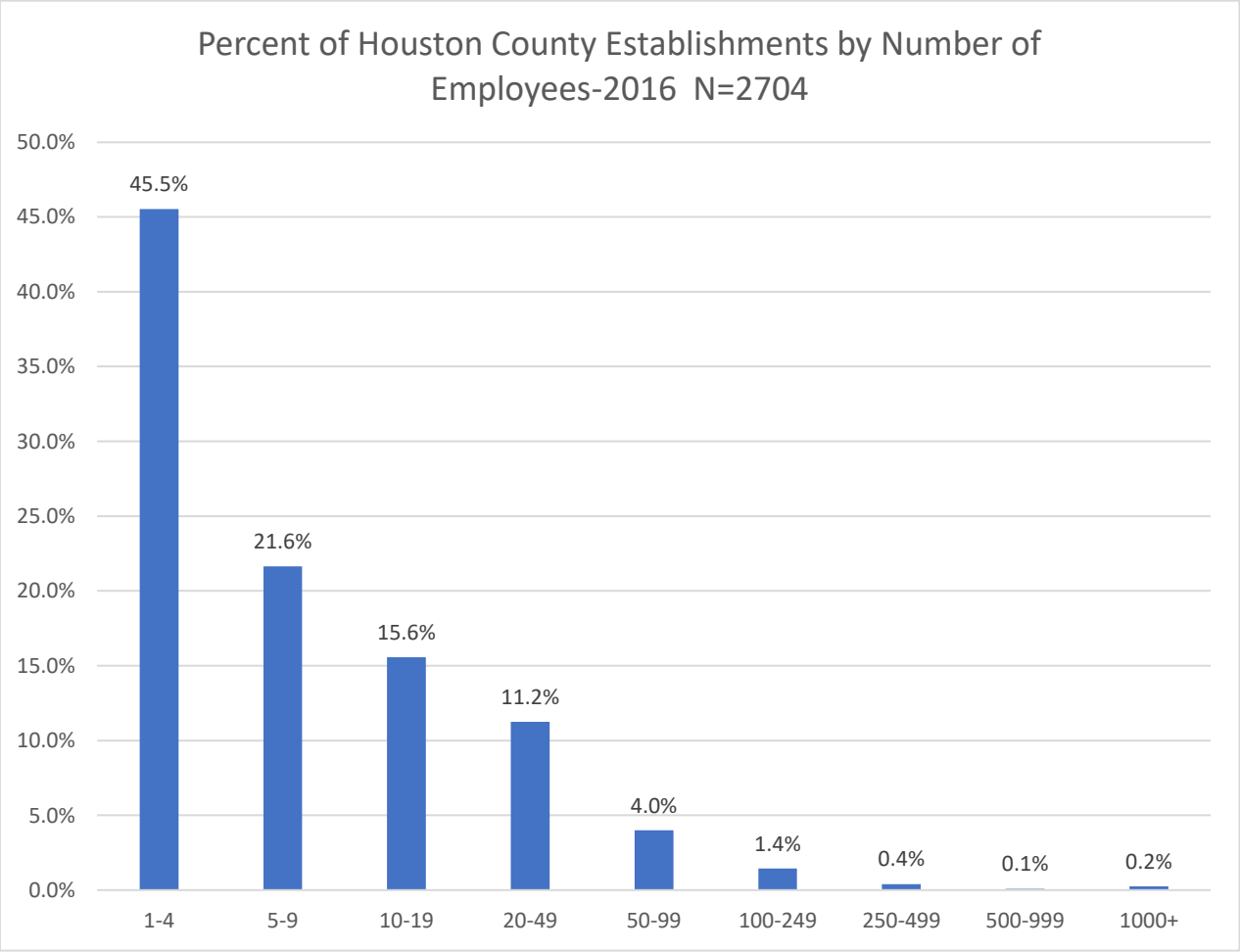
A Guide to Doing Business in Alabama
www.madeinalabama.com/assets/2013/02/2012_Alabama_Answers.pdf

Small Business Facts

From 2000 to 2018, small business created 9.6 million net new jobs, while large business created 5.2 million. During this period, small business accounted for 64.9% of net new job creation.

Small businesses comprise 99.9% of all firms, 97.5% of exporting firms, 33.3% of known export value, and 40.7% of the private-sector payroll.

There are 30.7 million small businesses in the U.S. In comparison, there are only 19,699 large businesses.



STEPS TO BUSINESS SUCCESS

Put together an effective and detailed business plan. It is the blueprint to your success. Update your business plan to reflect changes as they occur. A good plan should be flexible enough to adapt to a changing environment. Include cash flow projections in your business plan; insufficient working capital can be hazardous.

To be successful in small business one must be an entrepreneur, a manager and a technician.

Take pride in your business; it is an extension of yourself. Understand your weaknesses, strengths, product and the market. Provide your customers with the right product at the right time.

Know your competition, your field and your target area inside and out. Do not rely on assumptions and hunches.

Trust yourself and your own judgment but take the time to truly know your market and the products it values. To stay one step ahead, constantly evaluate your business and its role in the market.

Serve the needs of the customers. Be sensitive to their needs, know how to reach them, and most of all, know what will convince them to buy your product or service. Advertising is essential.

Know your limits. Are you willing to work day and night to make it work? Do not do it all yourself. Get moral support and the right kind of help to run your business. Professional consultants can help you tap the full resources of your business.

Carefully select your staff. They are the faces that people associate with your business. Train them to perform the job to your satisfaction and reward them when the job is well done.

Treat employees as individuals. Each has his/her own strengths, weaknesses and preferences.

Read relevant newspapers and magazines daily; become familiar with the financial section. Keep up-to-date so that you may understand the big picture.

Minimize risk through adopted practices, hiring insurance coverage and a disaster recovery plan.

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I. Service Corp of Retired Executives
J. Southeast Alabama Chambers of commerce
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CHAPTER 1
HOW TO START A BUSINESS IN SOUTHEAST ALABAMA

A. Business Start-up Checklist

B. Generating Ideas

C. Technical and Managerial Experience Needed

D. Writing a Business Plan

E. Business Plan Outline

F. Choosing A Legal Structure

G. Sample Documents
- The Balance Sheet
- The Income Statement
- The Cash Flow Statement

H. Feasibility Checklist

A. BUSINESS START-UP CHECKLIST

There are a number of steps that should be taken before starting a small business in southeast Alabama. A detailed description of all the steps involved in starting a small business is discussed in the following sections of this book. The following checklist is designed for use as a general reference guide by the business owner to plan and prepare adequately for entry into the world of entrepreneurship.

START-UP CHECKLIST:

_____Prepare a written business plan with financial statements included.

_____Decide whether you wish to operate as a sole proprietorship, partnership or corporation.

_____Determine your NAICS code. (Determining a North American Industry Classification System code (NAICS) for your business is necessary for your business license, and in helpful in determining similar business densities, employment in the sector, and other planning information. To find your NAICS go to: www.naics.com/search.

_____If forming a corporation do a name search and reserve name. File incorporation paperwork through the county probate office to the Alabama Secretary of State.

_____Establish a source of adequate and reliable financing.

_____Check on zoning ordinances.

_____Select a suitable location.

_____Retain an attorney and CPA, if appropriate.

_____Obtain a business address.

_____Obtain a business license for city and state.

_____Acquire all necessary licenses and permits.

_____Obtain tax ID number and forms.

_____Open bank accounts.

_____Choose an accounting system and method of inventory control

_____Arrange for utilities, telephone and other services.

_____Determine insurance coverage needs.

Links to Get Started:
www.sba.gov/sitemap
www.sba.gov/category/navigation-structure/starting-managing-business
www.sba.gov/tools/sba-learning-center/search/training

www.atlasalabama.gov
www.census.gov/data/data-tools/cbb.html
Sequential Topics of Interest
www.webharvest.gov/peth04/20041028183436/http:/sba.gov/library/pubs.html

B. GENERATING IDEAS

The main message of this manual is to stress the importance of prior planning and thinking through your idea. Prior planning encourages systematic thinking by management and leads to the development of proper controls. The result is a better overall preparedness and a more vivid sense of the interacting responsibilities.

The first step in the process is generating your idea. This is only the very first step; many things remain to be done before you can expect to realize and make money from the idea. At the minimum level your ideas will need to pass several tests so that you may determine whether or not it is an original idea, whether the idea can be produced and distributed profitably, and whether or not your idea can be protected. This seems simple enough until you examine the underlying questions that must be resolved. For example, to determine the commercial merit of an idea the following areas should be considered:

Functional Feasibility
Environmental Impact
Functions
Profitability
Potential Sales
Potential Market
Product Life Cycle
Usage Learning
Product Visibility
Service
Durability
New Competition
Functional Feasibility
Production Feasibility
Stability of Demand
Consumer/User Compatibility
Product Interdependence
Distribution
Safety
Perceived Need
Existing Competition
Societal Impact
Development Status
Investment Costs
Trend of Demand
Product Line Potential
Need
Promotion
Appearance
Price
Protection
Pay-Back Period
Marketing Research
Research and Development

It will take a great deal of personal commitment to turn your idea into reality. Small business owners must be willing to work exceptionally long hours and often forego financial rewards in the early stages of their operations, if these rewards come about at all. All too many businesses fail, but proper planning and dedication will certainly increase your chances for a successful venture.

C. TECHNICAL & MANAGERIAL EXPERIENCE NEEDED

One of the most common mistakes made in starting a business is trying to do so without the necessary training and experience. Before you start a business, you should ask yourself

whether you actually have the background, experience and training that is required. For example, a retailer would need some expertise in management, sales and buying. The management experience would need to include personnel, record keeping and marketing, as well as other skills.

If you do not already have this experience, how do you get it? Generally, it is best to work for a time in a company similar to your proposed business. This gives you a closer look at what that type of business entails without risking your investment during the learning period. Another suggestion for gaining expertise is to take courses at your local college or university. Most area schools offer both credit and continuing education courses. Various seminars and workshops are also offered throughout the year.

There are many publications available that offer help and insight to many of the day-to-day problems that a small business owner face. The Small Business Administration issues a wide range of management and technical publications to assist the small business owner. To obtain a list of the available publications go to:
www.webharvest.gov/peth04/20041028183436/http:/sba.gov/library/pubs.html.

The Government Printing Office also publishes several useful books that are available by writing:

Government Printing Office
Superintendent of Documents
U.S. Government Printing Office
Washington, D.C. 20402
(202) 512-1800
www.bookstore.gpo.gov or www.gpo.gov

The local library and area bookstores can also provide relevant reading material.

The Dothan Area Chamber of Commerce maintains a "**Resource Room**" with various publications that are helpful in small business development, as well as a computer with links to many web pages, and templates for developing handbooks. A copy of "**The Code of Alabama**" is also available. The Alabama Code is also available on-line at:
http://alisondb.legislature.state.al.us/alison/codeofalabama/1975/coatoc.htm.

The **Alabama Administrative Code** is available at:
www.alabamaadministrativecode.state.al.us/alabama.html.

If you are thinking of opening a restaurant, or other type of establishment that involves public health, you will need to be familiar with the Health Code, which is in Chapter 420 of the Administrative Code.

It is not necessary to be an expert in every aspect of your business. Many small businesspeople rely on outside services, such as those of qualified small business lawyers and certified public accountants. Also, other paid professional services are commonly available.

D. WRITING A BUSINESS PLAN

One of the most important early steps to take in starting or expanding a business is to write a business plan. A ***Business Plan*** is a description of your business, including your product or service, your market(s), your people and your financial needs. There are three major reasons why you should take the time to create a written business plan.

The first reason is that the process of putting a business plan together, including the thought you put into it before beginning to write the plan, forces you to take an objective, critical and unemotional look at your business project in its entirety. It is a useful management tool that can help you plot a course for your company's start-up and initial growth.

A second advantage that comes with having a written business plan is that the finished product, your business plan, is an operating tool which will help you manage your business and provides a means to measure your success.

A properly prepared business plan is a vital sales tool you will use to impress potential investors with your planning ability and your general competence as a manager and a businessperson. Since many businesses only start or expand through borrowed monies, the presentation of reliable and complete information in a business plan is essential.
The SBA has a video course from which you can receive a certificate:
www.sba.gov/course/how-write-business-plan/?utm_medium=email&utm_source=govdelivery.

What a Banks Look For In a Business Plan

The Business Plan is an excellent tool to present to a banker when financing is needed. A good business plan tells the banker that the applicant has put a great deal of thought and effort into this decision. A well-presented business plan will let the banker know that he is dealing with a serious, well-informed prospect, giving him more faith in you as an entrepreneur.

If a business plan is to be submitted to a bank, it is important to realize how a banker analyzes a business plan and what questions he or she will ask during this analysis. A banker's job is to assess the degree of risk in each proposed loan and to be satisfied that the borrower, while still allowing the businesses to operate profitably, can repay the loan. A banker does this by analyzing a number of things:

- The Nature of the Business;
- The Purpose of the Loan;
- The Amount of the Loan;
- The Ability to Repay the Loan; and
- Your Business Management Ability.

To convince a banker or investor of the merits of a loan request, a borrower must present complete, well-organized information, which addresses these and other concerns. It is important to remember that the proper packaging of a loan proposal can be an important step in getting it approved. The Small Business Administration has several sample business plans, as well as many other publications, on its publications website at:
http://webharvest.gov/peth04/20041028183436/http:/sba.gov/library/pubs.html.

They also have a site specifically on developing business plans: www.sba.gov/writing-business-plan. SCORE has a guide on developing a strong business plan: www.score.org/content/business-plan-resources.

Over 60 sample business plans are available at: www.bplans.com. Entrepreneur.com also has a very useful site at www.entrepreneur.com/bizplan/0,7253,,00.html.

E. BUSINESS PLAN OUTLINE

I. Cover Letter
- Name of Business
- Name of Principals
- Address of Business
- Telephone Number of Business

II. Statement of Purpose
- A Brief Statement of the Business Plan Objectives

III. The Business
- Description of the Business
- The Market
- Competition
- Location of the Business
- Management
- Personnel
- Application and Expected Effect of Loan or Investment
- Summary

IV. Financial Data
- Sources and Applications of Funding
- Capital Equipment List
- Balance Sheet
- Breakeven Analysis
- Pro-Forma Income Projections (Profit & Loss Statements)
- Three-Year Summary
- Detail by Month, First Year
- Detail by Quarter, Second and Third Year
- Notes of Explanation
- Pro-Forma Cash Flow
- Three-Year Summary
- Detail by Month, First Year
- Detail by Quarter, Second and Third Year

- Notes of Explanation
- For an Existing Business
- Budget Deviation Analysis
- Historical Financial Reports
- Balance Sheets for Past Three Years
- Tax Returns

V. Supporting Documents
- Personal resumes and Financial Statements
- Job Descriptions
- Credit Reports
- Letters of Reference
- Letters of Intent
- Copies of Leases, Contracts and Other Relevant Legal Documents

Business Plan Basics With Examples
- www.sba.gov/category/navigation-structure/starting-managing-business/starting-business/writing-business-plan;
- www.entrepreneur.com/businessplan/index.html;
- www.bplans.com/sample_business_plans.phpl
- www.score.org/content/business-plan-resources; and
- http://forms.entrepreneur.com/collections/entrepreneur-com-most-popular/business-plan-overview-template?_ga=1.45033380.1488191208.1440600206.

Free Course on Starting a Business
- www.myownbusiness.org/course.html

Wallace Community College offers an Ed 2 Go business plan course www.ed2go.com/wallace/SearchResults.aspx?SearchTerms=creating+a+successful+business+plan.

F. CHOOSING A LEGAL STRUCTURE

www.sba.gov/business-guide/launch-your-business/choose-business-structure

Once you have decided to start a business, you must decide what type of business entity to use. There are many legal and tax considerations, which will enter into a sound decision. These legal considerations can become very involved and it is advised that you consult an attorney to help you determine the appropriate structure.

There are five principle forms of business structures: the Proprietorship, the Partnership, the Corporation, the Subchapter S Corporation, and the Limited Liability Company. The decision should be based on your specific circumstances, goals and needs. These structures, along with their advantages and disadvantages, are listed below:

A **sole proprietorship** is an extension of the individual, and income is reported on the individual tax return using the individual's social security number.

Effective January 1, 2001, the "Alabama Partnership Act" was repealed and replaced with the 1996 "**Uniform Partnership Act**" (Covered in Alabama Code Title 10, Chapter 8A). The "**Alabama Limited Partnership Act of 1997**" may be found at Title 10-2B, Code of Alabama, 1975, and the "**Limited Liability Company Act**" is located at Title 10-12.

Corporations are covered in Title 10-2, Code of Alabama, 1975, and Title 26 of the **U.S. Code** and Title 26 of the **Code of Federal Regulations**.

Alabama name reservation for entity:
http://sos.alabama.gov/business-services

Alabama Secretary of State Forms:
http://sos.alabama.gov/business-entities/business-downloads

The Sole Proprietorship
The sole proprietorship is usually defined as business owned and operated by one person. To establish a sole proprietorship, you need only obtain necessary licenses and begin operation.

Advantages

- Ease of formation;
- Sole ownership of profits;
- One owner has control and decision-making power;
- Flexibility in day-to-day management; and
- Relative freedom from government intervention.

Disadvantages

- Unlimited liability – this extends to all of the proprietor's assets including the home and car, but may be lessened by proper insurance coverage;
- Unstable business life – the business may be terminated upon the death of the owner;
- Less available capital;
- Difficulty in obtaining long-term financing; and
- Relatively limited viewpoint and experience.

The Partnership
The Uniform Partnership Act, adopted by many states, defines a partnership as "an association of two or more persons to carry on as co-owners of a business for profit." Though not specifically required by the Act, written Articles of Partnership are customarily executed. These articles outline the contribution by the partners into the business (whether financial, material, or managerial) and generally delineate the roles of the partners in the business relationship. Some of the characteristics that distinguish a partnership from other forms of business organizations are the limited life of a partnership, unlimited liability of at least one partner, co-ownership of the assets, sharing of managerial duties and a sharing of the profits.

Advantages

- Ease of formation;
- Direct rewards;
- Growth and performance facilitated;
- Flexibility in decision-making; and
- Relative freedom from government control and special taxation.

Disadvantages

- Unlimited liability of at least one partner;
- Unstable life – elimination of either partner constitutes automatic dissolution of the partnership;
- Relative difficulty in obtaining large sums of capital;
- Firm bound by the acts of just one partner as agent; and
- Difficulty of disposing of partnership interest.

Limited Liability Companies and Limited Liability Partnerships - LLC's and LLP's
For business entities formed as LLC's or LLP's there is a beneficial tax status and limited liability of all its members. It is treated like a corporation for limited liability purposes, but for federal tax purposes it is treated as a partnership.

The Corporation
The corporation is by far the most complex of the business structures. A corporation is a distinct legal entity. That is, it is separate from the individuals who own it.

A corporation is formed by the authority of a state government. Corporations, which do business in more than one state, must comply with federal laws regarding interstate commerce as well as with the state laws, which may vary considerably.

The procedure ordinarily required to form a corporation begins with a subscription for capital stock must be taken and a tentative organization created. Then, approval must be obtained from the Secretary of State in the state in which the corporation is to be formed. This approval is in the form of a charter for the corporation, stating the limitations of the particular enterprise.

Advantages

- Limitations of the stockholders' liability to a fixed amount of investment;
- Ownership is readily transferable;
- Separate legal existence;
- Stability and relative permanence of existence;
- Relative ease of securing capital;
- Delegated authority; and
- The ability to draw on the expertise and skills of many.

Disadvantages

- Activities are limited by the charter and various laws;
- Minority stockholders may be exploited;
- Extensive government regulations and required reports;
- Less financial incentives for the manager; and
- Double taxation – income tax on corporate net income (profit) and also on salaries and dividends.

The Subchapter S Corporation
The Subchapter S Corporation is a legal corporation that is afforded special tax treatment under Subchapter S of the Internal Revenue Code. The characteristics of the S Corporation are: under state law, S Corporations retain the normal features of corporations, to include limited liability, but for federal tax purposes they are treated much like partnerships.

The S Corporation is absolved from payment of taxes; hence the stockholders report corporate income, loss, deductions and credits on their individual tax returns. In most all other aspects, the S corporation operates in compliance with state and federal laws relating to corporations, just as a regular corporation.

Advantages

- Limited liability of stockholders;
- Ownership is readily transferable;
- Separate legal existence; and
- Taxed similar to partnership – profits pass through the corporation untaxed, but are taxed as individual stockholder income, loss, deductions and credits.

Disadvantages

- Activities are limited by the charter and various laws;
- Extensive government regulations and required reports;
- No more than 75 stockholders;
- S corporation cannot own more than 80% of any other corporation;
- Stockholders must be individuals, not entities;
- Stockholders must be resident citizens;
- Only one class of stock may be issued; and
- The law prohibits S incorporation for the sole purpose of obtaining limited liability status.

Procedures for Incorporation
The following procedures apply to the formation of an Alabama (domestic) for –Profit Corporation under Title 10, Code of Alabama 1975, as last amended.

The proposed name of the corporation must be reserved with the Corporate Section of the Office of the Secretary of State. If the proposed name is available, a Certificate of Name Reservation will be issued. This requirement may be accomplished by writing or calling the Corporate Section at (334) 242-5324. Alabama law requires that the name contain the word 'corporation' or 'incorporated' or an abbreviation of on such word. Additionally, there is a $10.00 fee for the certificate, which is collected when the articles of Incorporation are filed.

After receiving the Certificate of Name Reservation, the Articles of Incorporation may be filed. The necessary forms can be obtained and additional questions answered by writing or calling the following office:

State of Alabama
Office of the Secretary of State
Corporate Section
P.O. Box 5616
Montgomery, Alabama 36103-5616
(334) 242-5324

SAMPLE DOCUMENTS FOLLOW

G. SAMPLE DOCUMENTS

THE BALANCE SHEET

The Balance Sheet is a measure of the solvency of the business and the degree of the owner's investment, which, in the last analysis, is the "cushion" that protects creditors. Illustrated below is a typical balance sheet format (applicable to any type of business).

Name of Company _____
Balance Sheet As Of _____

CURRENT ASSETS			
Cash on Hand and in Banks	$	_____	
Accounts Receivable		_____	
Notes Receivable, Trade		_____	
Notes Receivable, Other		_____	
Inventory		_____	
Marketable Securities		_____	
Other Current Assets		_____	
TOTAL CURRENT ASSETS			$_____
LONG-TERM ASSETS			
Land, Land improvements, Buildings	$	_____	
Machinery & Equipment		_____	
Other Assets (attach list if needed)		_____	
Deferred, Prepaid, Expenses		_____	
Intangible Assets		_____	
TOTAL LONG-TERM ASSETS			$_____
TOTAL ASSETS			$_____
CURRENT LIABILITIES			
Notes Payable, Banks	$	_____	
Notes Payable, Other		_____	
Accounts Payable, Current		_____	
Accounts Payable, Past Due		_____	
Accrued Federal, State Income Taxes		_____	
Other Accrued Expenses		_____	
Current Portion Long-Term Debt		_____	
Current Portion Long-Term Lease		_____	
Other Current Liabilities		_____	
TOTAL CURRENT LIABILITIES			$_____
LONG-TERM LIABILITIES			
Mortgage Debt due after 1year	$	_____	
Equipment Debt due after 1year		_____	
Lease Agreement beyond 1year		_____	
Other Long-Term Debt		_____	
TOTAL LONG-TERM LIABILITIES			$_____
NET WORTH			
Capital Account (Corporate Only)	$	_____	
Preferred Stock		_____	
Common Stock		_____	
Capital Surplus		_____	
Retained Earnings		_____	
TOTAL NET WORTH			$_____
TOTAL LIABILITIES AND NET WORTH			$_____

NOTE: *Lease Agreements equal Value of Equipment plus Total Amount Owed on Lease. In order to complete the Balance Sheet properly, Total Assets must equal Total Liability plus Net Worth.*

THE INCOME STATEMENT

The Income Statement (Profit and Loss) records all income and expenses of the business during a specified time period and is the accepted method of determining profits and losses. The Internal Revenue Service requires all businesses to submit this report at the end of each year.

Profit and Loss Statement

From: _____ to _____

Sales or Gross Receipts (1)		$_____
Less Cost of Goods Sold (2)		$_____
Gross Profit		$_____
Less Operating Expenses (3)		
Rent	$ _____	
Depreciation	_____	
Repairs & Maintenance	_____	
Salaries & Wages	_____	
Payroll Taxes & Fringe Benefits	_____	
Taxes, Licenses & Fees	_____	
Insurance	_____	
Accounting, Legal and Professional Fees	_____	
Bad Debts	_____	
Telephone	_____	
Utilities	_____	
Supplies	_____	
Security	_____	
Auto and Truck	_____	
Advertising and Promotion	_____	
Interest	_____	
Miscellaneous	_____	
Total Expenses		$_____
Net Profit Before Taxes		$_____
Federal Income Taxes (Corporations Only)		$_____
Net Profit (or Loss) (4)		$_____

(1) Sales or Gross Receipts – represents total amount of money that the business makes from the sale of its merchandise, less discounts and refunds.

(2) Cost of Goods Sold – the cost of the merchandise that the business sells. These costs differ with each type of business.

(3) Operating Expenses – all business costs other than the costs of the merchandise.

(4) Net Profit (loss) – sales less cost of goods sold less operating expenses less tax.

THE CASH FLOW STATEMENT

The Cash Flow Statement is the most critical planning tool for a new or growing business. It shows how much cash will be needed, when it will be needed and where it will come from. It attempts to budget monthly cash needs and shows the flow of cash into the business from sales, collection of receivables; it shows the flow of cash out of the business through payment of expenses and loans over a period of time. The banker uses this information to analyze possible shortfalls of cash and as a guide to borrowing needs. Your statement should show Cash Flow over the full twelve-month period. This Cash Flow Statement (reprinted from SBA management Aid 1.001 the ABC's of Borrowing) represents a cash flow statement for a three-month period.

Cash Budget
(For period ending _____, 20____)

	January		February		March	
	Budget	Actual	Budget	Actual	Budget	Actual
Expected Cash Receipts						
1. Cash Sales	_____	_____	_____	_____	_____	_____
2. Collections on accounts receivable	_____	_____	_____	_____	_____	_____
3. Other income	_____	_____	_____	_____	_____	_____
4. Total Cash receipts	_____	_____	_____	_____	_____	_____
Expected Cash Payments						
5. Raw Materials	_____	_____	_____	_____	_____	_____
6. Payroll	_____	_____	_____	_____	_____	_____
7. Other factory expenses (including maintenance)	_____	_____	_____	_____	_____	_____
8. Advertising	_____	_____	_____	_____	_____	_____
9. Selling expense	_____	_____	_____	_____	_____	_____
10. Administrative expense (incl salary of owner-mgr)	_____	_____	_____	_____	_____	_____
11. New plant and equipment	_____	_____	_____	_____	_____	_____
12. Other payments (taxes, including estimated income tax; repayment of loans; interest, etc.)	_____	_____	_____	_____	_____	_____
13. Total Cash Payments	_____	_____	_____	_____	_____	_____
14. **Expected Cash Balance**						
15. Cash increase or decrease (item 4 minus item 13)	_____	_____	_____	_____	_____	_____
16. Expected cash balance (item 14 plus item 15)	_____	_____	_____	_____	_____	_____
17. Desired working cash balance	_____	_____	_____	_____	_____	_____
18. Short-term loans needed (item 17 minus item 16, if item 17 is larger)	_____	_____	_____	_____	_____	_____
19. Cash available for dividends, capital cash expenditures, and/or short investments (item 16 minus item 17, if item is larger than item 17)	_____	_____	_____	_____	_____	_____
Capital Cash						
20. Cash available (item 19 after deducting dividends, etc.)	_____	_____	_____	_____	_____	_____
21. Desired capital cash (item 11, new plant equipment)	_____	_____	_____	_____	_____	_____
(item 21 less 20, if item 21 is larger than item 20.)	_____	_____	_____	_____	_____	_____

By combining the monthly cash flow reports with an income statement for the year and your beginning and ending balance sheet, you will produce a statement of annual cash flow form operations. The monthly cash flow statement shows your need for seasonal borrowing, while the annual cash flow from operations shows the need for longer-term funds.

H. FEASABILITY CHECKLIST

This feasibility checklist is designed to help the pre-businessperson determine whether his or her idea represents a valid business opportunity. The high failure rate of new business indicates that relatively few new businesses result in successful ventures. Too many entrepreneurs strike out on a business venture absolutely convinced of its merits without having adequately evaluated its real potential.

		YES	NO
I.	**PERSONAL CONSIDERATIONS:**		
	Do you enjoy working long hours?	_____	_____
	Do you have self-discipline & will power?	_____	_____
	Do you meet deadlines easily?	_____	_____
	Do you work well under pressure?	_____	_____
	Will you jeopardize your home?	_____	_____
	Do you have necessary physical strength?	_____	_____
	Does your family support your venture?	_____	_____
	Do you have a back-up plan?	_____	_____
II.	**EXPERIENCE AND SKILLS:**		
	Does your idea make use of your skills?	_____	_____
	Does your idea require skills you do not have?	_____	_____
	Can you find experienced personnel at an affordable rate?	_____	_____
	Are you experience in this line of work?	_____	_____
	Do you have managerial experience?	_____	_____
	Are you able to interpret financial data?	_____	_____
	Are you familiar with tax regulations?	_____	_____
	Do you know bookkeeping and accounting?	_____	_____
III.	**PLANNING AND PREPAREDNESS:**		
	Have you already written a formal business plan?	_____	_____
	Do you know exactly what services or products will be offered?	_____	_____
	Do you know what customers to target?	_____	_____
	Have you arranged for a business location?	_____	_____
	Do you have a list of potential suppliers?	_____	_____
	Have you arranged for insurance?	_____	_____
	Do you have a business license?	_____	_____
	Have you investigated advertising & its cost?	_____	_____
	Have you hired a competent staff?	_____	_____
IV.	**REQUIREMENTS FOR SUCCESS:**		
	Will your proposed business meet un-served needs?	_____	_____
	Can your business successfully compete against its competition because of an advantage such as lower prices or superior service?	_____	_____
V.	**DETRIMENTAL FLAWS:**		
	Are your affected by an monopolies, shortages, or restrictions that prevent you from obtaining any necessary items at an affordable price?	_____	_____
	Are capital requirements for starting up or continuing operations excessive?	_____	_____
	Is adequate financing going to be difficult to obtain?	_____	_____
	Does your business adversely affect the environment?	_____	_____
	Is your business completely legal?	_____	_____
	Are there any factors that prevent effective marketing?	_____	_____
VI.	**INCOME:**		
	Will your business provide you with your desired level of income?	_____	_____
	Do you know your industry's averages – including gross profit, expenses, and net profit as a percent of sales?	_____	_____
	Do you know your industry's inventory turnover rate?	_____	_____
	Have you prepared an income statement to determine the level of sales necessary to support your desired income level?	_____	_____
	From a practical standpoint, can you support the level of sales in question 4?	_____	_____

This checklist is a tool to help the entrepreneur determine if there are any major obstacles that will prevent the business from becoming successful. Each NO answer should be carefully reviewed to determine how great an impact it will have on the business and to see if anything can be done to correct the problems it might create.

I. FREE BUSINESS FORM DOWNLOADS

- www.freebusinessforms.com/forms1.html;
- www.businessnation.com/library/forms;
- www.freebusinessforms.com/free.html;
- https://www.jotform.com/form-templates/category/employment; and
- www.entrepreneur.com/formnet.

CHAPTER 2
START-UP GUIDELINES

A. Regulations and Permits

B. Agency Reference List

C. Accounting and Record keeping

D. Insurance

E. Site Selection Research Links

A. REGULATIONS AND PERMITS

When determining what licenses and permits are required for your specific business, it is essential to determine what federal, state; county and city requirements must be met. This information should be obtained very early in the research process to determine if a particular type of business is allowable in the area you are considering.

Most every person, firm, company, corporation or association engaged in any business, vocation, occupation or profession must obtain a state license, as well as a county license when required.

A good checklist of possible permit requirements at:
http://smallbusiness.findlaw.com/starting-a-business/starting-a-business-license-and-permit-checklist.html.

Alabama Department of Revenue Q & A for Business Licensees:
www.revenue.alabama.gov/division/business-license.

Alabama Department of Revenue List of Code Sections for Business Licenses and Permits:
https://revenue.alabama.gov/forms/?d=business-license.

Alabama SBA Business License Checklist:
www.sba.com/alabama.

The City of Dothan has created a very helpful website that outlines the requirements of doing business within the city: www.dothan.org/344/Business-License/

Dothan Business License Applications:
www.dothan.org/DocumentCenter/View/4293/Business-License-Application?bidId=.

Houston County Business License Application:
http://houstoncountyprobate.org/licenses/17-business_license
http://houstoncountyprobate.org/file/108-2014_Mail_in_Application.2014.

Title 40-12, Code of Alabama, 1975 covers state license requirements. Additionally, municipalities issue business licenses to do business within their limits and police jurisdictions. Authority of municipalities is covered in Title 11-51, Code of Alabama, 1975.
http://alisondb.legislature.state.al.us/alison/codeofalabama/1975/coatoc.htm.

Alabama Occupational Licenses:
www2.labor.alabama.gov/WorkforceDev/LOG/LOG.pdf.

SBA Alabama Business Resources: www.sba.com/alabama.

Any questions concerning privilege license laws or store license laws should be directed to:

Alabama Department of Revenue
Sales, Use, and Business Tax Division
50 N. Ripley St.
Montgomery, AL 36104
(334) 353-7827

On the following page is a reference list of agencies and their phone numbers that you can contact to obtain specific information on permits and regulations relating to your particular business.

In addition to this list, it is recommended that entrepreneurs engage the help of a lawyer, preferably a lawyer familiar with the process of starting new businesses. The legal counsel could prove to be invaluable in determining the proper licenses and permits that will be required.

B. RESOURCE AND AGENCY REFERENCE LIST

FEDERAL AGENCIES

Environmental Protection Agency (General Information)	(800) 241-1754
Equal Employment Opportunity Commission (Birmingham)	(205) 731-0080
Immigration Service	(954) 537-1119
Federal Identification Number (Form SS-4)	(800) 829-3676
Federal Citizens Information Center	(800) 333-4636
Federal Reserve Bank of Atlanta	(404) 498-8500
Internal Revenue Service	(800) 829-1040
National Climate Center (North Carolina)	(828) 271-4800
National Flood Insurance Program	(800) 638-6620
Occupational Safety and Health Administration (Birmingham)	(205) 731-1534
(Mobile)	(251) -441-6131
Patents and Trademarks Information (Virginia)	(800) 786-9199
Social Security Administration	(800) 772-1213
Tennessee Valley Authority (Tennessee)	(865) 632-2101
U.S. Census Bureau (Maryland)	(301) 763-4636
U.S. Copyright Information (Washington)	(202) 707-3000
U.S. Department of Commerce (Birmingham)	(205) 731-1331
U.S. Department of Labor, Wage/Hour Division (Birmingham)	(205) 731-1305
USDA. Forest Service	(202) 205-8333
U.S. Small Business Administration (Birmingham)	(205) 290-7101
U.S. Veterans Administration (Montgomery)	(334) 213-3442

STATE

Agricultural Center Board (Montgomery)	(334) 242-5597
Agricultural Experiment Station (Auburn)	(334) 844-2237
Alabama Archive and History (Montgomery)	(334) 242-4361
Alabama Attorney General (Montgomery)	(334) 242-7300
Alabama Building Commission (Montgomery)	(334) 242-4082
Alabama Bureau of Tourism and Travel (Montgomery)	(334) 242-4169
Alabama Climate Center (Huntsville)	(205) 922-5800
Alabama Commission on Higher Education (Montgomery)	(334) 242-2123
Alabama Consumer Protection Agency (Montgomery)	(334) 242-7334
Alabama Cooperative Extension Service (Auburn)	(334) 844-5323
Alabama Department of Transportation, Aeronautics Bureau (MGM)	(334) 242-6820
Alabama Department of Agriculture and Industries (Montgomery)	(334) 240-7171
Alabama Department of Conservation and Natural Resources (MGM)	(334) 242-3486
Alabama Department of Economic and Community Affairs (MGM)	(334) 240-7171
Alabama Department of Education (Montgomery)	(334) 242-9950
Alabama Department of Environmental Management (MGM)	(334) 271-7700
Alabama Department of Human Resources (Montgomery)	(334) 242-1310
Alabama Department of Labor (Montgomery)	(334) 242-8055
Worker's Compensation Division	(334) 242-2868
Alabama Department of Information Systems (Montgomery)	(334) 242-3244
Alabama Department of Public Health (Montgomery)	(334) 206-5200
Alabama Department of Public Safety (Montgomery)	(334) 242-4371

Alabama Department of Commerce (Montgomery)	(334) 242-0400
Alabama Film Office (Montgomery)	(334) 242-4195
Alabama Forestry Commission (Montgomery)	(334) 240-9300
Alabama Department of Transportation (Montgomery)	(334) 242-6358
Alabama Historical Commission (Montgomery)	(334) 242-3184
Alabama House of Representatives (Montgomery)	(334) 242-7600
Alabama Industrial Development Training Program (Montgomery)	(334) 242-4158
Alabama International Trade Center (Tuscaloosa)	(205) 348-7621
Alabama Labor Department (Montgomery)	(334) 242-3460
Alabama Legislative Reference Service (Montgomery)	(334) 242-7560
Alabama Public Service Commission (Montgomery)	(334) 242-5218
Alabama Revenue Department (Montgomery)	(334) 242-1175
Alabama Secretary of State (Montgomery)	(334) 242-7200
Alabama Securities Commission (Montgomery)	(334) 242-2984
Alabama Senate (Montgomery)	(334) 242-7800
Alabama Small Business Development Consortium (Birmingham)	(205) 934-6750
Alabama State Council on the Arts (Montgomery)	(334) 242-4076
Alabama State Docks (Mobile)	(251) -441-7201
Center for Business and Economic Research (Tuscaloosa)	(334) 348-6191
Commissioner of Insurance (Montgomery)	(334) 269-3550
Work Force Development Division ADECA (Montgomery)	(334) 242-5100
General Contractors Licensing Board Montgomery)	(334) 272-5030
Engineers and Land surveyors Registrars Board (Montgomery)	(334) 242-5568
Geological Survey-Oil and Gas Board (Tuscaloosa)	(205) 349-2852
Governor's Office (Montgomery)	(334) 242-7100
Lieutenant Governor (Montgomery)	(334) 242-7200
Liquefied Petroleum Gas Board (Montgomery)	(334) 242-5649
State Banking Department (Montgomery)	(334) 242-3452
State of Alabama Foreign Trade Relations Commission (MGM)	(334) 433-1151
Sales Tax	(334) 242-1490

ASSOCIATIONS

Alabama Association of Independent Colleges and Universities (BHM)	(205) 252-6254
Alabama Association of Realtors (Montgomery)	(334) 262-3808
Alabama Association of School Boards (Montgomery)	(334) 277-9700
Alabama Banker's Association (Montgomery)	(334) 834-1890
Alabama Broadcasters Association (Birmingham)	(205) 979-1690
Alabama Coal Association (Birmingham)	(205) 822-0384
Alabama Concrete Industries Association (Montgomery)	(334) 265-0501
Alabama Education Association (Montgomery)	(334) 834-9790
Alabama Grocers Association (Birmingham)	(205) 823-5498
Alabama Hospital Association (Montgomery)	(334) 272-8781
Alabama Hotel and Motel Association (Montgomery)	(334) 263-3407
Alabama League of Municipalities (Montgomery)	(334) 262-2566
Alabama Poultry and Egg Association (Montgomery)	(334) 265-2732
Alabama Restaurant and Food Service Assoc. (Birmingham)	(205) 823-5498
Alabama Retail Association (Montgomery)	(334) 263-5757
Alabama Road Builders Association (Montgomery)	(334) 832-4331
Alabama Textile Manufactures Association (Montgomery)	(334) 279-1250

Alabama Travel Council (Montgomery)	(334) 271-0050
Alabama Builders and Contractors Association (Birmingham)	(205) 870-9768
Alabama Association of County Commissioners (Montgomery)	(334) 263-7594
Better Business Bureau (Birmingham)	(205) 558-2222
Business Council of Alabama (Montgomery)	(334) 834-6000
Medical Association of Alabama (Montgomery)	(334) 263-6441
Southern Building Code Congress International (Birmingham)	(205) 591-1853
Southern Growth Policy Board (North Carolina)	(919) 941-5145

C. ACCOUNTING & RECORDKEEPING

For the individual just going into business, experience clearly indicates that an adequate record keeping system helps increase the chances of survival and reduces the probability of early failure. Similarly, for the established business owner, it has been clearly demonstrated that a good record keeping system increases the chances of staying in business and of earning large profits.

It is practically impossible to negotiate for a business loan from a bank without properly prepared financial statements. It may even be difficult to secure credit in any form without statements. Bankers and other credit grantors need to study the business owner's balance sheet and income statement in order to decide whether credit should be extended. Sometimes audited financial statements are required; the record keeping system must provide the basis for these statements.

Requirements by federal and local government agencies for adequate records are as important as the management and credit importance of financial statements. The responsibility for maintaining records and proving their accuracy falls on the taxpayer. Federal and local income taxes, payroll taxes, sales taxes, personal property taxes, and an increasing number of other laws and regulations require certain reports that are easier to prepare and substantiate if the figures are organized by a good record keeping system.

Records backing up government requirements must be available during the audit period. Record retention will depend upon the statute of limitations set forth by local and federal law. It is important to consult an attorney to determine the requirements of governing statutes. Due to the cumulative volume of required records, storage and retrieval can become burdensome. Many business owners are microfilming their old records and microfilming service centers are being called on to solve this problem.

A number of "one-book" record keeping systems are available. Some are prepared with instructions and forms designed for specific kinds of businesses, while others are for small business use in general. Some trade associations, manufacturers and wholesalers offer specially designed record keeping systems to meet the general needs of a large variety of retail and service establishments. The owners of a business will often find it desirable to obtain specialized assistance to help them adapt such systems to their special requirements.

There are several copyrighted systems providing simplified records, usually in a simplified record book. These systems cover the basic records with complete instructions for their use.

The Small Business Administration has a publication, FM10 "Record Keeping in Small Business," that lists many of these systems. Copies of this publication may be obtained from

the SBA by going on-line to:
www.webharvest.gov/peth04/20041028183436/http:/sba.gov/library/pubs.html or
www.webharvest.gov/peth04/20041105125226/http://sba.gov/library/pubs/fm-10.pdf.

In order for a record keeping system to be useful it must be simple to use, easy to understand, reliable, accurate, consistent, and designed to provide information on a timely basis. To keep effective records, you must be able to:

- Identify your earnings for self-employment tax purposes;
- Identify the source of a receipt;
- Keep track of all deductible expenses;
- Figure depreciation allowance;
- Take advantage of capital gain and loss laws; and
- Support items on your tax returns.

There are four basic types of records that most firms keep:

- Sales records;
- Cash records;
- Cash disbursements; and
- Accounts receivable.

If you do not have the necessary experience, it is recommended that you consider hiring a certified public accountant to develop your record keeping system.

Public accountants also render other accounting services such as auditing, preparation of reports for government agencies, tax planning, analysis of financial reports and a variety of specialized management advisory services.

ACCOUNTING SYSTEMS
Computerized accounting is the way most accountants do your monthly books each month. If you desire to do your own books, you should consider an accounting program for your record keeping. There are several good accounting programs available at office supply retailers. Accounting systems range from simple and inexpensive to powerful and rather costly. Some of the available options include the one-write system, a ledger-less system for accounts receivable and accounts payable, standard ledgers and journals, prepackaged services provided by banks and service bureaus, bookkeeping services, and accountants. With this wide variety of options it is important to choose a system that you can understand and feel comfortable using.

The accounting system you choose should meet the needs of your business situation and at the minimum meet the following objectives:

- The system should yield an accurate and precise picture of the operating results;
- The records should provide a convenient basis for comparing current data with previous year's operating results and budgetary goals;

- The financial data should be presented in a format that is useful to prospective creditors, bankers, auditors and management;
- The accounting records should reflect losses such as theft and bad debt;
- The accounting process should include compiling and filing reports and tax returns;
- The accounting records should be able to substantiate the value of fixed assets for insurance claims, in the event of a loss; and
- The United States Securities & Exchange Commission requires most publicly held corporations to file certain annual and interim quarterly reports.

The accounting system you choose can be established on an accrual or cash basis. In a cash system the accounts are debited and credited as cash is received and paid out. In an accrual system, the income earned and the expenses incurred are recorded when the sale is made or whenever the expense is incurred. The accrual basis of accounting allows the matching of revenues and associated expenses. Due to this matching, the accrual basis is generally considered to be a more accurate and up-to-date statement of profits.

D. INSURANCE

Some small business owners view insurance as if it were some form of tax. They recognize that it is necessary but consider it burdensome. However, if used correctly, insurance can contribute to the overall success of your business by reducing the uncertainties under which you operate. It can also reduce employee turnover, improve your credit at the bank, make it easier to sell to customers on favorable terms and help keep your small business going in case an insured peril interrupts your normal business operations. It is sensible for any business to purchase a number of basic types of insurance. The importance of good insurance management is too important to overlook. Therefore, it is essential that you discuss your insurance needs with an agent of your choice as early as possible.

Insurance Checklist:

____Fire Insurance
____Liability Insurance
____Automobile Insurance
____Workers Compensation
____Business Interruption Insurance
____Crime Insurance
____Glass Insurance
____Rent Insurance
____Employee Benefit Coverage
____Aviation Insurance
____Group Life Insurance
____Business Life Insurance
____Group Health Insurance
____Disability Insurance
____Retirement Insurance
____Key Man Insurance
____Marine and/or Inland Marine
____Boiler and Machinery
____Flood Insurance

Insurance matters are addressed in two SBA publications: MP-20- “Insurance Options for Business Continuation Planning”, and MP-28- Small Business Insurance and Risk Management Guide”. Both of these are available on-line at the SBA Library site.

E. SMALL BUSINESS SITE SELECTION ASSISTANCE TOOLS

- Identify Clusters, NAICS Sectors and research location quotient and business density
- Alabama State Data Center Projections http://cber.cba.ua.edu/edata/est_prj.html
- County Health Profiles
  www.adph.org/healthstats/index.asp?id=1573
- NCES School Lookup
  https://nces.ed.gov/globallocator/index.asp?search=1&State=AL&city=Dothan&zipcode=36320&miles=50&itemname=&sortby=name&School=1&PrivSchool=1&College=1&Status=Search+Finished&Records=196&CS=2D73FAB4
- Alabama Enterprise Zones
  www.adeca.alabama.gov/Divisions/ced/cdp/Pages/Enterprise-Zone.aspx
- Alabama Favored Geographic Areas
  www.madeinalabama.com/assets/2013/01/favored-Geo-Areas.pdf
- HubZone Map
  https://maps.certify.sba.gov/hubzone/map#center=39.828200,-98.579500&zoom=5
- Alabama Opportunity Zone Map
  https://governor.alabama.gov/wp-content/uploads/2018/04/Alabama-Opportunity-Zones-Map.pdf
- County and Municipal Sales Tax
  www.revenue.alabama.gov/sales-use/tax-rates
- County & Municipal Property Tax
  www.revenue.alabama.gov/property-tax/property-tax-assessment
- Harvard Cluster Mapping
  www.clustermapping.us
- Traded Clusters
  http://clustermapping.us/sites/default/files/files/page/Traded%20Clusters%20Appendix.pdf
- Local Clusters
  http://clustermapping.us/sites/default/files/files/page/Local%20Clusters%20Appendix.pdf

- Alabama Comprehensive Labor Market Information System (ACLMIS)
  www2.labor.alabama.gov/workforcedev/default.aspx

- Census Business Builder
  https://cbb.census.gov/rae/#

- Quarterly Census of Employees and Wages (Location Quotients)
  https://data.bls.gov/cew/apps/data_views/data_views.htm#tab=Tables

- QCEW Map
  https://beta.bls.gov/maps/cew/us

- QWI Explorer
  https://qwiexplorer.ces.census.gov/static/explore.html#x=0&g=0

- Employment and Wage Estimates
  www.bls.gov/oes/current/oessrcma.htm

- Exports by MSA
  http://tse.export.gov/metro/SelectReports.aspx?DATA=Metro

- MSA Exports
  http://tse.export.gov/metro/MetroChartDisplay.aspx?ReportID=5&Referrer=SelectReports.aspx&DataSource=Metro&ReportOption=Chart

- Exports by Zip Code
  http://tse.export.gov/metro/MetroMapDisplay.aspx?ReportID=13&Referrer=SelectReports.aspx&DataSource=Metro&ReportOption=Map

- Regional Economic Analysis Program (REAP)
  https://alabama.reaproject.org/data-tables/selected-indicators/

- Regional BEA Accounts-MSA GDP, Income Flow, Employment, Earnings
  www.bea.gov/data/economic-accounts/regional

- Retail Sales per Capita
  www.census.gov/quickfacts/table/PST045216/00

- Employer Costs
  www.bls.gov/news.release/pdf/ecec.pdf

- Census Tract Map Analysis
  www.censusreporter.org/profiles/14000US01069040100-census-tract-401-houston-al

- City-Data Demographic and Economic Data
  www.city-data.com/city/Dothan-Alabama.html#mapOSM?mapOSM[zl]=10&mapOSM[c1]=31.883145&mapOSM[c2]=-85.40103500000001&mapOSM[s]=income3&mapOSM[fs]=false

- ESRI Zip Code Lookup
  www.esri.com/data/esri_data/ziptapestry

- ESRI Tapestry Segmentation Guide
  www.wpri.info/wp-content/uploads/2014/03/Tapestry-Segmentation-Reference-Guide.pdf

- Statsamerica Census Tract Info
  https://www.statsamerica.org/#regional-profiles

- Zip Code Map
  www.zipmap.net/Alabama.htm

- Zip Codes Within a Radius
  www.freemaptools.com/find-zip-codes-inside-radius.htm
  www.melissadata.com/lookups/zipradius.asp

- Commuting Patterns
  www.alabamamaps.ua.edu/Interactive%20Maps/Transportation/CommutingPatterns.html

- State of the Cities Data System (SOCDS)
  www.huduser.gov/portal/datasets/socds.html

- Nonprofit Businesses
  www.melissadata.com/lookups/np.asp

- Building Permits
  www.census.gov/construction/bps
  https://socds.huduser.gov/permits

- Residential Real Estate
  http://acre.cba.ua.edu

- EDPA Site/Building/Patent Search and Specialized Reports
  www.advantagealabama.com

- Crime Rate
  www.neighborhoodscout.com/al/dothan/crime

Target Market Demographics:

- Demographic Radius Report
  https://mcdc.missouri.edu/applications/capsACS.html

- Time-Travel Radius Map
  www.traveltimeplatform.com/travel-time-maps

- 50 to 500 Mile Radius Report-Population, NAICS, Employment & 10-year Growth
  www.statsamerica.org/radius/big.aspx

Employment within Radius by NAICS

- Worker Inflow/Outflow
  http://onthemap.ces.census.gov

CHAPTER 3
GUIDE TO BUSINESS TAXES

A. Introduction to Business Taxes

B. Taxes on the Business Itself

C. Employment and Income Taxes

D. Sales and Use Tax

E. Ad Valorem Tax

F. Motor Vehicle Division

G. Tax Numbers

H. Tax Forms

A. INTRODUCTION TO BUSINESS TAXES

Some of the most complex issues facing small business owners today are the various taxes and tax structures. The business may be subject to, or responsible for, collecting or withholding:

- Taxes on the business itself
- Sales and Use taxes
- Ad Valorem Taxes (Taxes on Property)
- Employment and Income Taxes.

As an aid to taxpayers, the IRS will furnish the compact disc "**Small Business Resource Guide**" (IRS Publication 3207) on request. It contains all of the business tax forms, instructions, and publications needed by small business owners. It also provides information on how to prepare a business plan and finding financing. A single free copy of the *Small Business Resource Guide* may be requested by calling the IRS at (800) 829-3676. It may also be ordered on-line at www.irs.gov. Do a search for "Small Business CD". The IRS also routinely sponsors small business tax workshops through the local Small Business Development Center. Contact the center for information.

For assistance with unresolved federal tax problems contact:

Taxpayer Advocacy Service
801 Tom Martin Drive, Room 154
Birmingham, AL 35211
(205) 912-5139

The following information is related to the four basic tax groups that are applicable to small businesses.

B. TAXES ON THE BUSINESS ITSELF

Federal Taxes
Income from proprietorships, partnerships or other unincorporated businesses is subject to individual income taxes of the owners using form 1040 with appropriate schedules. Incorporated businesses are subject to U.S. corporate income tax laws. For further information contact:

Internal Revenue Service
Tax Information
(800) 829-1040

State Taxes
The booklet *General Summary of Taxes*, which gives a synopsis of all the taxes is available at: www.revenue.alabama.gov/tax-policy/general-summary-of-state-taxes

Alabama Dept. of Revenue Small Business Services
www.revenue.alabama.gov/businesses

Like the federal income tax, the state also requires that income from proprietorships, partnerships or other unincorporated businesses be taxed at the state individual income tax rate of the owners. In Alabama, both foreign and domestic corporations are subject to a net **Income** Taxpayer Service Center locations and phone numbers are available at: www.revenue.alabama.gov/help-center

Dothan Service Center
344 North Oates St.
Dothan, AL 36302
(334) 793-5803

Montgomery Taxpayer Service
1021 Madison Ave.
Montgomery, AL 36104
(334) 242-2677

Alabama Revenue Department
Income Tax Division
Gordon Persons Building
50 N. Ripley St.
Montgomery, Alabama 36132
(334) 292-1200

C. EMPLOYMENT AND INCOME TAXES

Employment related taxes generally fit into three categories: I) those taxes you must pay for each employee; 2) taxes you must withhold from each employee's pay; and, 3) workers' compensation. Workers' compensation is not actually a tax but an expense related to employment. Workers' compensation rates vary depending on industry, occupation and risk factors involved. For more information concerning employment taxes contact the appropriate state or federal agency.

Payroll Taxes – Federal
For federal unemployment tax and federal income tax withholding information contact:

Internal Revenue Service
Tax Information
(800) 829-1040

An invaluable resource in insuring timely compliance in Federal Tax Administration is **IRS Publication 15, Circular E-Employers Tax Guide**. It is a 66-page document that covers all aspects of tax management. It is available on-line at: www.irs.gov/pub/irs-pdf/p15.pdf.

IRS Publication 505, Tax withholding and Estimated Tax is available on-line at: www.irs.gov/pub/irs-pdf/p505.pdf.

To order forms contact:

Internal Revenue Service
Forms Distribution Center
(800) 829-3676

Social Security Tax
The contribution rate, also known as the FICA tax rate, is 7.65% for employees and 15.30% for self-employed People. The rates are broken out as follows:

- 6.2% (Social Security portion) on earnings up to the maximum taxable amount ($87,000 in 2003)
- 1.45% (Medicare portion) on all earnings. Set by law, these rates haven't changed since 1990.

Maximum Earnings Taxable					
Program	**2001**	**2002**	**2018**	**2019**	**2022**
Social Security	$80,400	$84,900	$128,400	$132,900	$147,000
Medicare	No Limit for any year after 1993				

www.ssa.gov/planners/retire/topwages.html

Medicare Q & A
www.irs.gov/businesses/small-businesses-self-employed/questions-and-answers-for-the-additional-medicare-tax

The Social Security Administration has a web page designed especially for employers at: www.ssa.gov/employer.

For social security tax (FICA) information contact:

Employer Reporting Service Center
Toll-free lines to help employers with wage reporting questions or problems.
(800) 772-6270 Monday – Friday 7 am to 7 pm, EST
Email – employerinfo@ssa.gov

Payroll Taxes – State

For state unemployment tax information, contact:

Alabama Department of Labor
Unemployment Compensation
649 Monroe St.
Industrial Relations Building
Montgomery, AL 36131
(334) 242-8830 or www.labor.alabama.gov/uc

For workers' compensation information, contact:

Alabama Department of Labor
Workmen's Compensation Division
649 Monroe St.
Montgomery, AL 36131
(334) 242-2868 or www.labor.alabama.gov/wc

For further information on Alabama Unemployment and Workers' Compensation, see the Alabama Department of Commerce publication *A Guide to Simplifying Alabama's Employment Related Laws* and *Alabama Unemployment and Workers' Compensation Manual*. www.madeinalabama.com/assets/2013/02/WCUCpublication728091.pdf and *2021 Claim Handling Manual* https://labor.alabama.gov/docs/guides/wc_claimhandling.pdf.

In Alabama the taxes administered by the **Individual and Corporate Tax Division** include the following:

- Individual Income Tax;
- Corporate Income Tax;
- S- Corporations;
- Business Privilege Tax;
- Financial Institutions Excise Tax;
- Partnerships/LLC;
- Fiduciary Tax; and
- Estate and Inheritance Tax.

Income Tax

This tax is on the entire net income of every individual and corporation domiciled in Alabama, and of every non-resident deriving income from within Alabama. Income tax is required to be paid throughout the year either by withholding or estimated tax.

All employers in the state are required to withhold Alabama income tax. Whenever a new employee begins a new job, he or she is required to complete a form A-4, Exemption Certificate, and file it with the employer. The employer withholds Alabama Income Taxes on the basis of the information furnished by the employee on this exemption certificate. If an employer fails to secure a complete A-4 form from his employee, the employer must withhold Alabama Income Taxes on the basis of no exemptions. A Federal form W-4 will not be recognized in lieu of a form A-4. Every employer is required to secure completed exemption certificates from his employees, even though he may not be required to withhold any Alabama income tax. Tax withheld is based on withholding tables or the formula provided in the "State of Alabama Withholding Tax Tables and Instructions for Employers" publication. Assignment of an Alabama withholding tax number is required before an employer may submit Alabama Income Tax to the Department of Revenue. Employers file an application for this withholding tax number. The taxpayer must use this code number to identify all payments of Alabama withholding tax and include the number on all correspondence concerning the business's income tax withholding accounts.

A declaration of individual estimated income tax is required of an individual who is subject to income tax if he or she anticipates having income from sources other than wages. In the case of a single or married person filing separately having non-wage income of $1,500 or more and in the case of a married person living with spouse and filing a joint return having non-wage income of $3,000 or more, a declaration of estimated income tax is required.

Domestic corporations (corporations created or organized under the laws of the State of Alabama) must pay a corporate income tax imposed on net income at the rate of 5%. Foreign corporations (corporations created or organized outside the State of Alabama) pay this tax at a rate of 5% also, and it is applicable to the net income from property situated within Alabama and/or from business done and transacted in Alabama.

Note: There are special rules with respect to the apportionment of income in the case of foreign corporations having income from both within and outside the State of Alabama.

The Individual and Corporate Tax Division can be reached at (334) 242-1103.

Corporate Income Tax
As of January 1, 2001, the tax rate is 6.5%.

Business Privilege Tax
www.revenue.alabama.gov/tax-incentives/about/business-privilege-tax-incentives.

The tax rate for business privilege tax is graduated, based on the entity's federal taxable income apportioned to Alabama. The rates range from $.25 to $1.75 for each $1,000 of net worth in Alabama. The minimum tax is $100.

Financial Institution Excise Tax
Any person, firm, corporation and any legal entity whatsoever doing business in this state as a national banking association, bank, banking association, trust company, industrial or other loan company or building and loan association, and such term shall likewise include any other institution or person employing moneyed capital coming into competition with the business of national banks, and shall apply to such person or institution regardless of what business form and whether or not incorporated, whether of issue or not, and by whatsoever authority existing.

Partnerships/LLC
A single member LLC is not required to submit a separate Alabama Income Tax Return.

D. SALES AND USE TAX

Alabama Code-Revenue & Taxation
https://codes.findlaw.com/al/title-40-revenue-and-taxation

Third Party Sales and Use Tax Guide: www.avalara.com/taxrates/en/state-rates/alabama/alabama-sales-tax-guide.html

The Sales, Use and Business Tax Division of the Alabama Department of Revenue is made up of five Sections:

1. Sales and Use;
2. Business License ;
3. Severance Tax;
4. Motor Fuels; and
5. Tobacco.

Each section administers and collects several taxes. Next to each section name below is the website address. These sites provide references to Alabama Code Sections and specifics on each tax. www.revenue.alabama.gov/division/sales-use

Any person desiring to conduct a retail business in Alabama must submit an "Application For Sales Tax License" to the Department of Revenue. A percentage tax, which includes manufacturing, machinery and equipment, and motor vehicles, is applied to all retail sales of

tangible personal property, except for those organizations specifically exempt by action of the legislature. For more information on state sales taxes contact:

Alabama Revenue Department
Sales Tax Division
Gordon Persons Building
50 N. Ripley St.
Montgomery, AL 36132
(334) 242-1490

Note: For Federal Express mail to Zip 36104

For information on county sales taxes, contact your county sales tax division.

For information on city sales taxes, contact your city clerk's office.

1. Sales and Use Section

Taxes administered include:

- Sales Tax;
- Seller's Use Tax;
- Consumer's Use Tax;
- Lodgings Tax;
- Rental or Leasing Tax;
- Contractor's Gross Receipts Tax;
- Utility Gross Receipts Tax;
- Local Sales & Use, Rental & Lodging Tax;
- Mobile Communications Services Tax;
- Contractor's Gross Receipts Tax;
- Nursing Facilities Privilege Tax;
- Pharmaceuticals Providers Tax;
- 2.2% Utility License Tax; and
- Dry Cleaning Registration Fees.

Sales Tax – This tax is imposed on the retail sales of all tangible personal property sold in Alabama by businesses located in Alabama who have inventory for sale in the state. The tax is remitted by the 20th of each month for the previous month's sales. Vendors filing timely sales tax returns are entitled to a discount of 5% on the first $100 of tax and 2% on all tax over $100.

The tax rate is 4% of the gross receipts of sales of tangible personal property and the retail market value of any property bought at wholesale but withdrawn from stock and used or consumed (except sales of all new and used automotive vehicles, truck trailers, semi-trailer, and house trailers which are taxed at 2% of the net difference paid, farm machinery which is taxed at

1.5% of the net difference paid, and all sales of machines, parts, and attachments for machines used in manufacturing, processing, compounding, mining, and quarrying tangible personal property which are taxed at 1.5%), 4% of the gross receipts from places of entertainment or amusement, and 3% of the total cost price of food products sold through coin-operated vending machines. Local taxing authorities may also impose a sales tax; these rates vary.

Seller's Use Tax – This tax is imposed on the retail sales of all tangible personal property sold in Alabama by businesses located outside Alabama that have no inventory for sale in Alabama but only a sales office or agents soliciting retail sales in Alabama. This tax is due on a monthly basis and is to be remitted by the 20th of the month following the close of a month. Businesses filing timely reports are entitled to a 3% discount on Seller's Use Tax Return. The tax rate is:

4% on sales price of tangible personal property; 1.5% on machinery used in mining, quarrying, and manufacturing; 2% of the sales price of automotive vehicles or on the net difference of such sales when a trade-in is involved. In addition to the state rate, there may be city and/or county use taxes due; these rates vary.

Consumer's Use Tax – This tax is imposed on the tangible personal property brought into Alabama for its storage, use or consumption in the state when the supplier did not collect seller's use tax on the sale of the property. This tax is due on a monthly basis and is to be remitted by the 20th of the month following the close of a month. No discounts apply. The rates are the same as shown above.

Lodgings Tax – This is a privilege tax upon every person or firm that rents or furnishes lodgings or accommodations to transients for a fee. The tax is remitted on the 20th of each month following the month the tax accrues. The tax rate is: 5% of the charges for accommodations in counties of the geographic region comprising the Alabama Mountain Lakes area. 4% of the charges for accommodations in all other Alabama counties.

Rental or Leasing Tax – This is a privilege tax levied on the lessor for the leasing or renting of tangible personal property. Leasing tax is due on "true" leases. "True" leases are those in which the title to the property is retained by the lessor at the end of the lease agreement. "Conditional sale" leases, leases in which the title to the property is transferred to the lessee at the end of the lease agreement, are subject to sales tax. This tax, in both cases, should be remitted by the 20th of each month following the month that the tax accrues. No discounts apply. The tax rate is:

1.5% of the gross proceeds from renting or leasing automotive vehicles trucks, semi-trailers, or house trailers; 2% of the gross proceeds from renting or leasing linens and garments; 4% of the gross proceeds from leasing or renting of all other tangible personal property.

Any questions regarding any of the above-mentioned taxes, or any taxes not outlined above, should be directed to the Sales and Use Tax Section at (334) 242-1490.

2. **Privilege/Business License Section**
   www.revenue.alabama.gov/individual-corporate/taxes-administered-by-individual-corporate-income-tax/alabama-business-privilege-tax-and-corporate-share-tax

Taxes administered by the **Privilege Tax Section** are:

Automotive Dismantler and Recycler License - This license is required of all persons engaged in the business of purchasing, dismantling, disassembling, or repairing wrecked,

abandoned or repairable motor vehicles and selling the usable parts. This tax also applies when selling these vehicles as a unit at wholesale, or selling the hull after the parts have been removed.

Privilege License Tax
A privilege license is a license requirement of every person, firm, company or corporation engaged in any business, vocation, occupation or profession described in Title 40-12 Code of Alabama 1975.

The annual license covers the period of October 1 through September 30. The license will be delinquent on November 1. The State and County license(s) is issued by the county Probate Judge or License Commissioner in the county where the business is located. Unless otherwise provided, a license is required in every county where the business is conducted.

Motor Vehicle Dealer Regulatory License - This license is required of all persons engaged in the business of buying, selling, exchanging, reconditioning, rebuilding, etc. motor vehicles in the State of Alabama.

Store Licenses
Any person, firm, corporation, association or co-partnership, either foreign or domestic, is required to obtain a license to operate, maintain, open or establish any store in this state in which goods, wares, or merchandise of any kind are sold, at either retail or wholesale. A check with city and county officials will determine what local licenses and permits are necessary.

Scrap Tire Handlers License
Any person who receives, collects, or transports scrap tires must obtain a license.

3. Severance Tax Section

The taxes administered by the **Severance Tax Section** are:

Oil and Gas Tax - This is a privilege tax on all persons engaged in the business of producing or severing oil or gas from beneath the soil or water. The tax rate varies.

Coal severance Tax - This is a privilege tax levied on every person mining coal in Alabama.

Forest Products Tax - This is a tax on the harvesting of timber or other forest products from the soil. The tax rate varies according to the measurement specifications and types of forest products harvested

Iron Ore Severance Tax - A license or privilege tax required for anyone engaged in the business of mining iron ore or operating an iron ore mine in the State of Alabama.

4. Motor Fuels Section
www.revenue.alabama.gov/business-license/motor-fuels

Taxes administered by the **Motor Fuels Section** include:

Gasoline and Motor Fuels Tax - This is an excise tax on the sale, consumption, distribution, storage, or withdrawal from storage of gasoline. There are two tax levied. Local rates vary.

Aviation Gasoline and Jet Fuel Tax - This tax is based on fuel used to propel aircraft powered by reciprocating engines and/or jet or turbine engines

Motor Carrier Mileage Tax - Motor carrier transportation of persons or property for hire on highways of Alabama.

Wholesale Oil License - Wholesale sales of illuminating, lubricating or fuel oils.

Lubricating Oil Tax - Selling, distributing or withdrawing from storage in Alabama, for any use, lubricating oils or greases.

Scrap Tire Environmental Fee - Act 2003-332, effective September 1, 2003, provides for a "Scrap Tire Environmental Fee" of one dollar ($1) per tire to be collected at the point of sale from the consumer on replacement tires (new, used, and retread), whether or not the tires are mounted on a rim or wheel. The Alabama Department of Revenue has been authorized to collect this fee. A tax form and any remittance due should be filed on or before the twentieth day of the month following each month's activity.

5. **Tobacco Tax Section**
   www./revenue.alabama.gov/business-license/tobacco-tax

Taxes administered by the **Tobacco Tax Section** include:

Tobacco Products Tax - Alabama's tax rate on cigarettes is based on 8.25 mills for each cigarette. This converts to $0.00825 for one stick, $0.165 for a package of twenty cigarettes and $0.20625 for a package of twenty-five cigarettes.

State tax on cigarettes is paid by purchasing and affixing revenue stamps to the package of cigarettes. Distributors can only purchase stamps from the Alabama Department of Revenue. State taxes on tobacco products other than cigarettes are paid by tax return. Tobacco wholesalers normally pay the taxes. However, if a retailer receives untaxed products, it is their responsibility to remit the tax to the Department.

There is not a stamp for cigars, snuff, chewing tobacco, or smoking tobacco. These products are referred to as "other tobacco products". The state tax rates vary, and taxes are paid by filing a monthly state tobacco tax return that is due by the twentieth of the month for the previous calendar month's activity. The tax for regular cigars is based on the retail-selling price, whereas the tax for little cigars, snuff, chewing tobacco and smoking tobacco is based on weight.

Pari-mutuel Pool Tax and Horse Wagering Fee - This is a tax fee levied on operators of dog and horse race tracks in Alabama. Pari-mutuel is a system of betting on races whereby the winners divide the total amount bet, after deducting authorized taxes, fees and management expenses, in proportion to the sums wagered individually. The total amount wagered in any particular race is the pari-mutuel pool.

Playing Cards Tax - Playing cards containing not more than fifty-four (54) cards are taxed at $0.10 per deck. A revenue stamp must be affixed to each deck of playing cards. The revenue stamp can only be purchased from the Department of Revenue. In addition, each retailer must obtain a playing card privilege license.

Hazardous Waste Disposal Fees - This is a fee on operators of commercial sites for the disposal of hazardous waste or hazardous substance for each ton of waste or substance received for disposal and disposed of at such sites.
www.revenue.alabama.gov/business-license/environmental-tax/hazardous-waste-disposal-fee.

Underground and Aboveground Storage Tank Trust Fund Charge - The charge is collected and remitted by operators of bulk facilities from which a first withdrawal of motor fuels from bulk is made. When fuel is withdrawn from bulk outside this state, the owner of the fuel when it is delivered into Alabama is responsible for collecting and remitting the charge.
www.revenue.alabama.gov/business-license/environmental-tax/underground-and-aboveground-storage-tank-trust-fund-charge

E. PROPERTY TAX

The taxes administered by the **Property Tax Division** include:

Ad Valorem Tax – A property tax levied on the owners of real and personal property within Alabama. All property must be assessed each year, between October 1 and December 31, with the county tax assessor. This property will be assessed in one of the following four classes and assessment rations:

Class I. All Property of Utilities – 30%
Class II. All Property not Otherwise Classified – 20%
Class III. All Agricultural, Residential, Forest Property & Historical Building Sites – 10%
Class IV. All Private Passenger Automobiles/Motor Trucks Used for Personal Use – 15%

The state tax rate is 6.5 mills per dollar of assessed value for the state; local rates vary.
For County Rates: www.revenue.alabama.gov/property-tax/property-tax-assessment.

Personal/Business Property Taxes - *Title 40, Code of Alabama, 1975 Chapter 7*, requires all business personal property to be reported to the local taxing official in each county annually.

Business personal property is all furniture, fixtures, and equipment used in the operation of all businesses, corporations, and partnerships.

For more information on ad valorem tax contact:

Alabama Department of Revenue
Property Tax Division
Gordon Persons Building
50 N. Ripley St., Room 4126
Montgomery, AL 36132
(334) 242-1525

F. MOTOR VEHICLE DIVISION

www.mvtrip.alabama.gov/Dashboard/Index

Fees administered by the Alabama Motor Vehicle Division include:

- Registration Fees (license tax);
- Motor Vehicle Title Fees;

- International Registration Plan Registration Fees; and
- Miscellaneous Tags

More information may be obtained regarding any of these taxes above by contacting:

Alabama Motor Vehicle Division
P.O. Box 327630
Montgomery, AL 36132-7630
(334) 242-9000

G. TAX NUMBERS

Federal Employer Identification Tax Number:
Anyone who pays wages to one or more employees and who has not previously secured identification number must file with the Internal Revenue Service to obtain an employer identification number. The application must be filed by those wishing to pay wages on or before the seventh day after the date on which business begins. The Federal employer identification number will also be needed for use on Alabama tax forms. In order to obtain a federal identification tax number, please contact: https://irs.usa-taxid.com/?keyword=where%20do%20i%20get%20my%20fein%20number&source=Google&adAccount=371-416-3592&network=g&device=c&devicemodel=&mobile=&campaign={Campaign}&matchType=e&gclid=CjwKCAjwwo-WBhAMEiwAV4dybXr6pzX0eG-DIGBElrIS7Y7WJMil9C9Jd4wiFgSGYfNWy4ZoausxmhoCipIQAvD_BwE.

Internal Revenue Service
(800) 829-3676
(Request IRS form SS-4)

Alabama Sales Tax Number:
Anyone who sells tangible personal property to an end user and collects sales taxes must have an Alabama sales tax number. To obtain an Alabama sales tax number, please contact: https://irs-taxid-numbers.com/location/tax-id/Alabama/?gclid=CjwKCAjwwo-WBhAMEiwAV4dybTok2pbzC07InwkKET401kzbFkbE1D07d2WMqhNnNkg9uwz6BK6cTRoCZmQQAvD_BwE.

Alabama State Department of Revenue
Central Registration Unit
P.O. Box 327100
Montgomery, AL. 36132-7100
(334) 242-1170
(Request for form COM 101)

Alabama Income Tax Withholding Number:
Any business that hires employees and pays wages is required to obtain an Alabama income tax withholding number so as to hold and remit taxes withheld to the Department of Revenue. To obtain an Alabama income tax withholding number, please contact:

Alabama State Department of Revenue
Income Tax Division
P.O. Box 327480
Montgomery, AL. 36132-7480
(334) 242-1000
www.revenue.alabama.gov/individual-corporate/withholding-tax-2

Unemployment Compensation Number:
The unemployment compensation tax number is needed in the event that someone in your company incurs an injury. This number is useful for identification purposes when a report is filed with the Alabama Department of Industrial Relations. To obtain an unemployment compensation tax number, please contact:

Alabama Department of Labor
649 Monroe St./Status Unit Room 416
Montgomery, AL. 36131
(334) 242-8830
www.labor.alabama.gov/uc

H. ALABAMA TAX FORMS

For various tax forms, visit www.revenue.alabama.gov/forms/?d=individual-corp.

CHAPTER 4
STRATEGIC PLANNING AND CONSULTING AGENCIES

A. Alabama Small Business Development Network
   1. Small Business Development Centers
   2. Alabama Small Business Procurement System
   3. Alabama International Trade Center

B. Department of Agriculture and Industry

C. Alabama Department of Economic & Community Affairs

D. Environmental Protection Agency

E. Occupational Safety and Health Administration

F. Alabama Department of Commerce

G. Minority Business Development Agency

H. Alabama Cooperative Extension Services

I. Service Corps of Retired Executives

J. Southeast Alabama Chambers of Commerce

K. Alabama State Employment Office

A. ALABAMA SMALL BUSINESS DEVELOPMENT CENTER NETWORK

www.asbdc.org

The Alabama Small Business Development Consortium hosted by the University of Alabama at Birmingham, provides managerial and technical consulting assistance and training at no cost to current and potential small businesspersons statewide. Ten Small Business Development Centers offer this service, the Alabama International Trade Center, and the Alabama Small Business Procurement System.

The Small Business Development Centers are a resource where information, counseling and assistance are coordinated and disseminated to those who plan to start a small business or are currently operation a small business. The centers also provide the entrepreneur with education and training opportunities that cover a wide range of business topics. Research, both basic and applied, is also available to give the small businessperson more relevant data from which to draw upon when making decisions.

To register for a free counseling session please complete the registration form online. www.asbdc.org/register. You will be contacted by the appropriate regional SBDC.

For more Information contact the SBDC nearest you:

Alabama State University SBDC
915 S. Jackson St.
Montgomery, AL 36104
(334) 229-4138
www.alasu.edu/cba/alabama-sbdc-asu

Auburn University SBDC
570 Devall Drive, Suite 303, Office 335
Auburn University, AL 36832
(877) 825-7232
www.asbdc.org/au

Jacksonville State University SBDC
115 College St. SW, 6101 SBIC
Jacksonville, AL 36265
(256) 782-5271
www.jsu.edu/sbdc

Troy University SBDC
63 S. Court Square
Troy, AL 36081
(334) 808-6793
www.troy.edu/about-us/strategic-approach/small-business-center.html

University of Alabama SBDC
Box 870396
621 Greensboro Ave.
Tuscaloosa, AL 35487
(205) 348-1582
www.sbdc.ua.edu

University of Alabama in Huntsville SBDC.
225 Church St., Suite 319
Huntsville / Madison County Chamber of Commerce
Huntsville, AL 35801
(256) 824-6422
www.uah.edu/sbdc

University of North Alabama SBDC
David L. Black, Director
Box 5250
541 W. College St.
Florence, AL 35632
(256) 765-4629
www.sbdc.una.edu

University of South Alabama SBDC
600 Clinic Drive, Suite 326/328
Mobile, AL 36688
(877) 825-7232
www.southalabama.edu/departments/research/research-innovation/sbdc

University of West Alabama SBDC
Guy Hunt Technical Complex, R122
Station 35
Livingston, AL 35470
(205) 652-3665
www.uwa.edu/academics/collegeofbusinessandtechnology/aboutthecollege/smallbusinessdevelopmentcenter

Greater Birmingham Area SBDC
Innovation Depot
1500 First Ave. North.
Birmingham, AL 35203
(205) 348-1582
www.birminghamsbdc.org

Walk-ins welcome, but appointments are strongly encouraged.

The following specialty programs service all counties in Alabama:

Alabama International Trade Center
The University of Alabama
Brian Davis, Director
Box 870396
621 Greensboro Ave.
Tuscaloosa, AL 35487
(205) 348-7621
www.aitc.ua.edu

Procurement Technical Assistance Program
The University of Alabama
Jerry Ellison, Program Manager
Box 870396
621 Greensboro Ave.
Tuscaloosa, AL 35487
(205) 348-1687
www.al-ptac.org

Capital Access Program
www.asbdc.org/start-your-business/financing

Alabama International Trade Center
The University of Alabama
Brian Davis, Director
Box 870396
621 Greensboro Ave
Tuscaloosa, AL 35401
(205) 348-7621
www.aitc.ua.edu

Alabama Small Business Procurement System
The Alabama Small Business Procurement System assists small businesses in Alabama by:

- Training business owners at procurement workshops;
- Counseling businesses on the procurement process and on marketing their products and services to the government;
- Providing opportunities for businesses to network with government agencies and prime contractors; and
- Notifying businesses of bidding opportunities.

Authorized and funded by a 1984 act of the Alabama Legislature, the Alabama Small Business Procurement System's bid delivery service operates through the existing Small Business Development Center network consisting of eleven state universities. The procurement system's central office is located in Birmingham, at the state office of the Alabama Small Business Development Consortium. Any business in the state can request the free bid delivery service.

SBDC personnel work with a business to develop precise codes and key words that identify the company's products or services and then enter them into the center's procurement computer. Bid information from the *Commerce Business Daily*, Alabama military installations, as well as state and local agencies are entered into Birmingham's host computer on a daily basis, and transmitted through the microcomputer network. The SBDC matches a business's specific capabilities with bid opportunities and will fax or mail a notice so that the business can call the appropriate contracting bid agency for a bid package.

Through cooperative agreements with the Department of Defense and the state of Alabama, the SBDC assists firms and counsels them on how to do business with the Government. Areas of Counseling include bid package preparation, 8(a) and other minority programs, military packaging, pricing, bonding, and quality assurance.
Training seminars, held throughout the state, teach business people about the government market and the bidding process. Larger procurement conferences provide small businesses the opportunity to network with government agencies and prime contractors.

For more information about the bid-matching service, training seminars and conferences, or procurement counseling, please contact the Small Business Development Center nearest you.

Alabama International Trade Center
www.aitc.ua.edu

The Alabama International Trade Center is dedicated to the development of international trade activity in the state of Alabama. The different services offered through the AITC include foreign market research, implementation recommendations, strategic planning and consulting, training seminars and general information.

Foreign Market Research
With more and more firms looking into the lucrative foreign market, accurate, up-to-date information is essential. The AITC is constantly engaged in analyzing and assessing foreign market opportunities. With the support of an excellent information base and a staff of market research specialists, AITC continually monitors foreign market data regarding:

- Demand for specific products;
- Available distribution channels;
- Laws and trade regulations;
- Political and economic conditions;
- Social Customs;
- Business Practices;
- U.S. and Foreign Competition & Market Share; and
- Export and Import Statistics.

Strategic Planning & Consulting
The AITC also provides individual consulting, strategic planning and advisory services. Consultants work exclusively with company executives to assess their needs and problems. Recommendations are made and in-depth assistance is given to firms based on the findings of the market research and in light of each company's needs. The AITC can help you:

- Answer questions regarding tariffs and transportation;
- Provide sales leads;
- Determine overseas sources of supply;
- Advise on export documentation, legal matters and financing;
- Find licenses for a company's product or service;
- Select appropriate target markets and devise market entry strategies;
- Design appropriate product packaging; and
- Locate suitable joint venture partners.

Implementation

Not only does the AITC help to inform and make recommendations, it also assists in the implementation of tailored international business plans. Channels of communication are always open and client companies are monitored on an ongoing basis to assure continued success of international activities.

Training and Seminars

The AITC conducts more than a dozen workshops and seminars every year to train executives who are active or interested in international trade. These seminars utilize the experience of members of the international community and knowledge of experts in various fields to help clients understand everything from the basics of exporting to the specifics of exporting products.

Information and Publications

AITC serves as a central office for the answering or referral of inquires relating to international business. Sending a letter or placing a phone call to AITC can save you valuable time and effort as the trade center can provide up-to-date information quickly. In addition, AITC publishes a variety of manuals and bulletins designed to educate and aid Alabama firms in international business as well as to inform potential foreign customers about Alabama products. For more information, please contact:

Alabama International Trade Center
University of Alabama
Box 870396
Tuscaloosa, AL 35487-0396
(205) 348-7621

B. DEPARTMENT OF AGRICULTURE AND INDUSTRY

www.agi.alabama.gov

The Department of Agriculture and Industry supplies both information and technical support to Alabama's farmers, businesses and consumers. In providing the services, the department acts as a regulatory agency, a service agency and a consumer protection agency.

As a regulatory agency, the department is responsible for the monitoring and enforcement of laws and regulations dealing with meats, poultry, nursery plants, produce, over-the-counter drugs, gasoline, motor oils, pesticides, and agricultural products from seeds to fertilizers. As a service agency, it assists farmers and businesses with seed testing, market reporting, farm legislation, animal and crop disease detection, analysis and prevention, pest detection and eradication, foreign and domestic market development, farm law enforcement, research and numerous other activities.

For more information, contact:

Department of Agriculture and Industry
P.O. Box 3336
Montgomery, AL 36109
(334) 240-7171

C. ALABAMA DEPARTMENT OF ECONOMIC & COMMUNITY AFFAIRS www.adeca.alabama.gov/Pages/default.aspx

The purpose of the department of Economic and Community Affairs is to provide the governor with a mechanism to encourage comprehensive and coordinated planning and programming of economic and community affairs within Alabama. The department plays a major role as a coordinating agency for economic development activities. ADECA also focuses on utilizing many existing resources that are available as economic development tools. ADECA makes a strong impact on the state through its role of soliciting grants for programs relating to economic development.

ADECA offers many services, including planning and economic development for the state and an education and training division to help train residents of Alabama to work in industries that relocate here.

For more information, contact:

Alabama Department of Economic and Community Affairs
Alabama Center for Commerce
401 Adams Ave., Suite 580
P.O. Box 5690
Montgomery, AL 36103-5690
(334) 242-5442

Office of Minority Business Enterprise
www.adeca.alabama.gov/Divisions/ced/cdp/Pages/ombe.aspx

D. ENVIRONMENTAL PROTECTION AGENCY

www.epa.gov

Background

The Environmental Protection Agency is a regulatory agency created to protect and enhance the environment under the laws enacted by Congress. It is the EPA's responsibility to control and abate pollution in the areas of air, water, pesticides, solid waste, and radiation and toxic substances. The EPA is mandated to mount an integrated, coordinated attack on environmental pollution in cooperation with state and local governments.

Environmental Protection Agency
Ariel Ross Building.
1200 Pennsylvania Ave., N.W.
Washington, DC 20460
(202) 272-0167

Small Business Ombudsman Hotline: (808) 368-5888

This service helps small businesses understand and comply with EPA regulations. Also available is the publication *Doing Business With The EPA*.

Other Hotlines:

Chemical and Emergency Preparedness	(800) 535-0202	
National Pesticide Information	(800) 858-7378	http://npic.orst.edu
RCRA Superfund Hotline	(800) 424-9346	
Foam Recycling	(800) 944-8448	
Steel Recycling	(800) 876-7274	
Lead	(800) 424-5323	
Wetlands Issues	(800) 832-7828	

Hazardous Materials Transportation Regulations-
www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title49/49cfrv2_02.tpl

E. OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

www.osha.gov

OSHA offices oversee compliance with federal workplace safety and materials-handling regulations. Assistance provided includes information on maintaining a safe workplace and how to comply with OSHA regulations.

OSHA- Birmingham	(205) 731-1534
Mobile	(251) 441-6131

A Safety Alliance has been formed between The Dothan Area Chamber of Commerce, Small Business Development Center at Troy University, Houston County/Dothan EMA, local chapter of the American Society of Safety Engineers and Durden Outdoor Displays, Inc. The purpose of the Alliance is to foster understanding of OSHA requirements, as well as the fiscal benefits of safe operations. Members of the Alliance can provide training or coordinate with other entities to provide training in safety issues.

The University of Alabama “Safe State” program provides training on OSHA rules and regulations. (205) 348-3033, Fax (205) 348-3049.

F. ALABAMA DEPARTMENT OF COMMERCE

www.madeinalabama.com

The Alabama Department of Commerce’s primary function is to promote growth through the development of the industrial and technological base in the state of Alabama. The ultimate goal of the Department of Commerce is to enhance the economic well being of Alabama's citizens by creating jobs.

The Department of Commerce will assist businesses planning to relocate processing, manufacturing, warehousing or distribution facilities in Alabama. DOC also maintains the latest factual information on many matters that are relevant to doing business in Alabama. The services this office provides include information on industrial sites and buildings, as well as

details involving utilities, labor, taxes and tax exemptions and financing. This agency also has information on natural resources, climate, geography, education and the quality of life in Alabama.

The staff of DOC includes experts in the areas of economic development, research, tax, industrial recruitment, finance, community data and other areas to help businesses with a smooth, cost-effective location in Alabama.
For more information contact:

Alabama Department of Commerce
PO Box 304106
Montgomery, AL 36130-4106
(800) 248-0033
www.madeinalabama.com

Information on specific small and minority business programs may be obtained from:

Alabama Department of Commerce
PO Box 304106
Montgomery, AL 36130-4106
(334) 242-0485
(800) 248-0033
www.madeinalabama.com/business-development/small-business

G. MINORITY BUSINESS DEVELOPMENT AGENCY

www.mbda.gov

The Minority Business Development Agency assists minority business in achieving effective and equitable participation in the American free enterprise system and in overcoming social and economic disadvantages that have limited their participation in the past. MBDA provides national policies and leadership in forming and strengthening a partnership of business, industry, and government with the nation's minority businesses.

Management and technical assistance is provided to minority firms on request, primarily through a network of minority business development centers funded by the agency. Specialized business assistance is available to minority firms or potential entrepreneurs.

MBDA promotes and coordinates the efforts of other federal agencies in assisting or providing market opportunities for minority business, primarily through its affiliate network of Minority Business Development Centers. The agency coordinates opportunities for minority firms in the private sector through the funding of business and industry trade associations. Through such public and private cooperative activities, MBDA promotes the participation of federal, state, and local governments, and business and industry in directing resources for the development of strong minority businesses. The agency also operates an Information Clearinghouse for catalogs, publications, and other information about the nation's minority businesses.

For further information, please contact:

Minority Business Development Agency
401 W. Peachtree, N.W., Suite 1715
Atlanta, Ga. 30308
(888) 324-1551, Fax (404) 730-3313

H. ALABAMA COOPERATIVE EXTENSION SERVICE

www.aces.edu/agriculture/business-management

This service is provided through county agents that live in the counties that they serve. These agents attempt to carry out the educational programs of the Extension Service on the local level.

The agents are able to provide answers to almost anything to do with home economics, agriculture, 4-H, and growth or community development. Through the actions of these agents, the goal is to identify the strengths and weaknesses of the resources of the county and to set reachable goals and workable plans for improvement.

The following are the area offices and phone numbers:

ACES Headquarters, Auburn University	(334) 844-4444
Community Resource Development	(334) 844-5544
Alabama Fish Farming Center, Greensboro	(205) 624-4016
Wiregrass Ag. Research Extension Center	(334) 693-2363
New Brockton Office	(334) 894-5596
Houston County Office	(334) 794-4108
Geneva County Office	(334) 684-2484
Dale County Office	(334) 774-2329
Henry County Office	(334) 585-6416

I. SERVICE CORPS OF RETIRED EXECUTIVES

www.score.org

The Service Corps of Retired Executives is an organization that provides counseling to business by individuals who have experience in a particular field but are now retired.

Counselors who have the experience that most closely parallels your needs will be assigned to your case to help solve the problems you are facing in your business venture. These counselors also have access to other retired executive that they can call on if additional counseling is required.

While these services can be quite valuable, they are free and all information that is learned about your business will be kept confidential.

For more information contact the SCORE chapter nearest you:

National SCORE Office
409 Third St., SW
Washington, D.C. 20024
(800) 634-0245

Capital City SCORE Chapter
c/o Montgomery Chamber of Commerce
P.O. Box 79
Montgomery, AL 36101
(334) 240-6868

East Alabama SCORE Chapter
c/o Opelika Chamber of Commerce
P.O. Box 2366
Opelika, AL 36803-2366
(334) 745-4861

Southern Alabama SCORE Chapter
c/o Mobile Chamber of Commerce
P.O. Box 2187
Mobile, AL 36601
(334) 431-8614

J. SOUTHEAST ALABAMA CHAMBERS OF COMMERCE

The Alabama Chambers of Commerce are made up of members of the business community in cities throughout the state. Each city has its own organization and each individual chamber works to promote business opportunities in its area.

The Chambers of Commerce in each city rely on the business people in the community to make the chamber the "community's business spokesman."

Some of the services that Chambers of Commerce provides include economic development services, governmental affairs services and community affairs services. These services combined make the business community stronger and more productive.

The goal of any Chamber of Commerce is to provide a focal point for able community leadership to effectively encourage and work for economic growth in business industry. The mission will thereby enhance the quality of life, represent the interests and advancement of members and promote responsible principles in the conduct of business and government.

The following is a complete listing of the Chambers of Commerce located throughout southeast Alabama:

Abbeville Chamber of Commerce
P. O. Box 202
Abbeville, Alabama 36310
(334) 585-6444

Andalusia Chamber of Commerce
P.O. Box 667
Andalusia, Alabama 36420
(334) 222-2030

Ashford Chamber of Commerce
P.O. Drawer 463
Ashford, Alabama 36312
(334) 899-4769

Daleville Area Chamber of Commerce
740 S. Daleville Ave.
Daleville, Alabama 36322
(334) 598-6331

Dothan Area Chamber of Commerce
P. O. Box 638
Dothan, Alabama 36302
(334) 792-5138

Elba Chamber of Commerce
200 Buford St.
Elba, Alabama 36323
(334) 897-3125

Enterprise Chamber of Commerce
P. O. Box 310557
Enterprise, Alabama 36331
(334) 347-0581

Eufaula-Barbour County Chamber of Commerce
P. O. Box 697
Eufaula, Alabama 36072
(334) 687-6664

Florala Chamber of Commerce
P. O. Box 183
Florala, Alabama 36442
(334) 858-6252

Geneva Area Chamber of Commerce
P. O. Box 477
Geneva, Alabama 36360
(334) 684-6582

Headland Chamber of Commerce
P. O. Box 236
Headland, Alabama 36345
(334) 693-3303

Ozark Chamber of Commerce
308 Painter Ave.
Ozark, Alabama 36360
(334) 774-9321

K. ALABAMA DEPARTMENT OF LABOR

www.labor.alabama.gov

The Alabama State Employment Service is a good place to begin your efforts to find qualified prospective employees.

AlabamaWorks, JobLink allows easy access to resumes and job announcements. It connects employers and job seekers. www.alabamaworks.com/about/al-joblink

The basic function of the Alabama State Employment Service and the ultimate objective toward which its many programs are directed is the placement of workers. There is an Employment Office (One-Stop Center) listed for each county in Alabama on the Department of Industrial Relations website: https://alabamaworks.com/career-centers/

This site also presents other employer related assistance that is available.

Employers pay for this service through federal unemployment taxes. There is never a fee for employers or applicants. The Employment Service has proven itself for more than fifty years to be an efficient, cost-effective system for putting people and jobs together. On any one day, the Employment Service has access to thousands of job seekers locally, statewide, and across the nation.

Some of the services are:

- Individual referrals - we refer applicants to you, including highly qualified veterans with specialized skills, experience and training.
- Recruiting at our offices - we provide space in our office for you to interview applicants.
- Recruiting on location - we assist in processing the applicants at a location you designate.
- Recruiting by appointment - we screen applicants and schedule appointments for you to interview at your convenience.
- Application or resume review - we forward pre-qualified applications and/or resumes to you for your review.
- Applicant processing - you can direct all applicants to our office and we will screen and refer the best-qualified candidate when you have an opening.
- Testing - professionally developed and validated tests including typing, shorthand, and aptitude batteries.
- Targeted Jobs Tax Credit - Employment Service will determine applicant eligibility for employers who wish to take advantage of elective tax credits available under Federal Revenue Act of 1978.
- A complete Employment Service is as close as your telephone. The employer makes the final selection of qualified applicants referred.

For more information, please contact:

Alabama Department of Labor
649 Monroe St.
Montgomery, AL 36131
(334) 242-8620

Southeast AlabamaWorks - Your Regional Partner in Alabama's Workforce
www.southeastalabamaworks.com

Southeast AlabamaWorks is the regional arm of Alabama Works. AlabamaWorks is a network of interconnected providers of workforce services, including all of the governmental, educational, and private sector components that train, prepare, and match job seekers with employers.

CHAPTER 5
SMALL BUSINESS FINANCING

A. Financing Overview

B. Financing Agencies and Programs
   1. Small Business Administration
      a. SBA 504 Loan Program
      b. SBA 7a Program
      c. SBA Microloan Program
      d. Additional SBA Programs
   2. Southern Development Council
   3. Rural Economic and Community Development
   4. Private Financing
   5. Personal Savings
   6. Regional Planning Commission Loan Programs
      a. Loan Application Form

C. Financial Ratio Analysis

D. Glossary

A. FINANCING OVERVIEW

The Financing of a small business is normally the greatest obstacle that the entrepreneur has to overcome in the attempt to start up a new business. Developing a sound strategy for obtaining the proper type and amount of financing is crucial for the long-term success of any business opportunity.

There are many different types of financing options available to today's entrepreneur and these options include both public and private sources. Some of the more viable financing options that the entrepreneur has to choose from are presented on the following pages:

B. FINANCING AGENCIES AND PROGRAMS

1. Small Business Administration

The SBA offers two general types of financing. The SBA 504 CDC loan program and the SBA 7a loan guaranty program.

a. SBA 504 Loan Program

The SBA 504 CDC loan program can provide long term, fixed asset financing to eligible small businesses for the acquisition, construction, purchase of long-life equipment, or expansion or renovation of land and buildings.

A loan form the SBA 504 CDC program is a loan resulting from a 100% SBA guarantee of a debenture sold to the Federal Financing Bank by a Certified Development Corporation for up to 40% of the fixed asset costs of a project. With this type of loan there is a $1,000,000 participation limit for the SBA. The terms for an SBA 504 loan include the fact that a private financial institution must provide up to 50% of the project cost, while CDC will provide up to 40% of the cost. The principle borrower provides a minimum of 10% of the costs. In return for its participation in this loan, the SBA requires that a minimum of on e new job be created for every $35,000 with which it participates and that the assets purchased must be used by the small business.

The process of obtaining this type of loan involves submitting a proposal to a certified development corporation's loan committee, which then submits an application to the SBA. Finance specialists from any one of the following four CDCs will assist the small business in packaging the loan application.

AGENCY:

Alabama Community Development Corp.
ALACOM FINANCE
117 Southcrest Dr., Suite 100
Homewood, AL 35209
(205) 942-3360, (800) 239-5909, Local Office (334) 677-6690)
www.alabamacommunitiesofexcellence.org/resource/alacom-alabama-community-development-corporation-2
All counties in Alabama except, Choctaw, Sumter and Washington

Birmingham City Wide Local Development Co.
710 N. 20th St.
Birmingham, AL 35203
(205) 254-2799
City of Birmingham only
www.guidestar.org/profile/63-0856904

Southern Development Council
4104-c Wall St.
Montgomery, AL 36106
(334) 244-1801
http://sdcinc.org/
All counties in Alabama, SW Florida and Mississippi

Greater Mobile Development Corporation
205 Government St.
Second Floor, South Tower
Mobile, AL 36602
(334) 434-7591
Mobile and Baldwin counties

b. SBA 7a Loan Program
www.sba.gov/funding-programs/loans/7a-loans

Maximum loan amount $5,000,000
SBA can guarantee as much as 85 percent on loans of up to $150,000 and 75 percent on loans of more than $150,000. SBA's maximum exposure amount is $3,750,000. Thus, if a business receives an SBA-guaranteed loan for $5 million, the maximum guarantee to the lender will be $3,750,000 or 75%. SBA Express loans have a maximum guarantee set at 50 percent.

c. Microloan Loan Program
www.sba.gov/funding-programs/loans/microloans

The Microloan program provides loans up to $50,000 to help small businesses and certain not-for-profit childcare centers start up and expand. The average microloan is about $13,000.

The U.S. Small Business Administration provides funds to specially designated intermediary lenders, which are nonprofit community-based organizations with experience in lending as well as management and technical assistance. These intermediaries administer the Microloan program for eligible borrowers.

d. Additional SBA Programs

While the 504 and 7a type loans are the primary lending programs of the SBA, they do provide a number of other assistance programs. Theses additional loan programs includes:

- Low doc loan program;
- Export working capital programs;
- Contract lines of credit;
- Asset based lines of credit;
- International trade loans;

- Pollution control loans;
- Seasonal lines of credit; and
- Small general contractor financing.

Also, as part of the SBA's goal of helping to provide financing to small businesses, they license financial organizations to act as Small Business Investment Companies. These SBIC's are very similar to venture capital companies and are privately owned and managed. For more information, please contact:

U.S. Small Business Administration
2121 Eighth Ave. North, Suite 200
Birmingham, AL 35203-2398
(205) 731-1338

2. Southern Development Council
www.sdcinc.org

The Southern Development Council is a statewide, nonprofit, financial packaging corporation that helps small to medium size businesses arrange long-term, fixed asset financing so that these businesses can finance their expansion or location in Alabama.

The SDC utilizes both public financing programs and Alabama banks as sources for a financial package that is best suited to each firm's individual needs. The Staff of the SDC is experienced in both private bank financing and public finance programs. By using both of these types of financing, the SDC is able to put together a loan package that spreads the risk each lender must undertake, which results in safer loans for the banker. This in turn, allows the business to receive financing that a single lender is normally unable to provide. For more information on this financing opportunity feel free to contact the SDC at the following address:

Southern Development Council
4101-C Wall St.
Montgomery, AL 36106
(334) 264-5441

3. Rural U.S. Department of Agriculture-Rural Development
(Formerly Farmers Home Administration) **https://www.rd.usda.gov**

The U.S. Department of Agriculture, through the Rural Development state office, guarantees term loans to non-farming businesses in rural areas. The USDA Rural Development does not make direct loans under this program. The program offered by the USDA Rural Development is similar to that offered by the SBA 7a program but is larger in scope. The USDA Rural Development Business and Industry program offers guarantees up to 80% on loans between $750,000 and $10,000,000. One stipulation of the program is that those businesses that apply for this type of loan must be located in communities with populations under 50,000. Priority will be given to those communities with populations less than 25,000.

This program allows fixed assets to be financed for up to 30 years; machinery and equipment up to 15 years; and working capital up to 7 years. The USDA Rural Development requires existing businesses to provide 10% tangible balance sheet equity and new businesses must

provide 20% -25% tangible balance sheet equity. Due to the fact that this is a public program, job creation and retention are priorities.

Another program that the USDA Rural Development offers is a program aimed at communities that provide low interest loans to finance water and waste infrastructure and other essential community facilities such as fire, rescue and public safety; health services; and community, social and cultural services. The interest rates for this program are based on the community's median family income.

The USDA Rural Development has a relatively new community program guaranteed program. Under this program, a guarantee will normally not exceed 80%; and loan purposes are the same as community program insured loans.

For more information on this financing opportunity, please contact:

Landra Siegfried, Rural Development Manager
USDA Rural Development, Alabama Area 2:
1177 E. Andrews Avenue, Suite B-1, Ozark, AL 36360
Phone: (334) 774-4926

4. Private Financing

The major source of private financing is direct bank loans. These are loans that are negotiated directly with a bank and the terms of the loan are based on the bank's requirements.

The key to successfully obtaining a loan of this type is to be fully prepared before you ever talk to the banker. This preparation includes writing a detailed and accurate business plan. A good business plan tells the banker you are fully prepared to enter into this business opportunity and will increase his faith in your ability to make a success of the business.

It is estimated that 90% of all the prospective borrowers that come to a bank for a loan are not prepared. Since bankers do not have the time to do the research for the borrower, it is safest and easiest for them to say no. The following is a list of suggestions to help increase your chances of getting a loan:

- Prepare the detailed business plan complete with financial statements;
- Choose a bank that has a reputation for making small business loans;
- Make an appointment with the banker. Do not just walk in;
- Demonstrate you good character to the banker. This is one of the most crucial deciding factors;
- Know what type of loan you want and how much of a loan you will need;
- Be prepared to personally guarantee the loan or meet certain equity requirements; and
- Be honest with the banker and answer all questions openly and honestly.

5. Personal Savings

Another widely used source of funds is the savings of the entrepreneur. These savings and those of other family members are a viable source of funds and show future creditors that the owners of the business are willing to personally stand behind their business. This type of faith is

what banks and other creditors like to see before lending money to any small business operation.

Another advantage to financing a business through personal or family savings it the fact that it is less risky than bank financing and it is also less costly. Reducing risk and expenses early in the life of a business are two factors that help to insure the long run success of a business. For these reasons, this financing option should be given every consideration.

Personal budgeting experience is another factor that bankers look for when they evaluate a person's loan potential. Those people who demonstrate that they can set up and follow a personal budget impress the banker as having the skill and experience necessary to develop and follow a budget for a business, which is critical factor in the success or failure of a business.

Due to the fact that budgeting is such an important part of the business cycle, it is recommended that anyone considering opening a business should develop a personal budget simply because it is good experience and bankers are impressed with those people who have budgeting experience.

6. Southeast Alabama Regional Planning and Development Commission (SEARP&DC) Regional Revolving Loan Fund & Microloan Programs

- Brochures and Application
  www.searpdc.org/departments/economic-development/economic-brochures-and-applications

The Southeast Alabama Regional Planning and Development Commission Revolving Loan Fund (RLF) is a locally controlled source of capital used to finance start-up and expanding businesses whose projects will create permanent jobs and leverage private sector investment. As borrowers repay their RLF loans, the principal and interest payments are returned to the fund for lending to other businesses to create more jobs and investment opportunities.

The businesses targeted for RLF financing are:

1. Small manufacturing companies;
2. Manufacturing related services;
3. Developing services that have a uniqueness or technology that will add value to the regional economy; and
4. Other businesses that may help a community improve its development potential. Generally, retail businesses are not eligible.

Proceeds from RLF loans can be used to:

- Purchase land and buildings;
- Construct new buildings or renovate/modify existing buildings;
- Purchase machinery & equipment; and
- Provide for permanent working capital.

There are many advantages to utilizing the Southeast Alabama RLF for both borrowers and participating banks:

- Attractive Interest Rates;
- Interest rates on RLF loans are generally below prime and determined by project needs. By combining RLF and bank financing, the borrower can realize an effective rate well below market rates;
- Bank Participation; and
- Local Control.

The RLF was not established to compete with the banking community or to be a lender of last resort. Instead, it was established to provide gap financing or "fill the gap" between what the bank can reasonably lend on a project and what the business can provide in equity. Also, by utilizing RLF dollars, banks may offer attractive financing packages that lower debt service. In short, the SEARP&DC RLF should compliment the lending activities of commercial banks.

The RLF program is a local economic development initiative. Loan decisions are made locally by the SEARP&DC RLF Loan Administration Board, which is representative of the regional community. This local emphasis means faster responses to loan requests and a minimum of "red tape" for you and your business. However, State and Federal Regulations do apply.

RLF Guidelines:

- Business start-up or expansion must result in the creation of permanent jobs;
- RLF can finance up to 1/3 of the total project cost;
- Businesses must provide 10% - 25% of the project cost in cash equity;
- Below prime fixed interest rates are available;
- Loans available from $10,000 to $125,000;
- Loan terms available up to 20 years for fixed assets and up to 5 years for working capital;
- Principals and business must be credit-worthy and generate sufficient cash flow to repay project debt service requirements;
- Principals of the business must provide personal guarantees;
- Hazard and key man insurance naming SEARP&DC as loss payee required;
- Borrower is responsible for all legal costs associated with the loan;
- Borrower must pay a onetime processing fee of 1.5% of the RLF loan amount at time of loan closing. An annual servicing fee of .5% of the declining loan balance will be charged thereafter; and
- Business must be located in Barbour, Coffee, Covington, Dale, Geneva, Henry or Houston County.

The Southeast Alabama Regional Planning and Development Commission and its member counties were designated as an Economic Development District by the U.S. Department of Commerce Economic Development Administration on April 11, 1970. The agency receives assistance annually for economic development planning and technical assistance.

SEARP&DC
462 N. Oates St., 4th Floor
Dothan, AL 36302
(334) 794-4093

7. Micro Loan Program
www.searpdc.org/departments/economic-development/economic-brochures-and-applications

Loan Packaging and Business Development
Often business expansion projects utilize both private and public sources of capital. SEARP&DC can assist your business do the same thing. Financial analysis will be completed to determine the feasibility of your project. SEARP&DC can provide assistance and direct you to other service providers who can help you complete your business plan and present it to local lending institutions, many of which have already participated with SEARP&DC on past development projects. Working with you, we will identify the appropriate private and public funding resources for your project.

We can prepare your application for investment capital and guide it through the maze of State and Federal agencies. With the utilization of our business financing resources and technical assistance, we can measurably strengthen your business development financing package.

Our Loan and Grant Program Assistance Services Links

- Revolving Loan Fund
  www.searpdc.org/wordpress/wp-content/uploads/2016/02/RLF-Brochure02-03-2016.pdf
- Intermediary Relending Program
  www.searpdc.org/wordpress/wp-content/uploads/2015/10/IRPBrochure.pdf
- Microloan Program
  www.searpdc.org/wordpress/wp-content/uploads/2015/10/MicroLoan-Brochure.pdf

Loan Application Follows.

Southeast Alabama Regional Planning & Development Commission

Small Business Loan Application

Instructions for Financial Assistance

1. **Application Packet.** Be sure to complete and submit all the required materials that are part of the Application Packet. Failure to do so will result in a delay in accepting your application until it is complete.

   The Application Packet for Financial Assistance from the Revolving Loan Fund includes the following:

   - ✓ Application (This must be filled out completely for all applications.)
   - ✓ General Certification (This must be signed by the applicant(s).)
   - ✓ Checklist (Required submittals/attachments)

2. **Filing**. All required information and materials must be filed with the:

   Southeast Alabama Regional Planning & Development Commission

P.O. Box 1406	or	462 N. Oates St.
Dothan, AL 36302		Dothan, AL 36303

If you have any questions while completing this application, please contact us.

Phone: (334) 794-4093
Fax: (334) 794-3288
Email: evanscyoc@searpdc.org or rarmstrong@searpdc.org

Small Business Loan Application

Application for Financial Assistance

(This application must be filled out completely before your application will be accepted.)

Please Check Applicable Box:

☐USDA/RD Microloan (up to $10,000) ☐Dothan/Houston County Microloan (up to $20,000)

☐Revolving Loan Fund (up to $125,000) ☐Intermediary Relending Program (up to $250,000)

1. **Business Name:**_____

   Address:_____
   (Street) (City) (State) (Zip)

   Telephone:_____ Fax:_____

   Business Federal ID Number_____

   DUNS Number_____

2. **Applicant Name (if more than one applicant, please attach information on separate sheet):**

   _____

   Home Address:_____
   (Sreet) (City) (State) (Zip)

   Home Telephone:_____ EMail:_____

   Social Security No._____

3. **Business Structure:**

   ☐Corporation ☐Limited Liability Company ☐Sole Proprietorship
   ☐Partnership ☐Other:_____

   ☐New Business ☐Existing Business-Date Established:_____

   Does this project involve a relocation?_____

4. **Amount of Funds Requested:**_____

5. **List the Names of the Business Owners and the percent of ownership held by each:**

I certify that I have submitted all the required information to apply for a SEARP&DC Small Business Loan and that the information is factual.

Signed by:_____ **Date:**_____

6. **Project Description:** Generally describe the project, giving purpose of loan. Supply here any information (not specifically requested in this application) you feel is necessary to an understanding of the project. Attach an additional sheet, if necessary.

7. **Project Budget:** The budget should attempt to identify all sources of funding being considered including owner equity/investment, your primary lender as well as the SEARP&DC Small Business Loan Program and other financial assistance. Please be as detailed as possible.

PROPOSED FINANCING					
Use of Funds Activity	**Cost**	**Primary Lender (Bank)**	**SEARP&DC Funding**	**Owner Equity/ Investment**	**Other**
Land Purchase	$	$	$	$	$
Building Purchase	$	$	$	$	$
Building Construction	$	$	$	$	$
Building Remodeling	$	$	$	$	$
Machinery & Equipment	$	$	$	$	$
Inventory	$	$	$	$	$
Working Capital	$	$	$	$	$
	$	$	$	$	$
	$	$	$	$	$
	$	$	$	$	$
TOTAL	$	$	$	$	$

TERMS OF PROPOSED FINANCING				
Source of Funds	**Amount**	**Type**	**Rate (%)**	**Term (in years)**
Name of Primary Lender (if applicable):	$			
SEARP&DC Small Business Loan Program	$			
Name of Other Financing (if applicable):	$			
TOTAL	$			

8. **Summary of Collateral Offered:** Provide a **detailed** description, including value, of all assets being offered as collateral. An appraisal will be required on real estate loans and equipment must include detailed description with serial and/or identification numbers. *(Note: Intermediary Relending Program loans must be secured by a first mortgage on real estate.)*

List all individuals willing to guarantee the loan:

9. **Job Creation/Retention:** (For the purposes of this form, the following are considered to be minority persons: Blacks, Hispanics, Asian, Pacific Islanders, American Indian/Alaskan Natives)

Present Employees (if now in operation)

TOTAL		**MINORITY**	
Sex		Sex	
Female		*Female*	
Male		*Male*	
Total		Total	

Twelve (12) Months After Loan Disbursement

TOTAL		**MINORITY**	
Sex		Sex	
Female		*Female*	
Male		*Male*	
Total		Total	

Twenty-Four (24) Months After Loan Disbursement

TOTAL		**MINORITY**	
Sex		Sex	
Female		*Female*	
Male		*Male*	
Total		Total	

List average wage per job created or saved: $_____

10. **References:** List all persons you agree for us to contact.

Name	**Address**	**Phone Number**

If there are additional references please attach on separate sheet.

SEARP&DC Small Business Loan Programs
General Certification

The undersigned certifies the information contained in this application, including all attachments, is to the best knowledge of the undersigned, complete and accurate and presents fairly and accurately its intended operations for the period set forth in this application.

The undersigned hereby gives permission to the Southeast Alabama Regional Planning and Development Commission to obtain information from my bank creditors, credit bureau reporting agency or other necessary sources to research and evaluate this application.

The undersigned certifies that he/she is not related by blood, marriage, law, or business arrangement to any officer, board member, loan administration board member or staff person of the Southeast Alabama Regional Planning and Development Commission.

If the application is approved, applicant(s) and spouse (if applicable) will be required to sign the loan documents, and will be responsible for all legal costs including attorney fees associated with the loan closing, as well as paying a onetime processing fee of 1.5% of the loan due at the time of closing. *(Note: Revolving Loan Fund recipients will <u>also</u> be responsible for paying an annual servicing fee of ½ of 1% of the declining loan balance thereafter).*

Signature: _____

_____

Date: _____

The IRP and Microloan Programs are funded through the United States Department of Agriculture (USDA) and are intended to provide business development assistance capital in rural areas of the Southeast Alabama region. The United States Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, sex, religion, age, disability, political beliefs, sexual orientation, and marital or family status.

Race and Ethnicity Survey

The following information is requested by the United States Department of Agriculture for certain types of loans, in order to monitor the lender's compliance with equal credit opportunity. **You are not required to furnish this information.** The law requires that a lender may neither discriminate on the basis of this information nor on whether you choose to furnish it. If you do not wish to furnish the requested information, please check the box below.

☐ I do not wish to furnish this information.

Ethnicity:

☐ Hispanic or Latino
☐ Not Hispanic or Latino

Race: (Mark one or more)

☐ White
☐ Black or African American
☐ American Indian/Alaska Native
☐ Asian
☐ Native Hawaiian or Other Pacific Islander

Gender:

☐ Male
☐ Female

SEARP&DC Small Business Loan Programs

Checklist for Financial Assistance

☐ Business Plan to include:

- Description of Business
- Description of the project proposed for financing
- Description of industry competitors
- Resumes of Principal Owners and Key Management Personnel
- Minimum of three references (banking, professional or trade)

☐ Profit and Loss Statements – three year historical and two year projections

☐ Balance Sheets – three year historical and two year projections

☐ Business Federal Tax Returns (Past three years)

☐ Individual Federal Tax Returns of Principal Owner(s) (Past three years)

☐ Personal Financial Statement of Principal Owner(s)

☐ A letter from the participating lender(s) stating the terms and conditions of the participation and requesting Revolving Loan Fund assistance, if applicable.

☐ If you or any officers of your company have ever been involved in bankruptcy or insolvency proceedings, details must be provided in an attached letter.

☐ If you or your business is involved in any potential or pending lawsuits, details must be provided in an attached letter.

☐ Additional supporting documentation requested by the Southeast Alabama Regional Planning and Development Commission. Attach as appropriate.

Projections Worksheet

Business Name:_____

	12 Months Ending___, 20___ First Year Projections		12 Months Ending___, 20___ Second Year Projections	
	Dollar Estimates	% of Gross Receipts	Dollar Estimates	% of Gross Receipts
Total Sales	$_____	_____	$_____	_____
COGS	_____	_____	_____	_____
Gross Profit	_____	_____	_____	_____
Depreciation	_____	_____	_____	_____
Rent	_____	_____	_____	_____
Accounting and Legal	_____	_____	_____	_____
Advertising	_____	_____	_____	_____
Bad Debt Expense	_____	_____	_____	_____
Dues and Subscriptions	_____	_____	_____	_____
Insurance	_____	_____	_____	_____
Miscellaneous	_____	_____	_____	_____
Officers' Salaries	_____	_____	_____	_____
Payroll Taxes	_____	_____	_____	_____
Repairs	_____	_____	_____	_____
Salaries	_____	_____	_____	_____
Selling Expenses	_____	_____	_____	_____
Supplies	_____	_____	_____	_____
Taxes	_____	_____	_____	_____
Telephone	_____	_____	_____	_____
Travel & Entertainment	_____	_____	_____	_____
Utilities	_____	_____	_____	_____
Amortization	_____	_____	_____	_____
Other _____	_____	_____	_____	_____
Other _____	_____	_____	_____	_____
Other _____	_____	_____	_____	_____
Other _____	_____	_____	_____	_____
Other _____	_____	_____	_____	_____
Total Operating Expenses	_____	_____	_____	_____
Operating Profit Before Tax	_____	_____	_____	_____
Interest Expense (Income)	_____	_____	_____	_____
Other _____	_____	_____	_____	_____
Income Taxes	_____	_____	_____	_____
Withdrawals/Dividends	_____	_____	_____	_____
Net Profit After Taxes, Withdrawals, Dividends	$_____	_____	$_____	_____

I certify that the foregoing data fairly represents potential annual earnings to the best of my (our) knowledge.

Signature:_____ **Title:**_____ **Date:**_____

End of Application

b. Alabama Linked Deposit Program
www.law.justia.com/codes/alabama/2015/title-41/chapter-14/article-3/section-41-14-54

The Linked Deposit Program (Program) is now available for qualified Alabama citizens, known as Emergency Borrowers, affected by the 2010 oil spill along Alabama's Gulf Coast and the 2011 tornado outbreak through low-interest loans from participating banking institutions. The State Treasurer will deposit monies in participating banking institutions that will then lend these monies to Emergency Borrowers.

C. FINANCIAL RATIO ANALYSIS

Financial ratios are one of the principal tools used by the business community to help in financial analysis planning and control. The analysis of Key Financial Ratios enables a company to thoroughly assess the strengths and weaknesses of its financial position.

The sources of these financial ratios are the Balance Sheet, Income Statement and the Statement of Retained Earnings. The accuracy of the financial ratios obtained from these basic financial statements are dependent upon these statements being properly prepared and up-to-date. It is strongly suggested that an accountant or CPA familiar with small business financing be employed to prepare these statements and perform the ratio analysis. Once the ratio analysis has been completed, the information provided to the decision makers in a company can prove to be invaluable.

Ratios can be used for many things, including making comparison of the firm's present position to its position in prior periods. This ratio comparison allows a firm to know if it is growing stronger or showing signs of weakness. Another use of ratios is to allow management to make comparisons to the current budget. Ratio analysis also allows a company to compare itself to the industry as a whole. When the ratios for a company are compared to the national averages, it allows a company to know its position in comparison to its competitors. Knowing this, a company has a stranger base on which to plan for the future and it has a better idea of the areas that it must improve in order to remain strong and competitive.

There are three basic types of Financial Ratios and they include the following:

1. Profitability Ratios;
2. Activity Ratios; and
3. Liquidity Ratios.

The following is an explanation of these ratios and some examples of specific ratios under each of the categories.

The Profitability Ratios help a firm judge how effectively it is being managed. These profitability Ratios include the following:

1) Gross Margin = $\frac{\text{Net Sales - Cost of Goods Sold}}{\text{Net Sales}}$

2) Operating Margin = $\frac{\text{Income Before Taxes and Interest}}{\text{Net Sales}}$

3) Net Profit Margin = $\frac{\text{Net Income}}{\text{Net Sales}}$

4) Return on Assets (ROA) = $\frac{\text{Net Income}}{\text{Total Assets}}$

5) Return on Investment (ROI) = $\frac{\text{Net Income}}{\text{Shareholders Equity}}$

The Activity Ratios measure how effectively the firm employs the resources it has at its command. These ratios all involve comparisons between the level of sales and the investment in various asset accounts. The Activity Ratios include the following:

1) Accounts receivable turnover = $\frac{\text{Net Sales}}{\text{Average Accounts Receivable}}$

2) Average collection period = $\frac{\text{360 Days}}{\text{Accounts Receivable Turnover}}$

3) Inventory Turnover = $\frac{\text{Costs of Goods Sold}}{\text{Average Inventory}}$

4) Average Age of Inventory = $\frac{\text{360 Days}}{\text{Inventory Turnover}}$

5) Average Payment Period = $\frac{\text{360 Days x Average Accounts Payable}}{\text{Annual Purchases of Goods and Services}}$

The Liquidity Ratios enable a firm to know if it is going to be able to meet its maturing obligations. By relating the amount of cash and other current assets to the current obligations, these ratios determine the degree of liquidity of the company. The Liquidity Ratios include the following:

1) Current Ratios = $\frac{\text{Current Assets}}{\text{Current Liabilities}}$

2) Quick Ratio = $\frac{\text{Cash, Short-Term Marketable Securities and Net Receivables}}{\text{Current Liabilities}}$

3) Cost of Sales to Inventory = $\frac{\text{Cost of Sales}}{\text{Inventory}}$

4) Sales to Receivables = $\frac{\text{Net Sales}}{\text{Trade Receivables (Net)}}$

There are several sources that can be used for comparing your results to the results of the industry as a whole. Some of these sources include the following:

1) Dun and Bradstreet. - The most widely known and used industry average ratios are those complied by Dun and Bradstreet. They provide fourteen ratios calculated for several different industries. These industries include Manufacturing and Construction, Wholesalers and Retailers.

2) Trade Associations and Public Accountants - Financial ratios for many industries are compiled by trade associations and constitute an important source to be checked by a financial manager seeking comparative data.

3) Robert Morris Associates - The industry average ratios provided by Robert Morris Associates are based on financial statements received by banks in connection with loans they have made. There are eleven ratios computed for a wide range of industries.

4) Quarterly Financial Reports for Manufacturing Corporations - The Federal Trade Commission and the Securities and Exchange Commission jointly publish quarterly data on manufacturing companies. This information includes an analysis by industry group and asset size, as well as financial statements in ratio form. These reports are a rich source of information and are frequently used for comparative purposes.

D. GLOSSARY

Accrued Expenses - Wages, interest, property taxes, etc., which are expenses due at the end of the period but not paid.

Amortization - The process of gradually paying off a liability over a period of time, i.e., a mortgage is amortized by periodically paying off part of the face amount of the mortgage.

Assets-Liquid - The valuable resources or properties and property rights owned by an individual or business enterprise. Some of the most common liquid assets of a business include cash, marketable securities, accounts receivable, and inventory.

Assets-Capital - Equipment that you use to manufacture a product, provide a service, or use to sell, store, or deliver merchandise. Such equipment will not be sold in the normal course of business, but will be used and worn out. Land and building should be included here.

Break-Even Analysis - A method used to determine the point at which the business will neither make a profit nor incur a loss. That point is expressed in either the total dollars of revenue exactly offset by total expenses (fixed or variable); or in total units of production, the cost of which exactly equals the income derived by their sale.

Business Plan - An objective written review of your business to identify areas of weakness and strength, pinpoint needs, and begin planning how you can best achieve your business goals.

Cash Flow - The actual movement of cash within a business: cash inflow minus cash outflow. A term used to designate the reported net income of a corporation plus amounts charged off for depreciation, depletion, amortization, and extraordinary charges to reserves, which are bookkeeping deductions and not actually paid out in cash. Used to offer a better indication of the ability of a firm to meet its own obligations and to pay dividends than the conventional net income figure.

Cash Management - A service designed to help you get the most out of your business' cash resources. Beginning with a plan of your cash needs, it can help you manage collection, disbursement, control and investment of you cash.

Cash Position - See liquidity.

Corporation - An artificial legal entity created by government grant and endowed with certain powers; a voluntary organization of persons, either actual individuals or legal entities legally bound together to form a business enterprise.
Current Assets - Cash or other items that will normally be turned into cash within one year, and assets that will be used up in operations of a firm within one year.

Current Liabilities - Amounts owed that will ordinarily be paid by a firm within one year. Such items include accounts payable, wages payable, taxes payable, the current portion of long-term debt, other short-term bank debt, and interest and dividends payable.

Current Ratio - A ratio of a firm's current assets to its current liabilities. The current ratio includes the value of inventories that have not yet been sold, so it is not the best evaluation of the current status of the firm. The "acid test" ratio, covering the most liquid of current assets, provides a better evaluation.

Debt Capital Financing - Money borrowed with the intention of paying it back plus interest. Banks provide only this type of financing.

Debt to Worth Ratio - A ratio of your business' total liabilities to its net worth. This tells the creditor how much debt your firm has in relation to your equity in the business. The highest this number gets, the more of other people's money, i.e. debt, is in your business.

Deferred Pre-Paid Expenses - Include insurance premiums, interest expense, promotional material, office supplies, etc., which are paid in advance and expensed over a period of time.

Depreciation - A reduction in the value of fixed assets. The most important causes of depreciation are wear and tear, the effect of the elements and gradual obsolescence that makes it unprofitable to continue using some assets until they have been exhausted. The purpose of the bookkeeping charge for depreciation is to write off the original cost of an asset (less expected salvage value) by equitably distributing charges against operations over its entire useful life.

Dividend - A disbursement, usually in the form of cash, of profits to the owners of your business. This is an after tax expense of the business.

Entrepreneur - An innovator of a business enterprise who recognizes opportunities to introduce a new product, a new productive process, or an improved organization, and who raises the necessary money, assembles the factors of production, and organizes an operation to exploit the opportunity.

Equity - The monetary value of a property or business that exceeds the clams and/or liens against it by others.

Equity Capital Financing - Money given to your business, without the intention of paying it back, in return for part ownership of your business. Banks do not provide this type of financing.

Guaranty - A written commitment by an individual or authorized legal entity to pay back a loan in the event the borrower is unable to do so. Guaranties can be unlimited (the full amount of the loan) or limited to a specific amount.

Hypothecate - Occasionally the provider of collateral for a loan is someone other than the borrower. In order to give the creditor the same rights to this collateral as the owner has, he hypothecates it.

Illiquid - See Liquidity

Leasing - A way to finance equipment, fixtures or buildings. It is a type of financing for the full amount of the equipment, etc., and eliminates the need for a business to put a large sum of cash into the purchase. There is no standard way to lease. You can lease with or without maintenance, by the month, year or several years, and with or without the option to purchase.

Leverage - The relationship of other people's money (debt) in relation to your own investment (equity) in your business. This is measured by the debt-to-worth ratio.

Liquidity - A term used to describe the solvency of a business, and which has special reference to the degree of readiness in which assets can be converted into cash to meet current liabilities, the firm is said to be illiquid.

Long-term Liabilities - These are liabilities (expenses), which will not mature within the next year.

Management - The overall responsibility for planning your business's goal and objectives and assuring that these plans are carried out.

Market - The number of people and their total spending (actual or potential) for your product line within the geographic limits of your distribution ability. The market share is the percentage of your sales of your competitors in total for a particular product line.

Net Worth - The owner's equity in a given business represented by the excess of the total assets over the total amounts owed to creditors (total liabilities) at a given moment of time. Also, the net worth of an individual as determined by deducting the amount of all of his personal liabilities from the total value of his personal assets.

Partnership - A legal relationship created by the voluntary association of two or more person to carry on as co-owners of a business for profit; a type of business organization in which two or more persons agree on the amount of their contributions (capital and effort) and on the distribution of profits, if any.

Pro Forma - A projection or estimate of what may result in the future from action in the present. A pro forma financial statement is one that shows how the actual operations of the business will turn out if certain assumptions are realized.

Profit - The excess of the selling price over all costs and expenses incurred in making the sale. Also, the reward to the entrepreneur for the risks assumed by him in the establishment, operation, and management of a given enterprise or undertaking.

Receivables - Short-term credit extended by your business to customers for goods or services purchased. When sales are on a cash basis only, obviously a business would not have receivables as an asset on its balance sheet. As a business asset, receivables usually rank second only to cash in liquid value. As such, banks may frequently request an Aging of Receivables, which is simply a list of accounts receivable according to the length of time they have been outstanding. This shows which accounts are being paid in a timely manner, and may

reveal any difficulty in collecting long overdue receivables. It is an important indication of potential cash flow problems.

Sole Proprietorship or Proprietorship - A type of business organization in which one individual owns the business. Legally, the owner is the business and personal assets are typically exposed to liabilities of the business.

Sub-Chapter "S" Corporation or Tax Option Corporation - A corporation that has elected under Sub Chapter S (by unanimous consent of its shareholders) not to pay any corporate tax on its income and, instead, to have the shareholders pay taxes on it, even though it is not distributed. Shareholders of a tax option corporation are also entitled to deduct, on their individual returns, their shares of any net operating loss sustained by the corporation, subject to limitations in the tax code.

Subordination - Deals with the priority of payment of notes payable to creditors. It is common, for example, to see "Notes Payable Officers" in a corporation's liabilities. The bank may wish to strengthen its loan to this corporation by placing it in a preferred position of repayment to "Notes Payable Officers". To do so it will request the Officers to subordinate repayment of their notes to the Bank's.

Takeover - The acquisition of one company by another company.

Target Market - The specific individuals, distinguished by socioeconomic, demographic, and/or interest characteristics, who are the most likely potential customers for the goods and/or services of a business.

Trade Payable - Credit extended by a supplier to you for goods purchased. It is the most used form of short-term credit, especially among small businesses. Your suppliers give you terms, (30-90 days, etc.) and if you pay within this specified period, you get the use of their money at no interest cost. And if you pay early, you sometimes get a discount on the purchase price.

Working Capital, Net - The excess of current assets over current liabilities. These excess current assets are available for carrying on business operations.

CHAPTER 6
EMPLOYMENT LAW

A. Alabama Right-to-Work and At-Will

B. Child Labor Provisions

C. Federal Employment Law Employee Threshold

A. ALABAMA IS A RIGHT-TO-WORK AND AT-WILL EMPLOYMENT STATE

RIGHT TO WORK

"Right-to-work" has nothing to do with "at-will". The Taft-Hartley Act of 1947 allowed the states to prohibit agreements requiring membership in a labor organization as a condition of employment. In 1953 Alabama passed such legislation, and it is incorporated in Title 25-7, Code of Alabama, 1975. Section 25-7-32 states: "No person shall be required by an employer to become or remain a member of any union or labor organization as a condition of employment or continued employment."

AT-Will

At-will means that the employee or employer can terminate employment on a moment's notice for any reason - good, bad, indifferent -- or no reason at all. Unless the termination violates federal or state law, company policies, or an implied contract, there is very little that an at will employee can do to protest such action.

For cause employment means the opposite: the employer cannot discharge the employee without a legitimate reason -hence the term for cause. Examples of situations where an employer cannot fire without good reason:

1) Your company's employment policy requires for-cause justifications for firings;

2) A contract exists (either implied, oral or written) with the employer that contains such a provision;

3) The employee is a member of a labor union and protected by a collective bargaining agreement;

4) The employee is a government employee under the protection of civil service laws;

5) Your state's law prohibits at will terminations (Alabama does not); and

6) Employee termination would violate protective state or federal law (such as whistleblower's protection, civil rights, age, or disability protections). (The term whistle blowing refers, typically, to workplace safety violations of the employer for which a complaint is lodged by the employee to the employer or outside government agency. The employee is protected from retaliation by the employer under these circumstances.)

For cause employment is recognized either in (1) a written employment contract or, (2) in some states, the employer's verbal statements, such as you'll have a job here as long as your performance is satisfactory.

B. CHILD LABOR PROVISION

The minimum age for employment outside school hours is 14. The minimum age for most employment is 16, including many manufacturing jobs. However, teenagers under 18 may not work in jobs that have been declared hazardous by the Secretary of Labor. In Alabama,

employees under the age of 21 are prohibited from dispensing alcohol in places where those beverages are served for consumption on the premises.

Teenagers under the age of 16 may not exceed 40 hours of work in a week during summer vacation and no more than 18 hours a week when school is in session. Also, during school session, students who are under age 18 may not work past 10:00 P.M. on nights preceding a school day.

All teenagers under age 17 who are employed must obtain a work permit for each job they hold.

C. FEDERAL EMPLOYMENT LAW

In addition to your knowledge of the product end of your business you will need to develop familiarity with the employment law issues that you must comply with.
Non-compliance can lead to high costs in lawsuits, and fines. As can be seen below, even with only one employee there are several applicable laws, and most of these laws contain record keeping requirements in addition to operational requirements. The "Acts" passed by Congress are codified in the "U.S. Code", and the regulations that provide particulars for implementation first come out in the "Federal Register", and are then incorporated in the "Code of Federal Regulations". Links to all Federal laws is available at: www.law.cornell.edu/.
https://www.peoplekeep.com/blog/federal-employment-laws-to-follow-for-your-company-size

Federal Employment Law Requirements by Company Size

1 or more employees:

- 🕮 Fair Labor Standards Act wage and hour provisions
- 🕮 Child Labor laws
- 🕮 Equal Pay Act
- 🕮 Employee Polygraph Protection Act
- 🕮 Employee Invention Rights
- 🕮 Immigration Reform and Control Act –Form I-9 Requirement
- 🕮 Occupational Safety and Health Act
- 🕮 Hazardous Communications Act (if hazardous materials or chemicals on site)
- 🕮 Withholding of federal income taxes
- 🕮 Workers' Compensation Insurance coverage
- 🕮 Unemployment Insurance coverage
- 🕮 Withholding of Social Security and Medicare taxes
- 🕮 Form 5500 required under ERISA if company offers retirement and pension plans, health plans, severance plans, etc.
- 🕮 Fair Credit Reporting Act
- 🕮 New Hire reporting
- 🕮 Uniformed Services Employment and Reemployment Rights Act
- 🕮 National Labor Relations Act
- 🕮 Civil Rights Acts of 1866 and 1871

2 or more employees covered by a group health plan

- 🕮 Health Insurance Portability and Accountability Act

15 or more employees

- 🕮 Title VII of the Civil Rights Act of 1964
- 🕮 Americans with Disabilities Act
- 🕮 Pregnancy Discrimination Act

20 or more employees
- 🕮 Age Discrimination of Employment Act
- 🕮 Consolidated Omnibus Budget Reconciliation Act of 1983

50 or more employees
- 🕮 Family and Medical Leave Act
- 🕮 EEO-1 Report (if company is a federal contractor or subcontractor with affirmative action requirement)
- 🕮 Affordable Care Act

100 or more employees
- 🕮 Worker Adjustment and Retraining Notification Act
- 🕮 EEO-1 Report required by September 30th

Federal Contractors
- 🕮 Executive Order 11246
- 🕮 Handicapped AAP
- 🕮 Veterans AAP
- 🕮 Vets-100 due by September 30th
- 🕮 Drug Free Workplace Act
- 🕮 Applicant Flow Chart
- 🕮 Section 503 of the Rehabilitation Act of 1973
- 🕮 Davis-Bacon Act wage and hour provisions of $2,000
- 🕮 Copeland Act wage standards for all government contracts, regardless of size
- 🕮 McNamara-O'Hara Act wage and hour provisions for federal contractors of $2,500 or more
- 🕮 Walsh-Healy Act wage and hour provisions for federal contractors of $10,000 or more.

CHAPTER 7
NEW EMPLOYEE REPORTING REQUIREMENTS

A. Alabama New Hire Reporting

B. The I-9 Form

A. ALABAMA NEW HIRE REPORTING REQUIREMENTS

www.labor.alabama.gov/nh

All employers are required to report each newly hired or recalled employee to the Department of Industrial Relations. The information must be furnished within seven days from the date of hire or reemployment. (Employers electing to file magnetically or electronically may transmit twice monthly, not less than 12 days nor more than 16 days apart, when required). Employers who fail to report newly hired or recalled workers may be fined up to $25.00 for each violation.

All reports of hire will require the following data: employee's name, address, and social security number; first day of work, and, whether newly hired or recalled to work. Also required are the employer's Federal Employer Identification Number (FEIN), name, and address. The information may be provided by report –of-hire card, magnetic media, electronic media, or W-4 or other hard copy. The W-4 must be annotated with the date the employee begins work. The W-4, as well as other hard copy reports such as printouts, may be mailed or faxed to the New-Hire Unit. Employers using the report-of-hire card need only furnish employee information, as all required employer information would be pre-printed on the card.

Alabama Department Of Labor
New-Hire Unit
649 Monroe St., Room 3205
Montgomery, AL 36131-0378

Phone: (334) 206-6020
Fax: (334) 206-6020
Email: newhire@labor.alabama.gov

B. FORM I-9 REQUIREMENTS

www.uscis.gov/i-9

The Immigration and Nationality Act requires employers to verify all employees' identity and eligibility to work in the United States. Employers must complete a Form I-9 for all employees, even U.S. citizens. The form must be retained by the employer and may be requested for review by the Bureau of Immigration and Customs Enforcement (formerly the Immigration and Naturalization Service or "INS") or during a wage and hour audit by the Department of Labor.

Form I-9 requires the employee to produce documents showing his or her eligibility to work in the United States and the employer to examine those documents. Both must sign Form I-9. The employer then retains the form.

Who must complete an I-9?

- Form I-9s must be completed and retained for all employees hired after November 6, 1986.
- This requirement applies to all employers; there is no minimum number of employees.
- Not covered: casual hires, independent contractors and employees of independent contractors, domestic servants in B-1 status, and B-1 trainees on short term training programs.

How and when must the Form I-9 be completed?

- The employer must complete Form I-9 within 3 business days of hire;
- If the employee cannot produce verification documents within 3 days, he/she can have up to the 90th day of hire if he/she submits a receipt for an application of replacement documents; and
- In Section 2 of Form I-9, the employer must attest that it has examined documents verifying both identity and work eligibility. The I-9 form provides lists of acceptable documents, which duplicates the lists on the I-9 Handbook for Employers.

How long must employers retain the Form I-9?

- Employers must retain the completed I-9 and make it available for inspection by the BICE or the U.S. Department of Labor until the later of 3 years from the date of hire or one year after termination; and
- Employers are advised to have a separate file for I-9 forms for all employees rather than include them in the individual personnel files.

APPENDIX A

Advisors

Please refer to the Dothan Area Chamber of Commerce's online Membership Directory at http://cca.dothan.com/businesssearch.aspx.

A. Accountants

B. Attorneys / Legal

C. Financial Advisors

D. Financial Institutions

E. Insurance

F. Mortgages

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Chamber of Commerce
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