

Starting a Small Business In Minnesota



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U.S. Small Business
Administration



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www.SBA.gov

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U.S. Small Business Administration

The SBA works to ignite change and spark action so small businesses can confidently.



START • GROW • EXPAND • RECOVER



How to Start Your Own Business in Minnesota

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Supporting small businesses for 65 years.



**Free business
counseling**



**SBA guaranteed
business loans**



**Home & business
disaster loans**



**Federal government
contracting**



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So You Want to Start a Business



How to Start Your Own Business in Minnesota

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2020 Small Business Profile Minnesota

U.S. SMALL BUSINESS ADMINISTRATION
OFFICE OF ADVOCACY
REGULATION • RESEARCH • OUTREACH

2019	<u>2020</u>
520,110	526,350
99.5%	99.5%
1.3 millions	1.3 millions
47.2%	46.9%

Minnesota
Small Businesses (2020 data - prior to pandemic)

Minnesota
Small Business Employees
(2020 data - early stages of the pandemic)

A small business is an independent business with fewer than 500 employees.
www.sba.gov/size

A note on COVID-19: The BLS (Bureau of Labor Statistics) employment estimates capture the early stages of the pandemic. All other sources reflect data collected prior to the pandemic.

[MN: 2019 Small Business Profile](#) • [2020 Small Business Profile](#)



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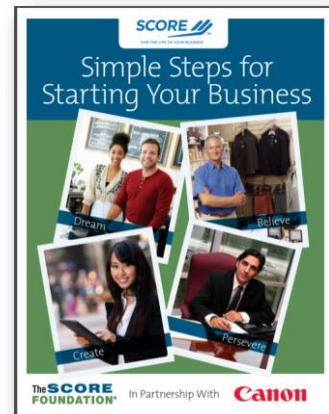
Self Assessment



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Do You Have What It Takes?

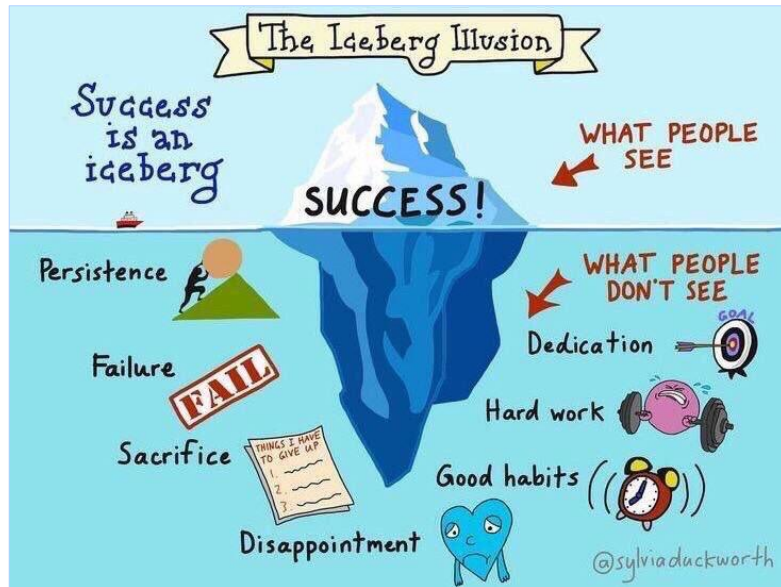
1. Education or work experience in your chosen industry
2. Strong work ethic
3. Effective time management skills
4. Ability to multitask
5. Management skills
6. Willing to ask for help and advice from others
7. Self-motivated
8. Responsible
9. Good health
10. A supportive family



Online Workshop

<https://www.score.org/getstarted>

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Find Helpful Resources





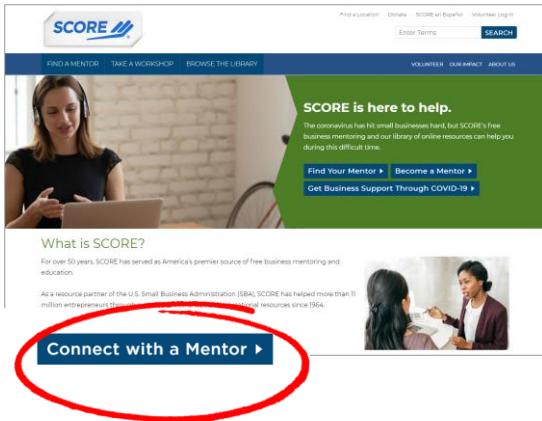
www.SCORE.ORG

GET PAIRED WITH A BUSINESS MENTOR FOR FREE

Meet with one or several mentors via:
email • video chat • face-to-face

Attend live or recorded webinars.

Small business clients who receive 3+ hours of mentoring report higher revenues and increased business growth.



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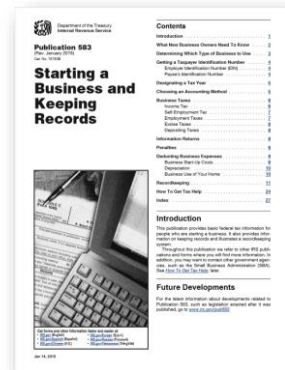
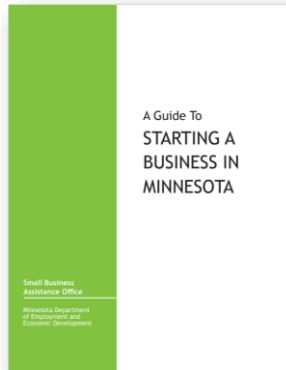
1. SBDC - Small Business Development Centers
www.mn.gov/deed/business/help/sbdc
2. Women's Business Centers:
Women Venture www.womenventure.org
Women's Business Alliance
www.entrepreneurfund.org/womens-business-alliance
3. Veteran Business Outreach Center
www.wvbc.com/veterans
4. Minnesota Trade Office
www.mn.gov/deed/business/exporting
5. Minnesota Department of Employment and Economic Development (DEED)
www.mn.gov/deed



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Free Publications



www.sba.gov/mn
Resource Guide

<https://mn.gov/deed/business>
Business Guidebooks

www.irs.gov
Publication 583



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Free Webinars: <https://www.sba.gov/learning-center>



Plan

- How to Write a Business Plan
- Legal Requirements
- Buying a Business
- Young Entrepreneurs



Launch

- Financing Your Business
- Introduction to Pricing
- High-Tech Products



Manage

- Employee Recruitment and Retention
- Understanding Your Customer
- Sales
- Selling Your Business



Market

- Market Research
- Marketing 101
- Competitive Advantage
- Social Media Marketing



Grow

- Finding and Attracting Investors
- Pricing Models for Successful Business



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**WHEREVER YOU ARE
SUCCESS
STARTS
HERE**

Ascent is an online learning platform that is filled with resources you need to **set and achieve your business goals.**

JOIN the  **ASCENT**
elevate your business

[ASCENT.SBA.GOV](https://ascent.sba.gov)






ASCENT

elevate your business

A digital platform for **women** business owners
ready to grow their business

ASCENT.SBA.GOV

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Make Your Business Legal



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Calculate your business startup costs

Determine your business startup cost by identifying everything you will need to run your business for the **first three months**.

1. Create a formal report of your expected startup expenses. Get as detailed as possible. Don't just write "photography equipment." Write down the exact cameras, lighting equipment, lenses, shoulder bags, and every other thing (small and large) you'll need.
2. Do not neglect inexpensive items (office supplies, postage, ...)
3. Write down the cost of each item (for a 3-month period). Research your cost for each item and service – be realistic.



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Calculate your business startup costs

4. Add 3-6 months' worth of fixed costs. Fixed cost are recurring expenses that do not increase or decrease (utilities, cell phone,...)
5. Add a financial cushion for emergency funds and unplanned expenses.
6. Tighten your budget. Review your list and mark your items as essential or non-essential. If possible, eliminate items that are non-essential or put them on hold for six months.
7. Total your numbers - that's how much it will cost you to start your business.
8. Review your list and mark with a checkmark everything you can buy with your own capital. What is not marked are the items/services that you will need to finance. (family/friends, lenders, home mortgage, credit cards,...)



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Example: Start Up Cost Report Projection and Estimate Report

Launch cost \$22,547
Personal Savings... \$6,443 (equity)
Need to finance.... \$16,104

Save receipts!
After the business opens you may deduct business start-up expenses from your taxes.

See, IRS publication 535 Business Expenses.

Jane's House Cleaning Start Up Cost Calculator

Start-Up Cost	Cost(s)	Owner	Finance
Business Name	\$155	✓	
Webpage	\$1305	✓	
Attorney (contract review & partnership agreement)	\$900	✓	
Accountant - taxes	\$476	✓	
Vehicle - 2006 Ford E-150 Econoline standard cargo van 5.4 L V8 Silver-Gray 57,500 miles	\$8500		✓
Vehicle Registration	\$435	✓	
Vehicle Insurance	\$122	✓	
Signage Vehicle	\$550	✓	
Wages for 3 mths – 1 employee (2 houses)	\$1290		✓
Computer Systems	\$1500		✓
Computer Programs Quickbooks , Microsoft monthly fees (6 mths)	\$1410		✓
Office Supplies: Postage, stationery, office supplies, computer supplies, pens, etc.	\$500		✓
Business cards	\$150		✓
Business fliers (500 copies)	\$150		✓
Billing forms	\$270		✓
Hoover Commercial Lightweight Backpack Vacuum, C2401,Black	\$575		✓
2 TreeLen Dustpan and Broom/Dustpan Cleans Broom Combo with 52" Long Handle \$30 each	\$60		✓
Mops, brooms, brushes, buckets (4 of each)	\$421		✓
Cleaners, polishes, rags, sponges	\$200		✓
Safety equip., first aid kit, lights, etc.	\$100		✓
Trash & vac. bags, extension cords	\$150		✓
Verizon (one cell phone - 6 mths)	\$828		✓
Emergency Fund (business savings acct)	\$2500	✓	
TOTAL	\$22,547		
INVESTOR OWNER		\$6,443	
FINANCE			\$16,104

Calculate your startup cost

www.sba.gov

[SBA Startup cost fillable PDF spreadsheet](#)

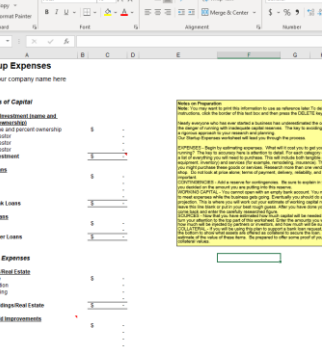
Startup costs – Joe's Pizza Place

This worksheet is set up for a fictional business, Joe's Pizza Place. Use it to get started calculating the startup costs for your own business. Expense categories are added expenses for 10 years business. Enter one-time and monthly expenses in the appropriate columns. Your estimations should go into the Budget column, and the next amount you expect should go into the Actual column. Total funds required is the total estimated amount you need to start your company.

One-time expenses		Budget	Actual	Monthly expenses		Budget	Actual
Rent				Rent			
Security deposit		1200		Monthly rent		1200	
First month's rent				Property insurance		300	
First month's utilities (including phone and internet)		250		Utilities		250	
Improvement costs				Employees			
Kitchen improvements		800		Payroll		3000	
Tables and furniture		100		Payroll taxes		1250	
Utensils, dishes, and kitchen bar equipment		350		Health insurance		650	
Inventory				Professional services			
Food		1250		Accounting		200	
Beverage		700		Legal		250	
Alcohol		900		Consultants		200	
Miscellaneous				Other		50	
Licenses and permits		150		Supplies			
Legal fees		100		Office supplies		150	
Printing		50		Operating supplies		200	
Technology		400		Marketing			
Software		400		Digital advertising		350	
Total funds required		8050	0	Promotional materials		400	
				Miscellaneous			
				Liability insurance		400	
				Repairs and maintenance		200	
				Organizational dues		75	
				Total monthly expenses		9125	0

www.score.org

SCORE Startup Expenses worksheet



The screenshot shows the Excel 2010 interface with the 'Startup Expenses' worksheet selected. The ribbon includes File, Home, Insert, Draw, Page Layout, Formulas, Data, Review, View, Developer, and Help. The 'Formulas' ribbon is active, showing the 'Formula Bar' with '=A2', the 'Function Library' with 'Insert Function', 'AutoSum', 'More Functions', and 'Calculated Values', and the 'Formula Auditing' group with 'Trace Precedents', 'Trace Dependents', 'Error Checking', 'Evaluate Formula', and 'Show Formulas'. The worksheet grid shows columns A through I and rows 1 through 7. The 'Startup Expenses' worksheet is selected, and the 'Startup Expenses' tab is visible at the bottom. A yellow sticky note is attached to the right side of the worksheet, containing text about the 'Startup Expenses' worksheet and the 'Startup Expenses' tab.

Startup Expenses

Enter your company name here

Sources of Capital

Owner Investments and

1 Owner's investment in cash and property partnership

2 Other owner's investment in cash and property partnership

3 Other owner's investment in cash and property partnership

4 Total Owner's investment

Bank Loans

5 Bank 1

6 Bank 2

7 Bank 3

8 Bank 4

9 Total Bank Loans

Other Loans

10 Other 1

11 Other 2

12 Total Other Loans

Startup Expenses

Preopening/Start Costs

1 Payroll

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Determine Your Legal Business Structure

According to the IRS,
there are [five legally recognized business forms](#).

1. Sole Proprietorship
2. Partnership
3. C-corporation,
4. Limited Liability Company (LLC)
5. S-corporation



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Determine Your Legal Business Structure

Your business structure legally affects how you file your taxes to your personal liability if something goes wrong.

If you own the business entirely by yourself and a partner and plan to be responsible for all debts and obligations, you can register as a:

1. Sole Proprietorship

2. Partnership: General Partnerships and Limited Partnerships



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Determine Your Legal Business Structure

If you want to separate your personal liability from your company's liability. You may want to consider forming one of several types of corporations:

- 3. Limited Liability Company (LLC):** owners are protected from personal liability, simple
- 4. C-Corporation:** owners are protected from personal liability, double taxation
- 5. S Corporation:** A tax election made with the IRS after the corporation is formed – IRS Form 2553.



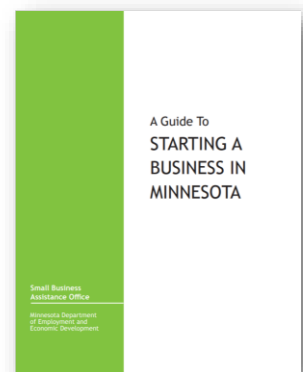
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How Do You Choose The Structure That's Right For You?

Important factors that should guide your decision:

1. Complexity and expense
2. Liability of business owner
3. Distribution of profits and losses
4. Taxation
5. Management control and decision making
6. Financing and operation
7. Transferability of ownership



2019 Minnesota Statutes for businesses: [Table of Chapters, 300 - 323A](#)



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LegalCORPS can help



For low-income owners of small businesses (or those who want to form a business), LegalCORPS volunteer attorneys can provide the sound legal advice that is *essential* for success in business and preventing costly troubles that can ruin an enterprise.

www.legalcorps.org



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Register your business name to protect it

Four different areas to register your business name.

1. Entity name protects you at state level
2. DBA doesn't give legal protection, but might be required
3. Trademark protects you at a federal level
4. Domain name protects your business website address



Entity name

Trademark

DBA

Domain name



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Check the availability of your business name

Secretary of State: (651) 296-2803 or access the search box below

Link: [Search Business Filings](#)

Search box

1. Create an Account
2. Search Business Name
Active and Inactive
3. Business Forms and Fees



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BUSINESS FORMS & FEES

Business Filing & Certification Fee Schedule

General Business Filing Forms

Assumed Name/DBA

Minnesota Business Corporation Forms

Minnesota Non-Profit Corporation Forms

Foreign Corporation, Nonprofit or Cooperative Forms

Minnesota Limited Liability Company Forms

Foreign Limited Liability Company Forms

Minnesota Limited Liability Partnership Forms

Foreign Limited Liability Partnership Forms

Minnesota Limited Partnership Forms

Foreign Limited Partnership Forms

Trademark & Service Mark Forms

Minnesota Cooperative Forms

Name Reservation

BUSINESS FORMS & FEES

You can find all the forms and fees needed for filing and searching business registrations. There are different forms used for each business type.

All filings submitted by mail will be returned back to the address listed on the check unless you provide specific instructions to be mailed to a different address or provide a returned envelope. You may enclose a prepaid FedEx, USPS Priority Mail or UPS label which will speed up the return of the document being delivered back to you (this is not required).

Select from the list on the left (or beneath on mobile devices) to go to the appropriate form for your business type.

Go here for [Business Filing & Certification Fee Schedule](#).

Remember - Many of these functions are available online.

- Go here for [instructions on how to use our online business systems](#).
- Go here to [file and search our business registrations](#).

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Register the Business - Things to lookout for!

Assumed Name | DBA:

- Filing: Assumed Name | Certificate of Assumed Name (\$50 online and in-person, \$30 if submitted by mail)
- An annual renewal is required to be filed by December 31. There is no fee for filing the annual renewal. What happens if you don't renew: <https://www.revisor.mn.gov/statutes/cite/333.055>

LLC:

- Filing: Minnesota Limited Liability Company | Articles of Organization (\$155 online and in-person, \$135 if submitted by mail)
- The company name MUST include the words Limited Liability Company or abbreviation LLC.
- Name and address of a registered agent. A register agent is a person or company who agrees to accept legal mail on your behalf.
- An annual renewal is required to be filed by December 31 of this year. There is no fee for filing the annual renewal. What happens if you don't renew: <https://www.revisor.mn.gov/statutes/2019/cite/322C.0705>

C-Corp:

- Filing: Minnesota Business Corporation | Articles of Incorporation (\$155 online and in-person, \$135 if submitted by mail)
- Corporations MUST choose one of the following words or abbreviation as part of the name of the business: "Incorporated"; "Corporation"; "Limited"; or "Company".
Note: The word "company" cannot be immediately preceded by "and" or "&".
- The aggregate number of shares the corporation has authority to issue. Must be authorized to issue at least one share.
- An annual renewal is required to be filed by December 31 of this year. There is no fee for filing the annual renewal. What happens if you don't renew: <https://www.revisor.mn.gov/statutes/cite/302A.821>



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When To Register Your Business In Another State

- ✓ Does your LLC or corporation have a physical presence in the state (i.e. office, restaurant, or retail store)?
- ✓ Do you often conduct in-person meetings with clients in the state?
- ✓ Does a significant portion of your company's revenue come from the state?
- ✓ Do any of your employees work in the state? Do you pay state payroll taxes?
- ✓ Did you apply for a business license in the state?



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Obtain An Employer Identification Number (EIN)

Apply for [an Employer Identification Number \(EIN\)](#)

- The EIN is a unique nine-digit number used by the IRS to identify a business entity.
- It will never [expire](#) and will never be reissued to another business.
- It's used to file your business's tax return, pay your employees, open a bank account and apply for loans.



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Do You Need An EIN?

You will need an EIN if you answer "Yes" to any of the following questions.

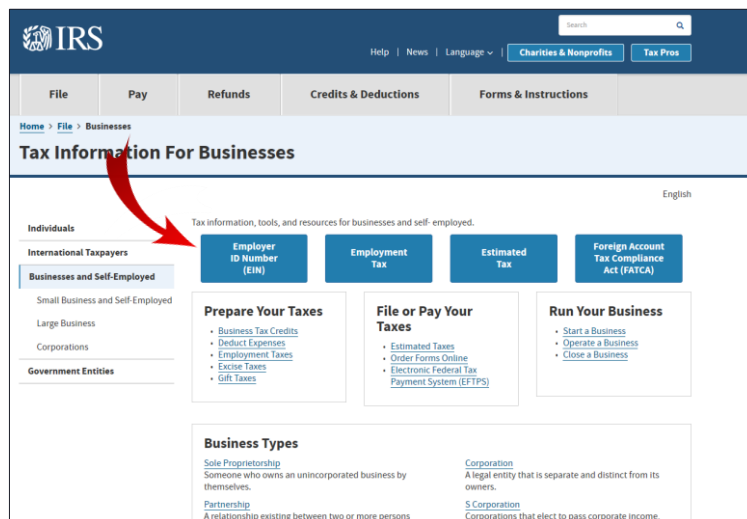
1. Do you have [employees](#)?
2. Do you operate your business as a corporation or a partnership?
3. Do you file any of these tax returns: Employment, [Excise](#), or Alcohol, Tobacco and Firearms?
(See a list of goods for which excise tax is apply: [Form 720, Quarterly Federal Excise Tax Return](#))
4. Do you withhold taxes on income, other than wages, paid to a [non-resident alien](#)?
5. Do you have a [Keogh plan](#)?
6. Are you involved with any of the following types of organizations?
 - a) Trusts, except certain grantor-owned revocable trusts, IRAs, [Exempt Organization Business](#) Income Tax Returns
 - b) Estates
 - c) [Real estate mortgage investment conduits](#) (REMIC)
 - d) Non-profit organizations
 - e) Farmers' cooperatives
 - f) Plan administrators



Links: [Understanding your EIN](#) • [Do you need an EIN](#) • [Do I need a new EIN](#) • [How to Apply for an EIN](#) • [Lost or Misplaced Your EIN](#) 32

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<https://www.irs.gov/businesses>



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Obtain a Sales tax / Use tax ID

- A Minnesota Tax ID Number is a seven-digit number used to report and pay Minnesota business taxes.
- **Before** you make any taxable sales in Minnesota, you must register for a Minnesota Tax ID Number and a Sales and Use Tax account.
- Use tax applies if you buy tangible personal property and services outside the state and use it within Minnesota.

Get ready before applying:

- Download form [ABR, Application for Business Registration](#)
- Learn more: [Minnesota Sales and Use Tax Business Guide](#)
- Check out [free workshops](#)



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Do You Need a Minnesota Tax ID Number?

1. Make [taxable sales](#) or leases in Minnesota
2. Perform [taxable services](#) in Minnesota
3. [Withhold Minnesota income taxes](#) from employees' wages
4. Make [estimated business tax payments](#)
5. File a [Minnesota corporation franchise](#), [S corporation](#) or [partnership tax](#) return
6. File [fiduciary income tax](#) returns as an estate, trust, or personal representative
7. File or pay [MinnesotaCare taxes](#) or [special taxes](#), such as alcohol, tobacco or insurance premium taxes
8. Have [use tax](#) to report.
9. Have [solid waste management \(SWM\) taxes](#) to report for sales and use tax offline

The image shows a screenshot of the 'Application for Business Registration' form from the Minnesota Department of Revenue. The form is titled 'm1 DEPARTMENT OF REVENUE Application for Business Registration'. It contains various sections for providing business information, including business name, address, contact information, and details about the business's operations and tax status. The form is a multi-page document, with the first page visible showing sections 1 through 10.

Businesses located outside of Minnesota doing business in the state of Minnesota may need to register.

 [Find out more here.](#)

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<https://www.revenue.state.mn.us/businesses>

The image shows a screenshot of the Minnesota Department of Revenue website, specifically the 'Businesses' section. The header includes the Minnesota Department of Revenue logo and a search bar. Below the header, there are navigation tabs for 'Individuals', 'Businesses', 'Tax Professionals', 'Governments', 'Policy & Research', and 'Fraud'. The 'Businesses' tab is selected. The main content area is titled 'Businesses' and features a 'Top Tasks' section with links to 'Log in to e-Services', 'Calculate Sales Tax Rate', 'Make a Payment', 'Find a form', 'Register for a Minnesota Tax ID Number', and 'Starting a Business'. A red arrow points to the 'Register for a Minnesota Tax ID Number' link. To the right of the 'Top Tasks' section, there is a 'Contact Info' section with fields for 'EMAIL', 'PHONE', 'HOURS', and 'ADDRESS'. Below this is a 'Related Content' section with links to 'Collection Information', 'Annual Tax Statistics', and 'Revenue Notices'.

Provide the following:

1. Business NAICS code
<https://www.census.gov/eos/www/naics/>
2. Accounting period:
Calendar or Fiscal
[IRS 538, Accounting Periods and Methods](#)
3. Accounting method:
Cash Basis or Accrual Basis
[IRS 538, Accounting Periods and Methods](#)
4. Filing frequency
Monthly, quarterly or annually
[Filing Information](#)



How to Start Your Own Business in Minnesota

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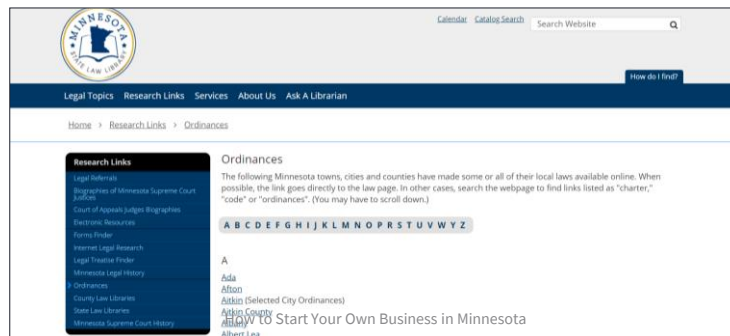
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Zoning

Make sure that your business is not in violation of local ordinances.

Many Minnesota towns, cities and counties have made some or all their local laws available online.

<https://mn.gov/law-library/research-links/ordinances.jsp>



SBA

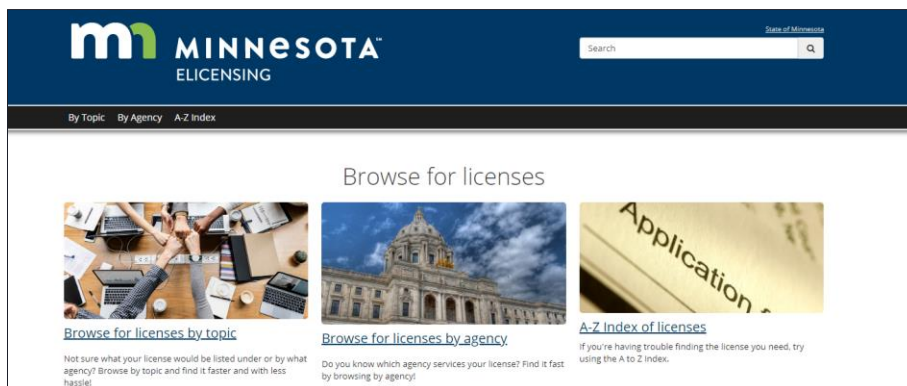
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Licenses and Permits

Browse for your license: <http://mn.gov/elicense/>

Check with your local city or town where the business will be located.



SBA

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Employees vs Contractors

- ✓ **Behavioral Control** - The degree to which you exercise control over your worker. Do you train the worker, direct their tasks, set specific hours, and dictate how the work should be completed...?
- ✓ **Financial Control** – Do you buy their supplies, tools, do you pay a salary or by the job. Are they free to seek out business opportunities...?
- ✓ **Relationship** – Is there a contract, is the person there permanent, do you provide sick and vacation days...?



MN Revenue Office: [Classifying a Worker](#)
IRS: [Independent Contractor \(Self-Employed\) or Employee?](#)



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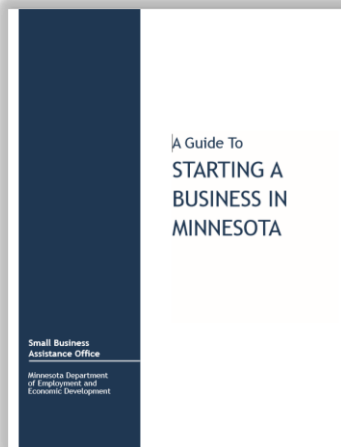
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Hiring Employees

A Guide To
STARTING A BUSINESS IN MINNESOTA

Hiring Checklist

Pages 213 – 223



The Minnesota Unemployment Insurance (UI) Program performs regular examinations of employer records. All employer records must be open to inspection, audit, and verification at any time and as often as deemed necessary. Learn more: [Employers Record Keeping and Audits](#)



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Build Your BAIL Team

Banker

- Financing
- Accept credit card payments
- Business bank account

Accountant

- Compile and submit taxes
- Create and maintain financial statements
- Oversee payroll

Insurance

- Property insurance: covers loss of property due to fire and other perils.
- Liability insurance: protect from the risks of liabilities imposed by lawsuits and similar claims.
- Workers' compensation
- Interruption insurance: cover business losses and expenses due to catastrophic events.

Lawyer

- Understand legal documents
- Prepare and reviews partnership agreement or operating agreement
- Review contracts (suppliers, landlords, service providers, customers...)



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Starting a Small Business In Minnesota

- ✓ Register the business name
- ✓ Obtain an Employer Identification Number (EIN)
- ✓ Obtain a Sales tax / Use tax ID
- ✓ Get the proper licenses and permits
- ✓ Obey zoning laws



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Write a Business Plan



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Business Plan

Your roadmap for success!

It will help you:

- Get organized
- Allocate resources
- Focus on key points
- Prepare for problems and opportunities
- Communicate needs

Should be written by
YOU!

Types of Business Plan

- Traditional Business Plan
- Lean Startup Plan

Purpose

- Start-Up Business Plans
- Internal Business Plans
- Financial Request
- Strategic Business Plans
- Operations Business Plans
- Growth Business Plans

Audience

- You (owner)
- Partner(s)
- Lender
- Investor

Main Components

- Executive Summary
- Business Description
- Management and Personnel
- Service and/or Product
- Market Analysis
- Marketing and Sales Strategy
- Financial Plan
- Appendix

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Three Key Financial Statements

Profit and Loss

The Profit and Loss Statement shows the revenues and expenses of your business over a given period of time – usually one year.

Cash Flow Projection

The cash flow statement records the actual movement of all the cash in the company - cash inflows and cash outflows over a defined period.

Balance Sheet

Gives a snapshot of a company's financial situation. The balance between assets, liabilities and owner's equity at a particular point in time.



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Help with Business Plan

Resource Partners
SCORE, SBDC, WBC...



Samples of Business Plans

<https://www.sba.gov/business-guide/plan-your-business/write-your-business-plan>

http://www.bplans.com/sample_business_plan_s.php



How to Start Your Own Business in Minnesota

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