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Starting A New Business In Missouri

*Your guide to starting and operating
a business in Missouri.*

Starting A New Business In Missouri

A joint project of:



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Preface

New businesses contribute significantly to the economy of the state by creating new jobs and expanding markets for Missouri products.

Starting A New Business In Missouri is designed to provide information to new or potential business owners on how to begin business operation in the state. Chapter 7, "Resources," contains descriptions and contact information on the many public and private agencies that provide information, research, and counseling services to small businesses.

Resource Agencies

Additional copies of this publication or assistance in getting your new business started can be obtained from your county University Outreach and Extension office or regional Small Business Development Center. Contact information for these organizations can be found in Chapter 7 of this book; listings can also be found in your local telephone directory. You can also contact the Missouri Business Assistance Center:

Missouri Business Assistance Center
Missouri Department of Economic Development
301 West High Street, Room 720
P.O. Box 118
Jefferson City, MO 65102-0118
Phone: 1-888-751-2863
Fax: 573/526-2416
E-mail: mbac@mail.state.mo.us
Web: <http://www.ecodev.state.mo.us/mbac>

Icons Used in This Book

The following icons are used throughout this book to alert you to important information:



Identifies state or federal forms that must be filed.



Carefully read and comply with these requirements. This icon designates information that may be critical to your new business endeavor. Generally, contains legal, licensing or regulatory information.



Designates information or resources that you should “check out.”



Highlights helpful or cautionary information. Generally this refers to state or federal regulations that may affect your business; also references important resources and helpful hints.

Assistance For Speech and Hearing Impaired

Assistance for the speech and hearing impaired is available through RELAY MISSOURI at 1-800-735-2466 (voice) or 1-800-735-2966 (TT). Copies of this publication are made available on audiotape for the visually impaired. Please contact the Wolfner Library for the Blind and Physically Handicapped (573/751-8720 or 1-800-3922614) for ordering information.

Disclaimer

This publication is intended to serve as a reference document and in no way attempts to provide all of the information necessary to start a business in Missouri. It is published with the understanding that the publisher is not engaged in rendering legal, accounting or other professional services. The advice of an attorney and/or accountant should be sought before entering into any business activity or contract.

University Outreach and Extension

This project is supported by the University of Missouri Outreach and Extension Outreach Development Fund.

Small Business Development Centers

Small Business Development Centers operate in partnership with the U.S. Small Business Administration under Cooperative Agreement No. 9-7620-0026-11. The support given by the U.S. Small Business Administration through such funding does not constitute an express or implied endorsement of the co-sponsor(s)' or participants' opinions, products or services. Programs are nondiscriminatory, and reasonable accommodations will be made, upon request, for persons with disabilities.

This publication has been developed by the Missouri SBDC in partnership with the U.S. Small Business Administration.

Chapter 1. The Basics

This chapter reviews the basic skills needed to operate a small business and some common reasons small businesses fail.

Owning and operating a small business can be a tremendously fulfilling and rewarding way of life, but it is not always an easy one. No one considering it should make the decision lightly. A great deal of thought and research should go into making a decision that will affect you and your family for a long time to come.

Consider that:

- The failure rate for new start-up businesses is high.
- If you need financing, you will be expected to provide 20% or more of the total funds.
- Small business owners spend an average of 12 hours a day, 6 days a week on business activities.
- To obtain a business loan you will be expected to personally guarantee its repayment.
- It is normal for small businesses not to earn a profit in the first two years.
- The number one reason that small businesses fail is because they did not have enough working capital to survive the first two years of operation.
- The IRS can and will seize personal and business assets to satisfy your business taxes.

No book can tell you whether or not you should take the plunge and go into business for yourself. That is a difficult decision that you alone must make; but before you make the decision there are a number of basic questions you should consider. To get started in most kinds of new businesses a major financial risk must be taken. Once you have committed yourself, it will not be simple or easy to change your mind and back out. In evaluating the risks, you should be aware that there is a high failure rate among new businesses.

Many entrepreneurs are not adequately prepared to go into business. While they have the motivation, desire and talent, many have not taken time to properly investigate and research the business they are interested in starting.

A good first step is to list your reasons for wanting to go into business. Whatever they are, use a specific and systematic approach to build a plan from which your success can be evaluated.

Some common reasons for starting a business are:

- You want to be your own boss.
- You want financial independence.
- You don't work well with others.
- You dislike policy and procedures.
- You want creative freedom.
- You want to fully use your skills and knowledge.

Have you realistically considered both the advantages and the disadvantages of owning and operating your own business? If not, the time to do so is before, not after, you have committed yourself.

Are you really sure that you are prepared to work independently? Many entrepreneurs report being overwhelmed with the number of decisions that they are called upon to make. They also report feeling isolated and lonely. Employees don't joke with "the boss" like they do with each other. There's no "boss" to watch what you do or when or how well you do it. Instead you have customers, bankers, etc. Few new business owners have the time or money for anything other than work.

Good management is key to a successful business. Three crucial areas are:

Marketing strategies - This means knowing what kind of product or service to sell, how to target and reach your customers, and how to sell your product or service at a price that maximizes your profits.

Technical ability - You must be able to get the work done and do it right, so you will have satisfied customers. If you are going into the auto repair business, for example, you better know a lot about how to keep autos running right, or you will not be in business very long.

Financial knowledge - While you do not necessarily have to be a financial wizard, you do need to know how to plan and control your business' cash flow; raise or borrow the money you will need to start your business; and get through tight periods without being caught short of cash. A certain amount of financial sophistication is becoming more and more important in today's increasingly complex financial world, even for the small business owner.

If you are seriously deficient in one or more of these areas, the odds of your business becoming one of the few that succeed are greatly reduced.

Many prospective business owners and entrepreneurs find career planning and counseling very helpful. Counselors will work with you to evaluate your strengths and weaknesses, skills, interests, experience, etc., and help you decide if you are suited for the business endeavor you are considering. They can also help guide you into businesses that will maximize your strengths and experiences.



There are many organizations that provide these services; but, you may want to begin by talking with a counselor at your local **University Outreach and Extension Office** or **Small Business Development Center**. Another excellent source is the **Career Planning and Placement Center**, University of Missouri, 100 Noyles Building, Columbia, MO 65211; phone: 573/882-0697.

BASIC BUSINESS SKILLS

Similar to the game of chess, success in small business starts with decisive and correct opening moves. And although initial mistakes are survivable, it usually requires skill, discipline and hard work to regain the advantage.

The Five Basic Skills Required For All Businesses

There are five basic skills anyone must have to run any kind of business:

1. **Basic money-management skills.** While you don't need to have a lot of money to start a business successfully, you do need the ability to make the most of the money that you have. Being able to focus on the bottom line and pay attention to the numbers is as essential as the ability to price your products and services, manage your cash flow, and make sure you collect payment for the work you do. If you are lacking in these skills you can get training in business courses, books, and so forth.
2. **A marketing mindset.** You aren't truly in business until you have business. No matter how much your product or service is in demand, or how great a job you do, if people don't know about you, you won't have much business. You must be able to make your business visible to the people who need it, and this means understanding marketing.
3. **Self-management skills.** To make it on your own, you must become a goal-directed and self-motivated individual. You must be able to get yourself started every day, stick to business, and close the door on work at the day's end.
4. **Time-management skills.** In your business, you will need to wear many hats, from chief executive officer to janitor. You'll have to do the business, get the business, and run the business. This means you'll need to manage your time effectively to make sure the most important and urgent things get done in a timely fashion.

5. Basic office organization. Since one of the roles you'll probably play is that of your own office administrator, you will need to be able to organize, equip, and manage your office space so that you can work effectively in it, having a place for everything and keeping everything in its place so that you can find it easily when you need it.

Source: "The Best Home Businesses For The 90's", second edition, by Paul and Sarah Edwards, 1994, published by G.P. Putnam's Sons.

WHY DO SMALL BUSINESSES FAIL?

The U.S. Small Business Administration conducted a study that looked at the reasons for small business failure. Here are the major reasons ranked according to frequency:

1. Inadequate front-end planning.

No Business Plan prepared; no Feasibility Study done and no Cash Flow Projections done.

2. Insufficient capital for start-up and back-up.

Even the most dedicated workaholic cannot overcome ongoing capital deficiencies due to start-up losses.

3. Inexperienced management.

Insufficient experience in the management and the day-to-day operations of the business or of any business.

4. The wrong location.

Low traffic, no expansion area, changing characterizes of the neighborhood. The customers are out there, but the business is not convenient because of driving and parking distance, transportation costs, employee unwillingness to live in the community.

5. Inventory mismanagement.

Too much of the wrong inventory.

6. Too much capital in fixed assets.

The failure to properly anticipate the cost of equipment and real estate needed to start and expand.

7. Poor credit practices.

Failure to properly extend and control credit policy and practices.

8. Unplanned expansion.

If one location is doing well, a second doesn't mean the business will do twice as well unless management is available.

9. Having the wrong attitude.

Not ready to work longer and harder than ever before; too much money in trappings and appearance.

10. Inadequate records and financial knowledge.

11. Unwillingness to employ and work with a banker, accountant, and a lawyer.

12. Lack of managerial foresight.

Failing to build staff to compensate for the weaknesses of the founder or owner; failing to adequately compensate second-line management.

Michael Gerber, founder and CEO of Gerber Business Development Corporation, author of *The E-Myth: Why Most Small Businesses Don't Work and What To Do About It* (HarperBusiness), has compiled, based on his 17 years of small business research, his own list of reasons why small business fail. Among the reasons he sites:

Lack of management systems. Most entrepreneurs have no systematic way of generating information or determining what is and is not working. Also, there is little or no effort to convert data into usable information.

Lack of vision and purpose by the principals. Entrepreneurs need to view their business as a means to an end. Bill Gates, for example, has become successful because his purpose was to put a computer in every home and his business was a way to achieve that goal -- not vice versa.

Lack of financial planning and review. Most self-employed people concentrate primarily on generating income when they should be most concerned with building equity.

Poor market segmentation or strategy. Most entrepreneurs don't know who their customers are. Factors such as customer age, geographic location, and family size can have an impact on what and how they buy.

Competition or lack of market knowledge. The self-employed are often so engrossed in the daily task of running a business that the last thing they think about is what their competition is doing and how they can do it better.

Inadequate capitalization/underfunded. Although this factor commonly rates as the primary reason for business failure, it is actually a symptom of underlying problems.

One solution to these problems is education. For a wide-range of business training, including individual counseling and programs for groups of business people, contact your local **University Outreach and Extension Office** or **Small Business Development Center (SBDC)**.

FINDING THE “RIGHT” BUSINESS

To determine what business is “right” for you, answer the following questions:

- What do you like to do with your time?
- What technical skills have you learned or developed?
- What do others say you are good at?
- Will you have the support of your family and/or spouse?
- How much time do you have to run the business?
- Do you have any hobbies or interests that are marketable?

Know the Business

Do you have any experience in the area of business in which you will be engaged? Of course it is possible to learn while doing, but it helps a great deal to know the business before you start. Often the most successful businesses are started by people who have worked in a particular line of business for years and who finally decide that they know the ropes well enough to leave their employer and start their own similar operation.

A major management weakness that causes businesses to fail is the inability to get the job done and done right, on time, and efficiently enough to charge a competitive price for your product or service and still make a profit. For example, you may have done a lot of market research and decided that, with the tremendous proliferation of personal computers, a great business to go into is repairing small computers. You may be absolutely right, but unless you have the technical capability to do such repairs, or the ability to properly select and hire employees who can do the job, you had better look for some other kind of business to go into.

In many cases, if you know you lack the technical experience you need to open a particular kind of business, your best approach will be to get a job in that industry and work for someone else for a few years until you learn what you need to know. This may require a lot of patience, but it is definitely preferable to getting into a business you do not know well and losing your shirt in the process.

If you're not sure what type of business is right for you, you may want to read *Finding Your Perfect Work* by Paul and Sarah Edwards (G. P. Putnam's Sons, ISBN 0-87477-795-X). The authors provide advice on how you can



blend your personal goals and dreams with the practical realities of a meaningful and prosperous livelihood working on your own.

Research Your Business Idea

Before starting a business, it is important to collect as much information as possible. This information will help you make an informed decision whether this is what you really want to do, and will help you get started if you decide to do so. In the section **Writing a Business Plan**, you will learn more about how to put that information together. Writing a business plan will help you think through your business idea in a logical way. But in order to do that you will need information. You will want to find out all you can about the business or industry. You will also have to learn about licensing and legal requirements, taxes, liability insurance, start up costs and any other factors that will make or cost your business money.

No one knows everything there is to know about a business. If you have worked in the industry for a while, you have a head start. But working for someone else and working for yourself are two different things.

If you want to start a business in a field in which you have no experience you might first consider some way that you could work in the field. You will find out fairly quickly whether you want to own a similar business, and you should be able to gain a great deal of useful experience. If this is not feasible, talk to someone who has experience; retired people are especially helpful. Another suggestion is to find a similar business in another location where your business would pose no competition. See if the owner will talk to you. Business people are usually glad to talk about their businesses.

Trade associations exist for almost every imaginable trade or profession. Go to the library and ask for the *Encyclopedia of Associations*, which is published by Gale Research. Contact any applicable associations and ask what information they can provide or what publications they publish.

Business and entrepreneurial publications can be very helpful. For example, *Inc.*, *Venture*, *Entrepreneur*, *Home Office Computing*, and other publications frequently contain helpful articles for new business owners. Look through current and past issues and check for articles on the type of business you are considering. You also can check the Reader's Guide to Periodicals in any library.

CHECKLIST FOR STARTING A NEW BUSINESS

As you proceed through the process of starting your business, use the following checklist as a guide to make sure that you have covered all the requirements for starting your business. Many of the items on the checklist are addressed in this publication.

- Prepare a written **business plan**.
- Obtain **local business licenses** through the city or county government.
- Check on local **zoning** ordinances, regulations, building permits and fire codes through the city or county government.
- Determine whether your business requires a **state license or permit** to operate. Also check on state regulations that may affect your business. Please contact our office (573/751-2863) for assistance.
- Determine whether any **federal licenses, requirements or permits** are required for your business.
- Register the name of your business** (Fictitious Name Registration) with the Secretary of State. Also, determine the legal structure of your business (sole proprietorship, partnership, limited partnership, limited liability company, or corporation) and file necessary forms and paperwork with the Secretary of State's Office. Check on the availability of a business name by calling 573/751-3317.
- You will need to apply for a **sales tax number** or use tax if you will be selling a product at retail or wholesale.
- You may need a **Federal Identification Number (EIN)**.

If hiring employees:

- Determine the wage and hour laws from the state and federal government;
- Obtain report to determine liability status (unemployment tax) with the state;
- Check the requirements on Worker's Compensation Insurance with the state.
- Contact a good **insurance** agent and consult with him regarding fire, accident, liability, theft, and other types of commercial insurance.
- Find out how **OSHA** laws affect your business.
- You may need to make quarterly estimated **income tax** payments to the IRS.
- File **annual tax** information for state and federal government.
- Keep a good set of **records** for all business activities.

WRITING A BUSINESS PLAN

One of the first steps in a new venture is the development of a business plan. The business plan describes the business; its product or service, market, staffing and financing needs. A well prepared business plan serves several purposes:

- For the new business, it helps the owner determine the feasibility and desirability of pursuing the steps necessary to start a business.
- For the company seeking financing, it is an important sales tool for raising capital from outside investors.
- For an existing company, the business plan forms the basis of a more detailed operational plan and thus becomes an important management tool for monitoring the growth of the firm and charting future directions.

A business plan is the written expression of your business idea. It is obviously important to anyone thinking of starting a business, but is also useful for those already in business. The process of writing down everything involved in bringing the idea to reality requires dealing with all the varied aspects of that business. It forces you to take an objective look at the entire idea and should permit you to see areas that need re-thinking. The plan will help you sort through things logically and should result in a sound, usable plan with which to work.

Please refer to Chapter 2 for a more complete discussion of business plans.

RECORD KEEPING

Every business, no matter what size, must keep written records of the transactions that take place. In addition to avoiding costly errors, good records tell you if you are making a profit or losing money, provide you with accurate tax information, and give you the information needed to see if and where improvements can be made. These records will be required by your financial institutions and local, state and federal government agencies, as well as for your own information. The IRS allows you to choose the method of record keeping that is best suited to your circumstances.

If you are already in business and not keeping records, start immediately. After you get your system set up, you might want to work backwards to the first of the year so that you have as complete information as possible for your year-end records. If you are starting a new business, you will need an estimate of income and expenses to secure financing if needed; or, if your

own resources are adequate, you will still want to know how you are doing financially. To determine if a profit is being made, you'll need to figure your start-up costs and your operating costs. Start-up costs are the one-time expenses necessary to start your business, such as equipment expected to last a long time. Operating costs are those that keep recurring, such as purchasing materials needed for making the product.

Once your record keeping system is set up, record all transactions promptly. It is also a good idea to establish a definite time each week/month to pay bills, reconcile the bank statement, and do other tasks.

“Accounting” does not necessarily mean “keeping books”. What you really need is some organized method to track all of the business activity generated by each of your transactions and will provide you with the reports and information required by taxing and regulatory authorities.

Sound accounting practices can mean more profits. The record keeping system need not be elaborate. Too many records can be as ineffective as too few. The system used should accomplish the following:

1. Maintain a record of all business transactions through:
 - a. a daily (or periodic) summary of cash receipts;
 - b. a disbursement journal;
 - c. a business checkbook;
 - d. employee compensation record (including withholding, Social Security, and other taxes);
 - e. a general ledger (a summary of all subsidiary ledgers, including cash receipts, disbursements and other transactions);
 - f. asset register (including depreciation when applicable), which should also include accounts receivable, accounts payable and an inventory system.
2. Reflect periodic operating results and financial condition in a manner understandable by management.
3. Protect the assets of the business from errors, fraud and carelessness.
4. Provide a basis for business planning by showing the results of past decisions and facts needed for future decisions.

The system also must be designed to generate information that is periodically required by taxing and other regulatory authorities.



There are numerous computer software programs on the market as well as accounting forms and systems. Many trade associations offer standard accounting systems for member businesses. The local **University Outreach and Extension** offices and **Small Business Development Centers** frequently teach classes on record keeping.

If you wish, you can consult an accountant for assistance in setting up an accounting system, or hire one to do your books for you. If you need

assistance in locating an accountant, you can contact: Missouri Society of Accountants at 1-800-959-4276.

CHECKLIST FOR GOOD RECORDS



- ✓ **Open a business checking account.** Don't use your personal checking account for your business. The cost of another account is minimal compared to the confusion of business matters in your personal account.
- ✓ **Pay all bills by check.** On each check note what was purchased with that check. This is your record of having paid bills and enables analysis of expenditures.
- ✓ **Use petty cash sparingly.** Only when absolutely necessary should you make payments from petty cash and then be sure you have a receipt including the purpose of each expenditure. Then write a check to petty cash to keep the checkbook complete.
- ✓ **Record all sales.** Use sales tickets, duplicate receipts, copies of invoices, cash register tape, or some other system that itemizes each sale. This enables analysis of sales and provides a record of who has paid or not paid.
- ✓ **Endorse all checks immediately.** Endorse checks "for deposit only" to your account in your bank.
- ✓ **Deposit receipts often.** Don't keep cash or checks around your place of business. They invite theft, they can get lost, and the money should be put to work for you immediately.
- ✓ **Label bank deposit slips completely.** They provide a good record of sources of income and back up sales records.
- ✓ **Balance bank account monthly.** Do it when the statements come from
- ✓ **Inventory all items regularly.** Count all items in inventory and include the purchase cost of each item. Absolutely, take inventory once a year. A good business practice is to take inventory twice a year and better practice is quarterly inventory.

PRICING YOUR WORK

Many new business owners have difficulty pricing their goods to give a fair return on their work. There are lots of ways to price—double or triple your

estimated production cost or check how others are pricing similar quality items. But these do not assure that you are getting a fair price. For many of you, it may be time to be more scientific about pricing your product.

The price of an item has to include the cost of all materials in the item, fair wage for your time and other costs to make a product or run a business. Packaging and shipping may be included in the cost or may be added later, depending on how you are marketing.

A sample worksheet is found on page 15.

Materials

Cost of materials may include paint, paper, wood, clay, fabric—anything used to make your item. Don't forget what it cost to replace materials you have been using because they are left over around the house. Quilt makers may start from scraps from old sewing projects but, as their business grows, they have to purchase new fabric. Therefore, the price must include the cost of replacements.

Labor

The fair wage or cost of labor may be difficult to figure. If you have no better estimate of the value of your labor, start with the minimum hourly wage which is \$5.15 (effective September 1, 1997). However, a person with skill, experience, and an established market should or will pay themselves a higher wage.

If you don't know the exact amount of time you spend on an item, there are ways to estimate. It may be easier to figure the number of items you can make in a week or month and estimate how many hours of your time over that period are spent on your craft. You can then divide the number of items into the amount of time to arrive at the figure.

Overhead Costs

The final ingredient in the price is overhead costs for production or business. Production overhead costs can include the electricity to run a saw; the fraction of the sewing machine "used up" by making one quilt; the cost to use the car to pick up supplies. List those things you have to do to make this item and figure a cost per item for each type of expense. Overhead costs of the business are those expenses which are not part of making the item you sell. They may include promotion or advertising, and the services of a tax preparer, lawyer or accountant. Printing invoices or business stationery are other areas to be considered. The entry fee to craft shows is an example of overhead business expenses. Again, estimate these on a cost per item basis to be added to your price.

Packaging and Shipping

You may need to estimate the cost of packaging and shipping your item to a buyer or consumer. To estimate these costs, purchase the necessary packaging materials, average estimates on shipping these items to New York or California, and add the cost of insurance on the item. Most business people recommend shipping by United Parcel Service (UPS). These costs should be included in your final retail price. The retail price that you have established for your item should be the same for all buyers. Remember that you are estimating a *retail price*, the one paid by a customer to purchase a single item.

You may get calls from buyers who want to place a *wholesale* order for your work. This is purchasing more than one item to be resold. Wholesale buyers need to buy at less than retail price because they need to cover their selling costs such as rent, cost of sales personnel, supplies, taxes, etc. The percentage of markup for wholesale is negotiable between you and the buyer but try to set your price to allow you a profit. Of course, if you have your own shop, your retail price has to cover these costs as well.

Note: Article is re-printed with permission from University Outreach and Extension Service. Originally published as part of a series of publications on home-based business and part of a project called "Alternatives for the 80's".



For more information on pricing your product or service, contact your local **University Outreach and Extension** office or **Small Business Development Center (SBDC)**.

PROFESSIONAL SERVICES



It is always advisable to enlist the services of an accountant and a lawyer when considering a new business operation. Their advice and guidance can help you choose the form of business organization best suited for your particular situation, thus increasing the chances of business success.

Lawyer

Your lawyer should be experienced in business matters. Ask your banker to recommend a law firm or individual lawyer. Ask other successful business owners who they use. Be sure to discuss fees in the initial interview, and ask if he/she represents businesses similar to yours. A reputable lawyer will welcome an open discussion on both subjects. Do not feel obligated to hire the first lawyer with whom you discuss your business plan. Find one with whom you are comfortable and you feel you can trust.

Another way to find a competent attorney is through the Missouri Lawyer Referral Service operated by the Missouri Bar Association. Their attorneys

will confer with you for up to 30 minutes for a fee of \$20. The telephone numbers are:

Kansas City: 816/221-9472 (Clay, Jackson, Platte and Ray counties)

St. Louis City and County: 314/621-6681

Jefferson City: 573/636-3635 (out-state Missouri)

Springfield: 417/831-2783 (Greene County only)

Accountant

Although an accountant is not mandatory for starting a new business, it is highly recommended that one be consulted. Again, seek recommendations from your lawyer, banker and other business associates. Don't feel obligated to hire the first accountant that you interview.

For assistance in locating an accountant, contact the Missouri Society of Accountants, 6132 Blue Ridge Blvd., Raytown, Missouri 64133; 1-800-959-4276.

SAMPLE PRICING WORKSHEET

Cost per item

Cost of materials per item _____

Labor:

Hours per item times \$5.15 (minimum wage) or higher OR

Hours per week divided by number of items times wage _____

Overhead for Production

Electricity _____

Machinery Depreciation _____

Use of Car _____

Other _____

Total for items _____

Divided by number of items for cost per item _____

Overhead for Business

Promotion _____

Advertising _____

Professional services (lawyer,
accountant) _____

Total for items _____

Divided by number of items for cost per item _____

Shipping and Handling

Box and packing materials _____

Insurance _____

Postage _____

Total per items _____

**Add all amounts in last column for
estimated cost per item = wholesale price**

\$ _____

Double or triple wholesale price = retail price

\$ _____

NOTES:

Chapter 2. The Business Plan

A business plan is the written expression of your business idea, projections on markets

The process of putting together a business plan, including the thought you put in before beginning to write it, forces you to take an objective, critical, unemotional look at your business project in its entirety. Your business plan is an operating tool which, if properly used, will help you manage your business and work effectively towards its success.

The importance of planning cannot be over emphasized. By taking an objective look at your business, you can identify areas of weakness and strength, pinpoint needs you might otherwise overlook, spot opportunities early, and begin planning how you can best achieve your business goals. Your business plan also helps you see problems before they grow large and helps you identify their source, thus suggesting ways to solve them. Your business plan will even help you avoid some problems altogether.

Your business plan provides the information needed by others to evaluate your venture, especially if you will need to seek outside financing. A thorough business plan can quickly become a complete financing proposal which will meet the requirements of most lenders.

Since most business plans will be submitted to banks or other sources of financing, it is important to realize how a banker analyzes a business plan and what questions will be asked during this analysis. A banker's job is to assess the degree of risk for each proposed loan and to be satisfied that the loan can be repaid by the borrower while still allowing the business to operate profitably. This analysis is based on factors such as: the nature of the business, the purpose of the loan, the amount of the loan, the ability to repay the loan and the character and management skills of the business owner.

Bankers, lawyers and certified public accountants are professionals in their fields and should be included in the planning at whatever point their knowledge and expertise can be helpful. You must do the work. A professionally prepared business plan won't do you any good if you don't thoroughly understand it. That level of understanding only comes from being involved from the very start. The best way to enhance your chances of success is to plan and follow through on your planning.

It is important to emphasize that businesses with several years of successful operation will find it far easier to obtain financing than start-ups, as lenders will be much more receptive and confident in your ability to repay a loan at that point. In fact, without a strong business plan that has realistic expectations and forecasts, demonstrates managerial experience, and provides collateral, it may be impossible for a new business to get extending financing for a new venture as they represent a high risk of default.

This doesn't mean you can't get a loan as a start-up, but rather that you will have to compensate for the lack of a track record by being strong and well prepared in other areas. Demonstrate by your enthusiasm and the thoroughness of your business plan that you are committed to the venture and that it will succeed. Keep in mind that when applying for a loan, you're selling both yourself and your business.

The business owner should remember that he/she bears the financial responsibility for all decision-making and that the success or failure may be the result of these decisions.



Several organizations offer assistance in preparing business plans. These include the **University Outreach and Extension Office**, **Small Business Development Centers**, and **Service Corps of Retired Executives (SCORE)** -- refer to Chapter 7 for contact information. There are also commercially available software packages to assist in preparing a business plan. Remember, however, that as you develop your business plan, you may have to modify or revise your initial questions.

WHAT IT INCLUDES

1. Name of Firm

State the business' legal name

2. Owner or Owner-to-be

State owner(s) name, as well as the form and percent of ownership

3. Information on the Business

A. Type of Business and Product or Service

- State the general and specific nature of the business, (i.e., restaurant, catering, farming, ice cream parlor, day care, craft - bird houses). State the type of business (manufacturing, service, construction, wholesale, retail, other).
- State the company's goals and objectives
- Describe your product and/or services. Briefly state who buys the product/service and who the final users are (you will discuss your customers very thoroughly under Market Analysis).

- Describe how the product/service is sold to customers (walk-in stores, sales, representatives, mail order catalogs, telephone orders, etc.).
- Describe how and where buyers get the product/service (walk-in stores, mail delivery, etc.).
- Comment on the quality of the product/service.
- Estimate average price of product/service.

B. History

- If new, say so. If existing, discuss age of business, prior owners, how acquired and length of time operated by you, image or reputation; number of employees, last year's sales volume and profit and any significant events that have affected the company's development.

C. Office/Plant

- Give addresses and description of area and building.
- State whether rented, leased or owned. If rented or leased, state from whom and under what conditions. State size (square footage).
- Describe type of access to building (major roads, freeways, walking, parking, etc.).
- Is the location a good one that is convenient to customers? State business hours.

D. Personnel

- For the present and future, state number of employees, type of labor (skilled and unskilled, etc.), sources of labor (especially minorities, handicapped veterans or other socially or economically disadvantaged grouped), timing of hiring (or layoffs).
- Comment on the quality of the staff.

E. Economic/Accounting

- Describe how this business makes money.
- State how prices are or will be determined and by whom.

F. Inventory, Supplies, Suppliers, and Equipment

- Describe what inventory, raw materials and/or supplies the business uses (initial and continuing).
- List your suppliers: name, address, type and percent of supplies furnished and length of time you have been buying from each, reliability and frequency of purchase.
- How easy or difficult is it to get necessary supplies? If it is difficult, how will you deal with potential or actual shortages?
- Are the prices of your supplies steady or fluctuating? If fluctuating, how do you deal with changing costs?

- List the equipment used by the business and comment on its condition. If the equipment has been appraised, include values and state who did the appraisal.

G. Legal

- State form of business (sole proprietorship, partnership, LLC, corporation) and status (already formed or in process of formation).
- State licensing requirements (type and licensing sources) and status (not yet applied, applied and pending, obtained).
- State zoning requirements and status.
- State insurance requirements (type, source) and status.
- Have building codes been complied with?
- State any health code requirements.
- Describe any other laws and regulations that affect the business.
- Describe lease, if any.
- Trademarks, patents, licenses and copyrights should be checked for legality.

H. Future Plans

- What are your plans for the future (maintain, expand, diversify, sell, etc.)?

4. Market Analysis

A. Customers (market)

- What is your market, or, who are your customers (wholesalers, retailers, consumers, government, etc.).
- Why does this market NEED your product/service? (All markets are created on the basis of need). One product/service often satisfies several needs.
- How long will this market need your product/service? If your product/service a fad or continuing need; being phased out or created by new technology?
- List the characteristics of your average customers: age, location (market area), average income/sales, sex, life style (family or single), working and other important information. The more you understand about your market, the better you can see to it.
- What do customers like and dislike about your product/service or business?
- Estimate how much the total market will spend on this or similar products/services in the next year.

B. Environment

- Discuss any environmental factors (economic, legal, social or technological) which affect your market or product/service. Environmental factors are those which have significant effects on

your operation, but over which you have no control (i.e., county growth, rising energy costs, prices, etc.).

C. Competition

- Discuss your competition; number of competitors (direct or indirect), type of company (i.e., product or service), location, age, reputation, size (sales or customers), market share.
- Estimate how much of your product/service ALL the competitors will provide in the next year.
- List major competitors (names and addresses). Discuss their product/service, features, age of business, price, location/distribution, reputation/image, market share, size, product/service quality and marketing strategy.

D. Competitive Advantages and Disadvantages

- Discuss how your product/service meets market needs and how you can compare with the competition in terms of product/service features, location, distribution, price, other.
- Compare your estimates of the market's demand and the competition's supply.
- The relationship of supply and demand will affect your marketing and sales strategy. High demand with low supply usually means less competition and less advertising. Low demand and high supply indicates a very competitive situation and a need for extensive marketing.

E. Projections

- Give your projections in terms of either the number of customers, items sold, or contracts obtained, etc.

5. Market Strategy

A. Sales Strategy

- Present your marketing strategy. In other words, tell how you will get the edge on your competition and get customers. This is your action plan to get business.
- Your product/service will sell because one or more of the following is attractive: advertising, pricing (high, medium, low), distribution system (limited, widespread, etc.) and promotion.

B. Promoting Strategy

- Describe how you plan to promote your product/service. State how you will promote: advertising, direct mail, personal contacts, sponsoring events or other word of mouth, trade associations, etc.).
- If you plan to advertise what media you will use: radio, television, newspaper, magazines, telephone book yellow pages, Internet, and/or

other (billboard, etc.). State why you consider the media you have chosen to be the most effective.

- State the content of your promotion or advertising: what your product/service is, why it is attractive, business location, business hours, business phone number, web site, and other. When you are designing your advertising, remember you are selling to satisfy someone's needs. Refer back to your Market Analysis on need.

6. Management

- Why have you chosen this type of business?
- For key management personnel (e.g., the owners), include the following: resumes, personal financial statements, tax returns for the last three years and personal family budget.
- Describe prior experience that qualifies management to run this type of business. State why you can run this business. State how much time management will devote to running this business. Discuss local contacts who may assist you in your business.

7. Financial

A. Source and Uses

- Describe the project to be financed.
- State where the money to pay for the project will come from (sources) and show in detail how it will be used (uses). The most common uses are equipment, leasehold improvements, inventory and working capital.

B. Statement

- If business is an existing one, include business tax returns and financial statements for the last three years. Financial statements should include:
 - ◆ Balance Sheet
 - ◆ Income Statement
 - ◆ Accounts Receivable and Aging
 - ◆ Accounts Payable and Aging
 - ◆ Debt Schedule
 - ◆ Reconciliation of Net Worth
- For both existing and new businesses, project the following financial statements for the next three years (monthly for the 1st year, annually for 2nd and 3rd years).
- Operating (or Income) Statement with explanation (sales, expenses, profit):
 - ◆ Balance Sheet
 - ◆ Reconciliation of Net Worth
 - ◆ Cash Flow with Explanation
 - ◆ Break-even Analysis

Chapter 3. Legal Formation

Selecting the proper business structure under which you will operate your business is one of the most important decisions that you will make. Many new business ventures develop without a great deal of planning and this lack of planning can result in predictable difficulties for the new business and contribute to its failure.

Missouri law allows individuals to operate under four forms or organization:

- sole proprietorships
- partnerships
- corporations
- limited liability companies

Each of these structures has its own advantages and disadvantages and there are many modifications and variations within these forms, but the key to selection revolves around the concept of liability and taxation. The entrepreneur, the founder of the business, must decide which of these four structures best suits the type of business. In choosing your business structure, consult with both a qualified accountant and attorney who are familiar with your resources and objectives.



While it is possible for a business to start under one structure and change to another later, proper planning can prevent the difficulties, expenses and operational problems which would result from such a change. Even when considerable thought and planning have been given to the initial structure, however, the entrepreneur should be aware that change of circumstances and conditions may require a change in structure even after the business is established and operational.

A description of the forms of organization and some of the advantages and disadvantages follow.

	SOLE PROPRIETORSHIP	PARTNERSHIP / REGISTERED LIMITED LIABILITY PARTNERSHIP	LIMITED LIABILITY COMPANY (LLC)	S CORPORATION	C CORPORATION
Legal Liability	Unlimited	Unlimited for general partnership, limited for RLLP	Limited, same as RLLP or corporation	Limited	Limited
Continuity of the Entity	Limited to life of proprietor	Limited, unless provided for in partnership contract	Dissolve date	Perpetual Life	Perpetual Life
Acquisition of Capital	Limited to only what the proprietor can secure	Generally limited to what partners collectively can raise	Generally limited to what members collectively can raise	Maximum of 75 stockholders, but capital generally not raised by selling stock	Unlimited number of stockholders, but capital generally not raised by selling stock
Transfer of Interest	Easy because all assets owned by individual proprietor	Right to distributions easy to transfer; interest in assets and right to management cannot be transferred without consent of other partners	Economic rights are transferable, management rights transferable with consent of other members	Stock easy to transfer unless restricted by agreement, by articles of incorporation or by being statutory close corporation	Stock easy to transfer unless restricted by agreement, by articles of incorporation or by being statutory close corporation
Management	All management decisions by proprietor	Usually all general partners will be actively involved in management activities	Usually managed by members, but can have separate managers with duties as outlined by the operating agreement	Managed by directors, who are elected by shareholders unless statutory close corporation has chosen to eliminate directors	Managed by directors, who are elected by shareholders unless statutory close corporation has chosen to eliminate directors.
Taxation of Income and Expenses	All income and expenses reported on proprietor's individual tax return	Divided among partners in accordance with investment or partnership agreement and reported on partners' individual returns	Divided among members in accordance with investment or operating agreement and reported on members' individual returns	Passed directly through to the shareholders according to the amount of stock held. Generally no income tax paid by corporation	Taxed separately at the corporate level, again at the shareholder level if distributed as a dividend
Liquidation of Entity	At the discretion of the proprietor, treated as sale of individual assets	Required upon withdrawal of a partner unless partnership agreement permits business continuation	Same as partnership	Normally a two-thirds vote of shareholders is required	Normally a two-thirds vote of shareholders is required
Major Advantages	Independence, flexibility, minimum of legal requirements	Additional management input and operational responsibilities shared, additional capital and equity available, flexibility, shared overhead means increased profits, limited liability with RLLP	Same as partnership plus limited liability without having to file annual document, can be treated as any business form for income tax purposes	Limited liability, profits taxed once, direct pass through of income and expenses to shareholder	Limited liability, can offer fringe benefits to owners and deduct them for income tax purposes
Major Disadvantages	Unlimited liability, limited life, limited management ability, limited investment potential	Unlimited liability unless RLLP, annual renewal filing to keep RLLP, limited life, relations among partners can cause problems, changes of partners or partnership agreement may be difficult	Relations among members can cause problems, changes of members or operating agreement may be difficult	Not every corporation can qualify, cannot deduct fringe benefits for owners or their families, relations among shareholders or directors can cause problems	Difficult to get assets out or to sell business without double tax, relations among shareholders or directors can cause problems

Check with the Secretary of State's
Name Availability Desk (573/751-3317)
to determine if the business name you have
selected is available.

THE FOUR TYPES OF BUSINESS STRUCTURES

SOLE PROPRIETORSHIP

The most common form of a new business is sole proprietorship. This is a business owned by a single individual.

The greatest advantage of sole proprietorship is that no planning for structure is required, and the individual owner is free to operate as she or he chooses.

Some disadvantages of sole proprietorship are the limited opportunity for expansion and the owner's personal responsibility for all obligations, debts and other liabilities the business may incur. While insurance is available for protection from these hazards, the cost may be prohibitive. Growth of a sole proprietorship will usually result in a change from this structure.



Forms required: Fictitious Name Registration

PARTNERSHIP

A partnership is the joining of one or more individuals, corporations or other entities under a partnership agreement. The law does not recognize the partnership as a separate distinct entity; rather, it considers the partnership to be all of the partners acting together.

All powers, liabilities and authorities of the partners are controlled and limited by the partnership agreement. However, it is possible for a partner to exceed his or her authority and for the partnership to be bound when the person with whom the partner does business is not aware of the limitations contained in the partnership agreement. Partnership agreements are in writing and, if there are limitations placed upon individual partners, such agreements should be made available to any person or company with whom the partnership does business.

There are three types of partnerships recognized under the law: general partnerships, limited partnerships and limited liability partnerships.

General Partnerships

Most states, including Missouri, legislate the formation of general partnerships. Missouri has adopted the Uniform Partnership Law which is the standard in many states. However, the uniform law is not identical in every state. Notice should always be made of the unique aspects of the law within each state in which the partnership is conducting business.

The advantages of a general partnership are that the partners may conduct any legal business and the income and expenses of the partnership are directly taxable to each individual partner based on his or her proportionate interest within the partnership. The partnership files an information tax return and pays no income tax itself.



Forms required: Fictitious Name Registration

Limited Partnerships

The laws of the various states, including Missouri, permit the formation of a partnership in which the liability of most of the partners is limited. Limited partnerships must have at least one general partner who is responsible for all debts, liabilities and other obligations of the partnership.

As a general rule, the liability of the other partners, referred to as limited partners, is limited to the amount that each partner has invested or agreed to invest in the partnership. A limited partner should not take an active role in the business. By taking an active role, a limited partner risks becoming a general partner.

The advantage of a limited partnership over a general partnership is that most of the partners limit their liability while preserving the right to participate in profits and/or tax advantages.

While limited partnerships lost some of their usefulness under the Tax Reform Act of 1985, they still remain a very viable structure for certain types of businesses.



Forms required:

Must file a Certificate of Limited Partnership; contact Secretary of State's Office (573/751-3317) and request a copy of form LP #41.

CORPORATION

Before considering the advantages and disadvantages of a corporation as a business structure, it is important to understand the concept. A corporation is a legally created entity with right, duties, powers and responsibilities in and

of itself. Each state has a section of law covering those aspects of corporations. The law is similar in each state, but not identical.

A corporation cannot act except through individuals. When individuals perform on behalf of a corporation, the actions are usually attributable to the corporation and not to the individual. The ownership of property, the incurrence of debt, and the performance of services and sales of goods are the responsibility of the corporation rather than the individuals in the corporation.

Shareholders contribute capital to the company and are the owners of the corporation. Shareholders are not responsible for the debts or liabilities of the corporation.

One advantage of the corporate structure is that shareholder liability is limited to the loss of the shareholder's investment unless a shareholder accepts additional responsibility such as guaranteeing a loan to the company. Limitation of liability was the original reason for the creation of the corporate entity and it is still a basic consideration in the formation of any new business using the corporate structure.

An additional advantage of corporations is the ability to bring other individuals into ownership of the business to raise additional funds.

There are few disadvantages to using the corporate form in setting up a business. Some minor costs are incurred for incorporating and for annual filing fees within states in which the corporation is doing business.

Both state and federal governments recognize the existence of a corporation and levy an income tax against the corporation. However, a corporation may elect to be taxed as an individual. (see "Tax Considerations" on page 32).

Corporations are subject to the following requirements:

- File articles of incorporation;
- Adopt a set of bylaws;
- Observe other corporate formalities on a regular basis such as the election of directors by shareholders and appointment of officers by action of the board;
- File Form SS-4 with the IRS to obtain an Employer Identification Number (EIN), even if there are no employees;
- File the required state and federal estimated tax, quarterly;
- File federal income tax on Form 1120, or Form 1120-S for an Subchapter S Corporation, and state income tax on Form 1120 or 1120-S;
- File an annual report and pay annual fee to continue corporation with the Secretary of State's Office.



Forms required:

Corporation:

Fictitious Name Registration
Federal Employer Identification (EIN) SS-4
Schedule of Corporation Fees and Charges:
Domestic For Profit Instruction Sheet:
Articles of Incorporation of a For Profit Corp (form)

Foreign (non-Missouri) Corporation:

Fictitious Name Registration
Federal Employer Identification (EIN) SS-4
Application for Certificate of Authority to do business in MO
Application for Foreign Corporation for a Certificate of Authority (form)

General Business Corporations

While there are four types of corporations, entrepreneurs will most probably use the general business corporation. The most common form of corporation, the general business corporation, is also known as a for profit corporation.

A general business corporation may engage in most activities except those which are specifically prohibited by law. It may not engage in business for which license are required, such as the practice of law or medicine. A general business corporation may pursue other businesses such as banking, insurance or financing if state approval is obtained.

Subchapter S Corporation provides the legal protection of a corporation, but for tax purposes, the income or loss is passed on to the shareholders in proportion to their ownership. It is important to note that to be recognized as a Subchapter S Corporation, the corporation must apply to the Internal Revenue Service (IRS) for "S Status" -- request form 2553.

A corporation can elect "S" status if it meets the following requirements:

1. It must be a domestic corporation.
2. It must have only one class of stock.
3. It must not have more than 35 shareholders.
4. It has a calendar tax year or a business purpose for adopting a fiscal year.
5. It must have only individuals and their estates and certain trusts as shareholders.
6. All shareholders must be citizens or residents of the U.S.
7. It must not be a member of an affiliated group of corporations.

Close Corporation: Missouri law allows for the creation of close corporations (sometimes referred to as “C corps”). Missouri’s law is based on the Model Business Corporation Act. Missouri’s Close Corporation Law is designed to make it easier for one or a few persons to do business as a corporation. Under this law, a close corporation can choose not to have a board of directors, annual meetings or bylaws if so stated in the article of incorporation. (See Section 351.315 of Missouri Statutes for more information).

A regular business corporation may become a statutory close corporation if it has fifty or fewer shareholders and amends its articles, with a 2/3 vote, to state that it is a statutory close corporation.

Not-For-Profit Corporations

The main distinction between a not-for-profit corporation and a general business corporation is that a not-for-profit corporation has members who receive certificates of membership rather than share. The profits and properties of the corporation do not belong to the members.

A not-for-profit corporation may pay reasonable compensation to its employees and may make a profit, which means that it has more income than expenses. Hospitals are good examples of not-for-profit corporations. To qualify as a not-for-profit corporation, the company must have an ultimate purpose, specified by law, such as a charitable, educational, civic, religious, or cultural purpose.

Many not-for-profit corporations are tax exempt. However, merely forming a not-for-profit corporation under Missouri state law does not guarantee that the state or federal government will treat the organization as tax exempt. Separate qualifications are required for tax-exempt status.



Forms required:

- Domestic Nonprofit Instruction Sheet
- Important Notice for Persons Forming Missouri Not for Profit Corp.
- Articles of Incorporation of a Nonprofit Corp (form)
- Nonprofit Corporation Application for Certificate of Authority To Do Business in Missouri
- Application for Certificate of Authority of a Foreign (non-Missouri) Nonprofit Corporation (form)

Professional Corporations

Professional corporations are formed for the single purpose of practicing one of the licensed professions such as law, medicine, engineering or

architecture. The key feature of this type of corporation is that all of the stock must be owned by individuals licensed to practice the profession for which the corporation was formed. Although this type of corporate structure has limited application, it should be considered where appropriate.



Forms required:

Schedule of Corporation Fees and Charges:

Domestic For Profit Instruction Sheet:

Articles of Incorporation of a For Profit Corp (form)

Professional corporations register with Secretary of State using the same standard corporation form, striking out “General” and writing/typing in “Professional.” All licensed professions need to obtain a copy of Form #76 from the Secretary of State’s Office and submit the form to the Division of Professional Registration for completion of licensure information. The completed form must be attached to their corporation forms. Contact the Secretary of State’s office at 573/751-3317 or MBAC for a copy of the form.

LIMITED LIABILITY COMPANIES (LLC)

In 1993, Missouri enacted a statute creating a new form of business entity, the limited liability company. Most other states have also created this type of business entity within the past few years. A limited liability company is a non-corporate business. Members of the company can be actively involved in the management of the business, but they are shielded from liabilities. A limited liability company is not a corporation, partnership or trust; but has corporate-like liability protection for the owners and partnership-like flexibility in capital and management structure.

Limited liability companies are relatively easy to organize and maintain. In Missouri, a limited liability company can conduct any business activity. Business owners use this type of organization because it can combine the liability protection of corporations with the flexibility and tax advantages of partnerships.

A variety of different business owners are choosing to organize their businesses as limited liability companies. This type of business organization is especially attractive to family businesses or other businesses where retention of control and restrictions on transfer of ownership interests are important. Professional firms are also being organized as limited liability companies, as are real estate ventures and other businesses.

Any person may form a limited liability company by signing and filing Articles of Organization with the Secretary of State’s office. LLC’s are also required by state law to have an “operating agreement” (plan on how you

will operate your business). Creating a limited liability company generally requires the assistance of a lawyer who has studied this type of business organization and who can shape the limited liability company to meet the needs of the owners. Limited liability companies must be properly structured and maintained for their members to be taxed as if they were a partnership or a corporation.



Forms required: Articles of Organization (LLC-1)

JOINT VENTURES

A joint venture is a partnership of one or more sole proprietors, partnerships or corporations for the purpose of performing specific goals or tasks, such as a large construction project or the development of certain products or services. One such joint venture was the General Motors-Toyota agreement for the joint production of cars to be offered through General Motors dealerships.

The advantage of a joint venture is that existing businesses can join together without forming a new entity and without having any continuing obligations to each other beyond the joint venture agreement.

The disadvantage is that unless a party with whom a joint venture is doing business is made aware of any limitations, all parties to a joint venture are liable to such third parties whether or not the liability is specified in the joint venture agreement.

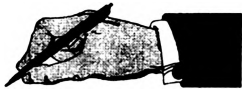
Forms required: consultation with an attorney is usually required

FICTITIOUS NAME REGISTRATION



Missouri law requires any person who regularly transacts business in the state under a name other than his/her own "true name" must register that business name with the Secretary of State's Office under a Fictitious Name Registration. For a sole proprietorship or partnership, a business name is generally considered "fictitious" unless it contains the full name (first and last name) of the owner or all of the general partners and does not suggest the existence of additional owners. Use of a name which includes words like "company," "associates," "brothers," or "sons," will suggest additional owners and will make it necessary for the business to file and publish the

fictitious business name on company letterhead, business cards, in advertising, or on its product.



Forms required:
Fictitious Name Registration

TAX CONSIDERATIONS

Tax considerations are essential during the formation of a new business and during its entire life. When a business is just starting out, it may have little or no income or assets, and the choice of structure may not seriously affect its tax liability. However, as the business grows, the tax implications become more significant.

Choosing a particular structure does not necessarily determine how the business will be taxed. While a corporation can elect to be taxed as an individual, there are strict limitations placed upon such an election. Since the income of a sole proprietorship is taxed directly to the individual proprietor, sole proprietors should keep open the option of incorporation, which would change the tax impact on the business.



Corporate taxation allows choices, and time must be taken to understand these choices. Obtaining professional tax advice is highly recommended.

The most complicated tax structurally is that of a partnership. Usually professional advice is required for the structuring of a partnership to take fullest advantage of the opportunities available under the tax laws.

For a detailed discussion of taxes, see Chapter 4.

OWNERSHIP CONSIDERATIONS

The entrepreneur should determine who will own the business and to what extent. Ownership gives the right to share in the profits but, under certain structure, it also gives the responsibility for the debts and obligations of the business. This is particularly true in the sole proprietorship and partnership structures.

As the business grows and matures, it may be necessary to allow additional individuals to participate in ownership. The corporate structure is best suited for adding owners. Additional stockholders can usually be added if desired by management. Adding a new partner to a partnership usually requires the consent of all other partners as well as the execution of a new partnership agreement.

ESTATE PLANNING CONSIDERATIONS

An often-overlooked factor in choosing the business structure is estate planning. Planning for death or retirement is a prime concern for a new or growing company. The structure which gives the most latitude for estate planning is the corporate structure.

GOING OUT OF BUSINESS CONSIDERATIONS

Generally speaking, there are two reasons for ending a business. The first is voluntary termination of the business by the owners at a predetermined time even though the business is solvent. Little consideration of a structure is needed in a voluntary termination since all the structures allow the owners to liquidate the assets and terminate the business. There is an election that a corporation can make to minimize the tax consequences. Professional help should be sought in this instance.

The second is involuntary termination which occurs when a business is unable to pay its obligations or when it has more liabilities than assets. Usually creditors force the termination of the business. Professional help is required in this case because, generally speaking, a change in the company's structure during insolvency is improper and might subject the individuals to additional personal liabilities.

As soon as it become apparent that a business is insolvent, owners and employees must cautiously discharge all of their duties to the various creditors in a nondiscriminatory way, whether the business is a sole proprietorship, a partnership, a corporation or a limited liability company.

Corporate officers and directors may incur personal liability by knowingly disposing of assets when the business is insolvent. The general rule is that officers and directors of a corporation, limited partners in a limited partnership and employees of a sole proprietorship (other than the sole proprietor) are not personally responsible for the debts of the business but that they may become liable if certain creditors receive preferential treatment when the business is insolvent.

There are also provisions in the Internal Revenue Code which make the individuals in charge of the business personally responsible for unpaid taxes. The same is true of limited partnerships if a limited partner takes an active role in the business, insolvent or not.

Regardless of the business structure, once a business becomes insolvent, great caution must be exercised and professional advice should be obtained.

FRANCHISES

A franchise is a license from the owner of a trademark or service mark permitting another to sell a product or service under that distinctive mark. Put another way, a franchise also has been defined as an arrangement whereby a firm (franchisor), that has developed a pattern or formula for the conduct of a particular kind of business, extends to other firms (franchisees) the right to engage in the business, provided they follow an established pattern. In return, the franchisor undertakes to assist the franchisee through advertising, promotion and other advisory functions. As a general rule, the owner of the trademark or service mark has an obligation to the general public to monitor and control the quality of the product or service which is being marketed.

The federal government and the state of Missouri, through the Secretary of State's office, provides for protection of trademarks and service marks through registration.

PROTECTION OF INTELLECTUAL PROPERTY

Intellectual property includes patents, trademarks, copyrights and trade secrets. Some or all of these may be the primary assets of a business.

Patents

Under well-known antitrust principles, a business cannot obtain a monopoly by actions that keep out competition. However, if a business creates a new product, and the product meets certain tests, that creative contribution can be covered by a patent. A patent grants a monopoly for a period of seventeen (17) years with respect to newly created products. As a result, the incentive to invent is rewarded. The monopoly granted takes nothing from what already existed and is of limited duration. Upon expiration of the patent the invention becomes public property.

Trademark and Service Mark

A trademark identifies the source or origin of products or goods being marketed, whereas a service mark identifies the source of origin of a service. Words, symbols, logos and slogans are commonly used as trademarks or service marks and, if the marks are used in commerce, they may be registerable on the Federal Register.

Since a trademark or service mark must identify source or origin, it cannot resemble another mark to the extent that confusion as to source or origin would be likely. If a proposed mark is generic or merely descriptive of the goods or service, it is not capable of identifying source or origin and cannot function as a trademark or service mark.

Contrary to popular belief, the registration of a trademark or service mark does not create the mark. Ownership originates by virtue of use of the mark. Consequently, the date of first use of a mark can be crucial, and any business adopting a new mark would be well advised to incorporate the mark promptly in a correct manner of trademark or service mark usage.

In the case of a trademark, the creation results from using the mark on or in connection with the sale of the goods. For a service mark, use can be on or in connection with the sale or advertising of the services. Under U.S. law such use is required before the mark can be registered. Accordingly, the first rights in a trademark or a service mark are necessarily common law rights acquired by virtue of use of the mark.

Because of the additional rights granted under the Federal Trademark Act, most trademark and service mark owners proceed without delay to seek registration of their marks. The principal and important advantages of federal registration are that the owner of a registration is presumed to be the owner of the mark covered by the registration and does not have to prove that ownership in order to make a case of trademark infringement. Federal registration also includes the right to sue in federal court for infringement of a trademark or service mark. In addition, the transfer rights in a trademark or service mark are more specific and the rights transferred are broader if the mark is registered.

Information for this section was provided by the Missouri Bar Entrepreneurial Law Committee, through their publication "Entrepreneurial Law Handbook." Copies are available from our office.



For more information on patents, trademarks and service marks, please consult with a patent attorney or other qualified individuals. The SBDC at Warrensburg offers assistance with patents and trademarks; for more information on their services contact Mark Manley at 660/543-4402. You can also contact the U.S. Patent and Trademark Office at 703/308-4357 for information.

ACQUIRING OR MERGING WITH OTHER BUSINESSES

The corporate form is the most flexible structure for acquiring or merging with other business. This is true even if the other business is a sole proprietorship or a partnership. When two businesses merge, all considerations of the different structure must be re-evaluated. The same questions that were considered when the original business was established must be asked again for the new business.



PURCHASE OF EXISTING BUSINESS

Before you purchase an existing business, be sure that you obtain a “Certificate of No Tax Due” (issued by the Missouri Department of Revenue) from the previous owner of the business. Without this document, you may also be purchasing existing sales tax and/or withholding tax obligations.

Missouri State Tax Rule 12 CSR 10-3.500 states:

1. Every person purchasing a business or stock of goods shall immediately notify the Director of Revenue of the business name, owner’s name, date of purchase and type of business or stock of goods.
2. All successors/purchasers shall withhold enough of the purchase money to cover the amount of taxes, interest or penalties due and unpaid by all former owners or predecessors, whether immediate or not. The money should be withheld until the former owners or predecessor produce a receipt from the Director of Revenue showing full payment has been made to the state or a certificate stating that no taxes are due. The certificate of no tax due should apply to all periods through the date of closing. Otherwise, the successor/purchaser shall become personally liable for the unpaid tax, penalty and interest accrued.

Example: Mr. Smith purchases a business from Mr. Jones for \$50,000.00. He acquires all the inventory. He does not ask Mr. Jones for a certificate of no tax due. Mr. Smith comes in to apply for a Missouri Tax I.D. number and receives it. However, after receiving his license for the business he finds Mr. Jones has sales tax delinquencies totaling \$20,000.00 which Mr. Smith must pay because he is now successor. Mr. Smith is now paying two people for the business—Mr. Jones and the Department of Revenue.

3. All purchasers have a duty to discover whether taxes are due and unpaid by any former owners or predecessors, whether immediate or not, and ignorance will not relieve a purchaser from successor tax liability. Reliance on an affidavit pursuant to Missouri’s Bulk Transfer Act, stating that there are no creditors of the business, will not relieve a purchaser from successor tax liability.



To prevent this problem, obtain a “Certificate of No Tax Due” from the seller **BEFORE** you purchase the business. If you have any questions concerning Successorship, please call 573/751-9268, or write the Missouri Department of Revenue, Collections and Taxpayer Services Bureau, P.O. Box 3666, Jefferson City, MO 65105-3666.

EMPLOYER IDENTIFICATION NUMBER (EIN)

Every employer maintaining an office or transacting any business in Missouri and making payment of wages to a resident or nonresident individual must obtain a Missouri Employer Tax Identification Number, which is required by federal law if you are an employer, partnership or corporation. Some entities, such as financial institutions, also require a business to have an identification number. The application form (SS-4) is available from the Internal Revenue Service (IRS) or from our office.

OCCUPATIONAL LICENSES

The state of Missouri licenses or certifies a variety of occupations and activities. The following list provides information on the more common occupations, the administering agency and a phone number for additional information on licensing requirements:

OCCUPATION:	ADMINISTERING AGENCY:	PHONE:
ACCOUNTANT	PROFESSIONAL REGISTRATION	573/751-0012
ADULT DAY CARE PROGRAM	DEPT. OF SOCIAL SERVICES	573/751-3082
ANIMAL CARE FACILITY	DEPT. OF AGRICULTURE	573/751-2540
APIARY (Beekeepers)	DEPT. OF AGRICULTURE	573/751-5505
ARCHITECTS	PROFESSIONAL REGISTRATION	573/751-0047
ATHLETIC TRAINERS	PROFESSIONAL REGISTRATION	573/751-0098
ATHLETICS	PROFESSIONAL REGISTRATION	573/751-0243
AUDIOLOGY CLINICAL	PROFESSIONAL REGISTRATION	573/751-0098
BARBER	PROFESSIONAL REGISTRATION	573/751-0805
BEVERAGE MANUFACTURER	DEPT. OF HEALTH	573/751-6090
CATERERS PERMIT (Temp Liquor License)	DEPT. OF PUBLIC SAFETY	573/751-2333
CERTIFIED PESTICIDE PRIVATE	DEPT. OF AGRICULTURE	573/751-5504
CHILD PLACING AGENCY	DEPT. OF SOCIAL SERVICES	573/751-4920
CHIROPRACTOR	PROFESSIONAL REGISTRATION	573/751-2104
COSMETOLOGY	PROFESSIONAL REGISTRATION	573/751-1052
DAY CARE FACILITY (Adult)	DEPT. OF SOCIAL SERVICES	573/751-3082
DAY CARE FACILITY (Child)	DEPT. OF HEALTH	573/751-2450
DEAD ANIMALS, DISPOSAL OF	DEPT. OF AGRICULTURE	573/751-2540
DENTISTS	PROFESSIONAL REGISTRATION	573/751-0040
EGG PROCESSORS	DEPT. OF AGRICULTURE	573/751-5639
EMBALMERS & FUNERAL DIR.	PROFESSIONAL REGISTRATION	573/751-0813
EMPLOYMENT AGENCIES	PROFESSIONAL REGISTRATION	573/751-0293
ENDOWED CARE CEMETERIES	PROFESSIONAL REGISTRATION	573/751-0849
ENGINEERS	PROFESSIONAL REGISTRATION	573/751-0047
FAMILY DAY CARE HOME	DEPT. OF SOCIAL SERVICES	573/751-2450
FIREWORKS PERMIT	DEPT. OF PUBLIC SAFETY	573/751-2930
FISHING PERMIT (Commercial)	DEPT. OF CONSERVATION	573/751-4115
FOOD ESTABLISHMENT	DEPT. OF HEALTH	573/751-6090
GAS/KEROSENE DISTRIBUTORS	DEPT. OF AGRICULTURE	573/751-4278
GEOLOGISTS	PROFESSIONAL REGISTRATION	573/526-7625
GRAIN WAREHOUSE/GRAIN DEALER	DEPT. OF AGRICULTURE	573/751-4112
GREENHOUSE	DEPT. OF AGRICULTURE	573/751-5505
GROUP DAY CARE	DEPT. OF SOCIAL SERVICES	573/751-2450
HEALING ARTS	PROFESSIONAL REGISTRATION	573/751-0098
HEARING INSTRUMENT SPECS	PROFESSIONAL REGISTRATION	573/751-0240

HOME HEALTH AGENCY	DEPT. OF HEALTH	573/751-6336
INSURANCE: AGENT & BROKER	DEPT. OF INSURANCE	573/751-3518
INTERPRETERS FOR THE DEAF	PROFESSIONAL REGISTRATION	573/526-7787
JUNKYARD (Operate & Maintain)	DEPT. OF HIGHWAY & TRANSP.	573/751-0982
LAND SURVEYORS	PROFESSIONAL REGISTRATION	573/751-0047
LANDSCAPE ARCHITECTS	PROFESSIONAL REGISTRATION	573/751-0039
LIVESTOCK MARKET	DEPT. OF AGRICULTURE	573/751-2539
LODGING ESTABLISHMENT	DEPT. OF HEALTH	573/751-6090
LONG TERM CARE FACILITY	DEPT. OF AGRICULTURE	573/751-4278
MENTALLY ILL, DAY PROGRAM FOR	DEPT. OF MENTAL HEALTH	573/751-4024
MILK PRODUCTS PROCESSOR	DEPT. OF AGRICULTURE	573/751-5639
MILK PRODUCTS DISTRIBUTION	DEPT. OF AGRICULTURE	573/751-5639
MILK, RAW: EXPORTS OF	DEPT. OF AGRICULTURE	573/751-3830
MILK, RAW: BROKERAGE LICENSE	DEPT. OF AGRICULTURE	573/751-3830
MOBILE HOMES, MANUFACTURER	ECONOMIC DEVELOPMENT	573/751-2557
MODULAR UNITS, MANUFACTURER	ECONOMIC DEVELOPMENT	573/751-2557
MOISTURE MEASURING DEVICES	DEPT. OF AGRICULTURE	573/751-3440
MOTOR VEHICLE INSPECTION STA.	DEPT. OF PUBLIC SAFETY	573/751-3313
MOTOR VEHICLE SALVAGE	DEPT. OF REVENUE	573/751-4469
MOTOR VEHICLE DEALER REGIS.	DEPT. OF REVENUE	573/751-8638
NURSERY DEALER	DEPT. OF AGRICULTURE	573/751-5505
NURSING	PROFESSIONAL REGISTRATION	573/751-0681
OCCUPATIONAL THERAPISTS	PROFESSIONAL REGISTRATION	573/751-0877
OPTOMETRY	PROFESSIONAL REGISTRATION	573/751-0814
PERFUSIONISTS	PROFESSIONAL REGISTRATION	573/751-0098
PESTICIDE DEALER LICENSE	DEPT. OF AGRICULTURE	573/751-5504
PESTICIDE APPLICATOR LICENSE	DEPT. OF AGRICULTURE	573/751-5504
PHARMACY	PROFESSIONAL REGISTRATION	573/751-0091
PHYSICAL THERAPISTS	PROFESSIONAL REGISTRATION	573/751-0144
PHYSICIANS AND SURGEONS	PROFESSIONAL REGISTRATION	573/751-0098
PHYSICIAN'S ASSISTANTS	PROFESSIONAL REGISTRATION	573/751-0098
PODIATRY	PROFESSIONAL REGISTRATION	573/751-0873
PROFESSIONAL COUNSELORS	PROFESSIONAL REGISTRATION	573/751-0018
PSYCHOLOGISTS	PROFESSIONAL REGISTRATION	573/751-0099
REAL ESTATE AGENTS	PROFESSIONAL REGISTRATION	573/751-2628
REAL ESTATE APPRAISERS	PROFESSIONAL REGISTRATION	573/751-0038
RESIDENTIAL CARE AGENCY	DEPT. OF SOCIAL SERVICES	573/751-4920
RESPIRATORY CARE PRACTITIONERS	PROFESSIONAL REGIS.	573/751-5864
SOCIAL WORKERS, CLINICAL	PROFESSIONAL REGISTRATION	573/751-0885
SPEECH PATHOLOGY	PROFESSIONAL REGISTRATION	573/751-0098
SWINE QUARANTINED FEEDLOT	DEPT. OF AGRICULTURE	573/751-4358
THEATRICAL BOOKING AGENCIES	DIVISION LABOR STANDARDS	573/751-3403
TIMBER, TREATED, DEALER	DEPT. OF AGRICULTURE	573/751-5502
TIMBER, TREATED, PRODUCER	DEPT. OF AGRICULTURE	573/751-5502
VETERINARY MEDICAL	PROFESSIONAL REGISTRATION	573/751-0031

STATE LICENSE AND PERMIT REQUIREMENTS

There are numerous licenses, fees, permits and other requirements at the state level with which businesses must comply. This section is intended to give you a general overview of the requirements.

State Business Licenses, Fees, Permits and Regulations



The Missouri Business Assistance Center (MBAC) maintains a database, referred to as the “First Stop Shop,” that includes information on all of the state-level licenses, fees, permits and requirements related to business operations in Missouri. The database tracks the data by SIC (Standard Industrial Classification) codes. This code allows MBAC to produce a listing based on the type of business activity. The database currently contains information on nearly 300 licenses, permits and other requirements. The information ranges from the standard business requirements of sales tax numbers and vehicle licensure to more obscure requirements. Data is collected from all state agencies. For more information and assistance, please contact the Missouri Business Assistance Center at 573/751-2863 or e-mail at: mbac@mail.state.mo.us

Motor Vehicle Licensing, Registration

Missouri law defines a commercial motor vehicle as a motor vehicle designed or regularly used for carrying freight and merchandise, or more than eight passengers. Vanpools (used to transport employees to and from work) and shuttle buses (used to transport customers to and from your place of business) are not included in this definition and may be registered as “regular” motor vehicles.

Under this definition, all trucks are commercial vehicles in Missouri because they are designed to carry freight.

A commercial motor vehicle whose operations are confined solely to a 25-mile area around a single municipality is defined as a “local commercial vehicle.” These definitions are used to determine registration fees for the various types of vehicles.

Unless your commercial vehicle is licensed for less than 12,000 lbs., and is not regularly used for commercial purposes, you must display the following information on your vehicle or vehicles:

1. The name of the owner
2. The address from which you operate the vehicle, or the number issued to the carrier by the Missouri Division of Transportation
3. If it is a local vehicle, the word “LOCAL.”

Licensing: You do not need to have your vehicle inspected if:

- Your commercial vehicle is used for interstate commerce and is registered with the Missouri Highway Reciprocity Commission.
- The vehicle was originally issued a registration for less than one year.

- You are registering a vehicle that has not been in Missouri in the past 60 days.
- You have a registration receipt showing that the license plate being renewed was properly transferred within the past six months.

You will need a statement saying that the vehicle has not been in Missouri and that you will have the vehicle inspected within 10 days of bringing it to Missouri. When driving your commercial vehicle, you must abide by Missouri law concerning license plates, license plate lights, load projections from the vehicle, towlines, and slow moving vehicle signs. These laws are found in Chapter 301 of the Revised Statutes of Missouri.

You can find a brief summary of these and other motor vehicle and driving laws in the MISSOURI DRIVER GUIDE, published by the Missouri Department of Revenue. For a copy, please write to the Drivers License Bureau, P.O. Box 200, Jefferson City, MO 65105, and request a copy of the Missouri Driver Guide.

Commercial Drivers Licensing

Missouri drivers who transport people or property for hire must carry a Class A, B, C or E drivers license. The class you and your drivers require depends on the class of vehicle you intend to use commercially.

If you are hiring drivers who will be driving class A, B or C vehicles, you should obtain a Commercial Drivers Licensing manual from the Missouri State Highway Patrol or the Missouri Drivers License Bureau.

LOCAL LICENSES AND PERMITS



Contact with local (county, city, township) government agencies early in the planning stages of your business is very important. This contact will provide you with information that is essential to your business operation.

Most cities, and some counties, require businesses to be licensed. Check with the city and county clerk for the requirements in your community and county. For a listing of County Clerks, refer to Chapter 7, "Resources".

Local Zoning Regulations

Be sure to check with the local city and/or county planning/zoning department to make sure that the site you have selected for your business is zoned to accommodate the activities of your business. This is especially true if you plan to operate your business from your home.

Chapter 4. Taxes

Understanding the taxes that apply to your business and how to meet the legal requirements of those taxes is critical. Consultation with an accountant or attorney is advisable.

FEDERAL TAXES

FICA

The Federal Insurance Contributions Act provides for a federal system of old age, survivors, disability and hospital insurance (Medicare). The old age, survivors and disability portion is financed by the Social Security Tax, while the hospital insurance portion is financed by the Medicare tax.

Self-Employment Tax

You must pay Self-Employment Tax if:

1. You were self-employed and your net earnings from self-employment (excluding any church employee income) were \$400 or more; or
2. You performed services for a church as an employee and received income of \$108.28 or more. However, if you are a member of the clergy or a religious worker, you may not have to pay Self-Employment Tax.

You are self-employed if you carry on a trade or business as a sole proprietor, an independent contractor, a member of a partnership, LLC, or are otherwise in business for yourself.

You do not have to carry on regular full-time business activities to be self-employed. Part-time work, including work you do on the side in addition to your regular job, may also be self-employment.

A trade or business is generally an activity carried on for a livelihood or in good faith to make a profit. The facts and circumstances of each case determine whether or not an activity is a trade or business. Regularity of activities and transactions and the production of income are important elements. You do not need to actually make a profit to be in a trade or business as long as you have a profit motive. You do need, however, to make ongoing efforts to further the interests of your business.

The Self-Employment Tax rules apply even if you are fully insured under social security or have started receiving benefits.

For a Business Tax Kit or a copy of Publication 533 *Self-Employment Tax*, call the IRS at 1-800-829-3676.

Corporate Estimating Tax

A corporation must file with the state a Declaration of Estimated Tax (MO Dept. of Revenue form MO-1120ES) and a Federal Estimated Tax (IRS form #1040ES).

Excise Tax

The federal Government imposes excise taxes on various types of business activities. Some excise taxes are on the production or sale of certain goods, while others are on services or the use of certain products or facilities. Still others are imposed on specific types of businesses.

Most federal excise taxes are reported on *Form 720, Quarterly Federal Excise Tax Return*, the most common excise tax form. Environmental taxes on petroleum and 42 designated chemical substances are reported on Form 6627 and attached to *Form 720*. Federal excise taxes can be broken down into several major categories.

- Motor vehicle highway use tax;
- Retailer taxes on certain fuels;

Other retail excise taxes are imposed on sales of:

- Heavy trucks and trailers;
- Tires and tubes;
- Recreation equipment, such as bows, arrows, fishing rods, reels, lures, and creels;
- Firearm and ammunition.

Other excise taxes exist on following as well:

- Air transportation - If you are in the business of transporting people by air, you may have to collect an excise tax;
- Telephone and teletype services;
- Wagering;
- Coal mined in the United States;
- Alcohol and tobacco products;
- Manufacturers of certain vaccines - Certain vaccines manufactured or imported into the United States are subject to an excise tax in order to create a Vaccine Injury Compensation Trust Fund, a no-fault program

for compensating persons who are injured by, or die from, certain vaccines.

There are also several environmental excise taxes, such as:

- An excise tax on ozone-depleting chemicals;
- An oil spill liability excise tax
- Environmental taxes on petroleum products, various chemicals, and hazardous wastes.

A luxury tax applies to retail purchases of passenger automobiles costing more than \$30,000.

For further taxes information on excise taxes and other federal taxes, you may wish to obtain IRS *Publication 334, Tax Guide for Small Businesses*. Or for more detail information on excise taxes, *IRS Publication 510, Excise Taxes*.

STATE TAXES

Corporate Income Tax

State law sets the corporate income tax rate at 6.25 percent of Missouri taxable income. In addition, Missouri allows 50 percent of federal income tax liability to be deducted before computing taxable income. Using this deduction, a corporation with federal taxable income of \$1,000,000 and a federal tax liability of \$340,000 would have a Missouri effective tax rate of only 5.2 percent.

Missouri's tax structure provides corporations with one of the most favorable situations in the nation. Our tax requirements are responsibly based and competitive. Yet, because Missouri government is efficiently managed (deficit spending is unconstitutional) it can still maintain a high level of services and facilities through its sound fiscal practices.

Only 4.5 percent of Missouri's tax revenue is derived from corporate income taxes. About 50.4 percent of the state's revenue comes from sales and gross receipts taxes. Another 7.9 percent comes from licenses and fees.

In most cases, a company located in Missouri will have a lower corporate tax bill than in other states. Furthermore, an individual taxpayer in Missouri pays about \$319 less in per capita taxes than the average taxpayer in the U.S. Only five states in the country have a lower per capita tax liability than Missouri.

Sole Proprietorship/Partnership/S Corporation

All net business income is taxable to the sole proprietorship or to the partnership/S Corporation according to each partner or shareholder's share of ownership. Your personal income tax rate depends on your level of total personal income. On your federal return you may be able to deduct from your gross income some personal expenses that are directly related to your business.

Personal Income Tax

Missouri's individual income tax rates are graduated from a low of 1.5 percent on taxable incomes of \$1,000 or less, to a high of \$315 plus 6 percent on taxable incomes in excess of \$9,000. Taxable income may be reduced by a portion of your federal income tax liability. Additional deductions include an allowance for each dependent, personal exemption, and federal standard or itemized deductions (which includes a deduction for FICA taxes paid through withholding).

Withholding Tax

Every employer maintaining an office or transacting any business in Missouri and making payment of wages to a resident or nonresident individual must obtain a Missouri Employer Tax Identification Number. State tax is then withheld from the employees payroll and remitted to the Missouri Department of Revenue. For more information contact: Tax Administration Bureau, P.O. Box 999, Jefferson City, MO 65108-0999; phone: 573/751-5752.

Refer to Chapter 5, "Hiring Employees," for a detailed discussion on hiring employees.

Sales Tax Number

Any business making retail sales must obtain a Missouri Retail Sales License from the Missouri Department of Revenue. A bond, based on projected monthly gross sales, must be posted at the time of application. An application form (Form #2643) to register for sales tax can be obtained from the Missouri Department of Revenue or from our office. Generally, a wholesaler or manufacturer will present a Sales/Use Tax Exemption Certificate (Form #149) to the seller showing the sale is exempt from sales tax.



Forms required: MO Revenue Form 2643
MO Revenue Form 149

The Missouri Department of Revenue also maintains a "Forms by Fax" service that permits you to obtain, by fax, many tax forms you will require



(both state and some federal forms). To use this service, simply dial 573/751-4800 from your fax machine's handset and follow the instructions to request the forms you need. The forms will be faxed immediately to your fax machine. For the four-page Master Document List, showing the form request numbers for all forms, request Document No. 1.

If you have a personal computer equipped with a modem and basic communications software you can obtain tax information from the Missouri Department of Revenue's Bulletin Board System MODOR BBS. To access this resource, please dial 573/751-7846. On your initial log-in, the system will prompt you for your name and other information to establish your Account. You will then choose a password for future access to the system. Use of the system is free of charge; only normal telephone line charges apply. The BBS will be updated and expanded regularly, so the Department encourages users to check its contents frequently.

The Department of Revenue also has a homepage on the World Wide Web. Individuals with access to the Internet can obtain informational materials and Missouri tax forms via this source. The address is:
<http://www.dor.state.mo.us>

For assistance with particular tax matters, please contact your nearest Missouri Department of Revenue Taxpayer Service Center. A complete listing is found in the Resources section of this publication.

The 4.225 percent state sales/use tax rate in Missouri is lower than the rates in 35 other states. Missouri communities have the option of adopting a local sales tax, generally ranging from one-half to one percent. Counties may also adopt a sales tax generally ranging from one-fourth to one percent.

Use tax is similar to sales tax, but is imposed when tangible personal property comes into the state and is stored, used or consumed in Missouri. Communities have the option of adopting a local use tax equal to the local sales tax for that community.

Missouri has responded to the needs of industry by providing eighteen major exemptions from sales/use taxes:

1. Machinery and equipment used to establish a new, or expand an existing manufacturing facility are tax-exempt, provided such machinery/equipment is used directly to manufacture a product ultimately intended for sale.
2. Replacement machinery and equipment used directly in manufacturing a product ultimately intended for sale.

3. Machinery, equipment and devices which abate air pollution. To qualify for this exemption, a company need only have the appropriate state governmental agency certify that the equipment is pollution control equipment.
4. Machinery, equipment and devices which abate water pollution. To qualify for this exemption, a company need only have the appropriate state governmental agency certify that the equipment is pollution control equipment.
5. For tax periods beginning after December 31, 1995, machinery and equipment used to establish a new, or replace or expand an existing material recovery processing plant. The plant must convert recovered materials into a new product or different form. After August 28, 1996, this exemption includes equipment used to transport recycled materials to the recycling center (not including motor vehicles).
6. All materials and supplies used to install this tax-exempt machinery and equipment also may be purchased tax-exempt.
7. Sales tax is not imposed on electricity consumed in the manufacturing process provided the cost of the electricity exceeds ten percent of total production costs. The cost of electrical energy consumed in the manufacturing process cannot be included in total production costs to qualify for the exemption. Electricity used for non-manufacturing purposes, such as lighting and heating, is taxable.
8. Electricity or gas, whether natural, artificial or propane, is tax-exempt when used in connection with basic steel making.
9. For tax periods beginning after December 31, 1995, electricity which is converted to stored chemical energy for providing an initial charge in lead-acid storage batteries during the manufacturing process, if this electricity is separately metered. This exemption does NOT apply to any local sales taxes.
10. Anodes used in manufacturing or other types of production, with a useful life of less than one year, may also be acquired tax-exempt.
11. For tax periods beginning after December 31, 1995, computer, computer software, and computer security systems purchased for use by architectural, engineering, or accounting firms headquartered in Missouri.
12. Exempts nonreusable items furnished to hotel or motel guests from sales and use tax.

13. Exempts samples and materials used to manufacture prescription drug samples that can be dispensed by an authorized practitioner.
14. Exempts slagging materials, firebrick and other products (including gases) that are blended with, or become ingredients or other component parts of steel products.
15. Exempts electrical energy meeting certain criteria whether facilities are leased or owned.
16. Exempts electrical energy used for cold storage at production facilities.
17. Exempts sales of barges used in interstate waterways for transportation of property or cargo.
18. Exempts sales of “livestock” (the definition of which is expanded to include goats, horses, other equine and rabbits). This exemption will also apply to medications, vaccines, feed additives, feed and bedding purchased for these animals if they are used in the production of food or fiber.

Retail Sales Tax



Any person or company that has a business location in Missouri from which they sell or lease goods to a final consumer is required to collect and remit Missouri sales tax. Also, any company that leases motor vehicles (including boats, trailers, and outboard motors) is required to collect and remit Missouri sales tax. If the lease period is 60 days or less, the sales tax is based on the address of the lessor. If the lease period is over 60 days, the sales tax is based on the address of the lessee. It is the business' responsibility to ensure that sales tax is collected at the correct tax rate. You must have a Missouri Retail Sales License prior to making sales. If you conduct retail sales without a valid Missouri Retail Sales License, you may be assessed a penalty in the amount of up to \$500 for the first day and \$100 for each subsequent day, not to exceed \$10,000, in addition to any other penalties or interest that may be imposed. For the first twenty days this penalty does not apply to persons opening a business in the state of Missouri for the first time.

A bond must accompany the application for the license. The amount of the bond is based on your estimated monthly gross sales. The amount of your bond is calculated as follows:

$$\begin{aligned} \text{estimated monthly gross sales} \times \text{your tax rate} &= \text{monthly tax} \\ \text{monthly tax (round to highest \$10)} \times 3 &= \text{amount of bond} \end{aligned}$$

“Estimated monthly gross sales” is the amount of sales you estimate your business will make in taxable sales in an average month. If you are a small business, one of the things you should consider in estimating your average

monthly gross is your operating expenses, such as rent, utilities, etc. Your average monthly gross should be higher than your estimated operating expenses. If you calculate the amount of bond to be less than \$500, you are only required to submit a \$25 bond. If you calculate your bond to be \$500 or greater, you should submit the amount of bond figured.

Example 1: Ms. Brown will be opening a craft store in Jefferson City, which has a sales tax rate of 6.225%. Because the business is new and has no history of sales, she must estimate her average gross sales per month to compute the bond. Ms. Brown estimated her average gross sales to be \$5,000 per month. This is how Ms. Brown computed her bond:

$$\begin{aligned} \$5,000 \times 6.225\% &= \$311.25 \quad (\text{round to next high ten} = \$320.00) \\ \$320 \times 3 &= \$960.00 \\ \text{Amount of bond} &= \$960.00 \end{aligned}$$

Example 2: Mr. Wilson is purchasing a bait shop in Columbia which has a sales tax rate of 6.975%. The previous owner of the bait shop averaged \$2,000 per month in sales. This is how Mr. Wilson computed his bond:

$$\begin{aligned} \$2,000 \times 6.975\% &= \$139.50 \quad (\text{round to next highest } \$10 = \$140) \\ \$140 \times 3 &= \$420 \\ \text{Amount of bond} &= \$25 \quad (\$420 \text{ is less than } \$500, \text{ therefore a } \$25 \text{ bond} \\ &\quad \text{may be posted}) \end{aligned}$$

If you are unable to estimate your bond, you can contact the Tax Administration Bureau (573/751-5860) or one of the Regional Field Offices listed in the Chapter 7, "Resources", under Department of Revenue. The Tax Administration Bureau reviews all bond amounts to ensure they are sufficient and in accordance with Missouri Statutes. The following items are taken into consideration when determining a sufficient bond amount: previous ownership of business, types of products or services sold, location of business, business hours, operating expenses, etc.

Bonds may be posted in the following manner:

1. Cash Bond
2. Surety Bond
3. Irrevocable Letter of Credit
4. Certificate of Deposit

Complete information on the various types of bonds is included in the Missouri Tax Registration Application.

Food Sales

Effective October 1, 1997 a three percent (3%) sales and use tax exemption exists for certain food items.

Examples of exempt foods include: general food items; fresh fruit and vegetables; meat, eggs, dairy products; ice, water - including bottled water; cold drinks; candy, gum; coffee beans/ground coffee/instant coffee; bread;

spices, cooking spray, shortening; foods (not hot) sold through vending machines. Certain vending machine sales also qualify for the 3% exemption.

Contact the Missouri Department of Revenue (573/751-2836) for more information.



Purchase of Existing Business

Before you purchase an existing business, be sure that you obtain a "Certificate of No Tax Due" (issued by the Missouri Department of Revenue) from the previous owner of the business. Without this document, you may also be purchasing existing sales or withholding tax obligations. Refer to page 36 for a complete discussion.

Craft Sellers

Craft sellers must charge the sales tax rate at the point of sale. For example, a vendor from Kirksville that sells at a show in Springfield, must charge the sales tax rate for the city of Springfield and note those sales separately on their sales tax report to the MO Dept. of Revenue. If you go to a show in another state, you need to obtain a sales tax number for that state unless the sponsor of the show has obtained a sales tax number and is collecting and reporting for all vendors at the show.

Vendor's Use Tax

Out-of-state businesses making sales of goods to the final consumer located in Missouri, may be required to collect and remit Missouri vendor's use tax. They must obtain a Missouri Use Tax License and post a bond.

Out-of-state businesses that lease goods to Missouri customers from an out-of-state business location are required to collect and remit Missouri vendor's use tax. They also must obtain a Missouri Use Tax License and post a bond.

Consumer's Use Tax

If your business is located in Missouri and is purchasing goods from an out-of-state vendor for consumption, when Missouri tax was not collected at the time of purchase, you are required to remit Missouri Consumers Use Tax. You must register for the payment of Use Tax; however, no bond is required. For more information, call 573/751-2836 or 1-800-877-6881.

Fee on the Sale of New Tires

Retail sellers of new tires are required to collect from the purchaser of the new tires, a fee of \$.50 for each new tire sold. The fee is then remitted to the Missouri Department of Revenue. For more information, please contact: Tax Administration Bureau, Tire Fee, P.O. Box 3040, Jefferson City MO 65105-3040; phone: 573/751-2836.

Cigarette and Other Tobacco Products

Missouri law requires all wholesalers of cigarette and other tobacco products to secure a written license from the Director of Revenue. For more information on the requirements for these sales please contact: Tax Administration Bureau, Miscellaneous Tax Section, P.O. Box 811, Jefferson City, MO 65105-0811; phone: 573/751-5857.

Fuel Tax

Missouri law requires transporters, distributors and terminal operators of fuel to be licensed with the Missouri Department of Revenue. For more information, contact the Tax Administration Bureau, Fuel Tax Section, P.O. Box 300, Jefferson City, MO 65105-0300; phone 573/751-2611.

Property Tax

Missouri law sets the assessment ratio for personal property at one-third of true value throughout the state. Real properties (land and buildings) classified as commercial and industrial, are assessed at 32 percent; residential, 19 percent; and agricultural, 12 percent of true or fair market value. The local property tax rate is an aggregate of school, city, county and state levies expressed in tax per \$100 assessed valuation. Commercial and industrial real property is assessed an additional county surcharge designed to replace revenues lost by the tax exemption of business inventories.

Inventories Exempt

Manufacturer's inventories (raw materials, goods in process and finished goods), as well as goods and wares of retailers, distributors and wholesalers are exempt from property taxes in Missouri.

Real Property Abatement: Urban Redevelopment Corporations Law ("Chapter 353") and Missouri Enterprise Zone Law

Missouri promotes urban redevelopment through a potential 25-year ad valorem tax incentive program known as Chapter 353. Under this program, up to 100 percent of improvements to real property may be exempt from state and local property taxes for up to 25 years. This law is applicable to any size city in Missouri.

Missouri enterprise zones may also abate improvements to real property up to 100 percent for up to 25 years.

UNEMPLOYMENT INSURANCE

Most companies doing business in Missouri are required to pay unemployment insurance to protect their workers during unemployment. This applies to most businesses having one or more workers on the payroll

for 20 weeks during the calendar year, and to businesses paying an individual employee \$1,500 in a given quarter.

1995 rates are based on the first \$8,500 of each employee's annual salary. The employer with a credit balance will contribute at a rate of 0.10 percent to 3.51 percent. The employer with a deficit account will pay up to 7.8 percent; and a manufacturer new to Missouri with no experience rating, will pay the normal entry rate of 3.51 percent for two years.

WORKER'S COMPENSATION



All businesses with five or more employees (except agricultural or domestic labor) must provide worker's compensation insurance to protect their workers in case of job-related injury, illness or death. Companies can offer this protection through a private insurance carrier or they can become self-insurers. Premium rates vary, depending on the risks associated with special occupations. As in most states, the premium rates apply to an employee's total annual salary. The maximum weekly benefit for temporary total disability, temporary partial disability, permanent total disability and death is currently computed as 105 percent of the average weekly wage, determined annually on July 1st. Missouri's worker's compensation rates compare favorably with those in other states. Though benefits for claimants in other states usually increase automatically from year to year, in Missouri benefits cannot be increased without the review and approval of the state legislature.

FRANCHISE TAX

Missouri's franchise tax is based on capital employed in a company. The rate is one-twentieth of one percent, or \$0.50 per \$1,000 of par value of outstanding shares and surplus or total assets. Corporations with less than \$200,000 outstanding shares and surplus are not taxed.

RECORDS RETENTION



New business owners frequently have questions about the records they must keep for tax purposes. The following list includes the most common documents you should keep. All businesses should retain items 1 through 6. If you are operating a business that makes retail sales, you should also keep items 7 through 10.

1. Copies of Federal Income Tax returns (retain at least three to five years).
2. Sales journals and/or receipts journals (retain at least five years).

3. Purchase journals and/or check registers (retain at least five years).
4. General ledgers (retain at least five years).
5. Detailed depreciation schedules (retained until items are fully depreciated, or at least five years, whichever is longer). Note: The depreciation schedule should show detail as to where the item was purchased. It is also suggested that all purchase invoices listed on the depreciation schedule be filed separately rather than with the other expense purchases.
6. Copies of paid bills for goods and services (retain at least five years).
7. Copies of Letters of Exemption to support claims for exemption regarding sales to tax exempt entities. You should be aware of the expiration date on each letter of exemption.
8. Copies of the checks from tax exempt entities to prove that payment for the tangible personal property or taxable service was made from the funds of the tax exempt entity and not those of an individual member of the tax exempt entity.
9. Updated and fully completed resale exemption certificates. (Resale exemption certificates must be signed by an owner or officer and must be updated every five years.)
10. Copies of the sales and use tax returns and backup documents used to prepare these returns (these should be retained at least five years).

The following payroll records should be retained for at least three years in the event of a withholding tax audit:

1. Copies of W-2 forms
2. Monthly payroll records showing the actual Missouri withholding
3. Copies of the MO941 reports

The nature of your business may require that you keep additional records. Please use these lists as a general guide, but consult with your tax practitioner for advice about your specific needs.

STATE TAX CREDITS

The following is a listing, as of the date of publication, of the various tax credit programs available to qualifying Missouri businesses. For more information on any of the programs or for an application form, please contact the listed agency.

New or Expanded Business Facility Credit

If you are a manufacturer, wholesale distributor, office tenant, truck, barge, or rail line operator, interchange telecommunications company facility, or mining, warehouse, or research/development operator, agricultural farm implement dealer, poultry producer, insurance carrier or recycler you may be eligible to claim this credit if you established a new facility or expanded an existing facility and created new jobs and new investment. For more information, forms and approval to claim this credit, contact: Missouri Department of Economic Development, Tax Benefit Programs, P.O. Box 118, Jefferson City, MO 65102-0118, or call (573) 526-5410.

Missouri Low Income Housing Credit

If you are an owner of or investor in rental property, approved for a federal low income housing credit, you may also be eligible for the Missouri low income housing credit in an amount up to 100% of the project's federal tax credit. A statement authorized and issued by the commission certifying that a given project qualifies for the Missouri low income housing credit must accompany your tax return. For more information, forms and approval to claim this credit, contact: Missouri Housing Development Commission, 3435 Broadway, Kansas City, MO 64111, or call (816) 759-6662.

Enterprise Zone Credit

You may be eligible for this credit if you established a new facility or expanded an existing facility in an enterprise zone and created new jobs and new investment. For more information, forms and approval to claim this credit, contact: Missouri Department of Economic Development, Tax Benefit Programs, P.O. Box 118, Jefferson City, MO 65102-0118, or call (573) 526-5410.

Small Business Investment Credit

If you have made a monetary contribution to an approved small business in Missouri, you may be entitled to this credit. For more information, forms and approval to claim this credit, contact: Missouri Department of Economic Development, Office of Business Finance, P.O. Box 118, Jefferson City, MO 65102-0118, or call (573) 751-0295.

Processed Wood Energy Credit

Companies producing processed wood energy products from Missouri timber waste are eligible for an energy tax credit. The credit may be claimed for a period of five years and is to be a credit against tax otherwise due. This credit is for producing an end product, not for the building of wood. For more information, forms and approval to claim this credit, contact: Missouri Division of Energy, P.O. Box 176, Jefferson City, MO 65102-0176, or call (573) 751-4000.

Historic Preservation Credit

If you have incurred expenses for the rehabilitation of an eligible historic structure, you may be entitled to claim this credit. For more information, forms, and approval to claim this credit, contact: Missouri Department of Economic Development, Community Development Program, P.O. Box 118, Jefferson City, MO 65102-0118 or call (573) 522-8006.

Sponsorship and Mentoring Program Credit

If you are an employer and incur expenses for the participation of an eligible student in an approved sponsorship and mentoring program, you may be entitled to claim this credit. For more information, forms and approval to claim this credit, contact: Missouri Department of Elementary and Secondary Education, P.O. Box 480, Jefferson City, MO 6512-0480, or call (573) 751-4192

Wine and Grape Production Tax Credit Program

Beginning January 1, 1999, a grape grower or wine producer shall be allowed a 25% state income tax credit on the amount of the purchase price of all new equipment and materials used directly in the growing of grapes or the production of wine in the state. For more information, forms and approval to claim this credit, contact: Missouri Department of Economic Development, Office of Business Finance, P.O. Box 118, Jefferson City, MO 65102-0118, or call (573) 751-0295.

For additional information on these or other State tax credits, please contact:

Tax Benefits Program
Missouri Department of Economic Development
P.O. Box 118
Jefferson City, MO 65102-0118
phone: 573/526-5410

Chapter 5. Hiring Employees

At some point, most businesses are faced with the need to hire new employees. This section provides an overview of what is involved in hiring and paying employees.

As you may have already surmised, starting and operating a business involves a lot of paperwork. Hiring employees (or being a corporation with you as the only employee) multiplies the amount of paperwork you must complete.

Before you actually hire, it is highly recommended that you consult with your accountant or with an employer service representative at your local Job Service Office (Employment Security). The local Job Service Office can assist you with locating employees.



You will also want to obtain a “Business Tax Kit” and a copy of “Circular E, Employer’s Tax Guide” from your local IRS office or call 1-800-829-3676. “Circular E” explains federal tax withholding and Social Security tax requirements for employers as well as containing up-to-date withholding tables for you to use to determine how much federal income tax and Social Security tax is to be withheld from each employee’s paycheck.

TIPS ON HIRING

What Is Involved?

Once you begin paying salary or wages to employees, you must collect taxes from your employees. The primary taxes are: income taxes and Social Security (FICA). If you have not already done so, you must apply for a federal employer identification number (EIN) -- Form SS-4. This number is used to identify your business on payroll and income tax returns, as well as for other federal tax purposes. Occasionally you will encounter a financial institution that will require an EIN to open a business account. Corporations and partnerships must file Form SS-4 even if they have no employees.



Assistance to Employers

The Missouri Department of Labor and Industrial Relations offers employment services and other assistance to employers and employees. The network of Job Service offices provides a complete labor exchange that

includes a computerized Job Bank, applicant recruitment, selection and referral, labor market information, latest placement methods, testing and other assisted serves. Missouri WORKS! (www.works.state.mo.us) provides the latest information pertaining to employment opportunities in Missouri as well as information on labor, employment, education / training, labor market information, and other programs and services related to employment and training. Contact your local Job Service Office for more information.

Who Are Employees?



Not all individuals who perform services for your business will necessarily be employees. The determination of whether an individual is an employee or independent contractor for tax purposes is important for several reasons. Wages paid to employees generally are subject to employment taxes imposed under state and federal law. Only compensation paid to employees is used to calculate benefits.

An “employee status determination” is made according to three tests:

Test 1: provides that an officer or a corporation is an employee of the corporation.

Test 2: provides that the usual common-law rules are used in determining whether an individual is an employee. Test 2 is often referred to as “The Twenty Factors” (see page 58) in determining independent contractor status. If an individual does not qualify as an employee under Test 1 or Test 2, a third test is applied.

Test 3: provides coverage to all workers who are covered by the federal employment law. The federal employment law also covers, as employees, individuals in four occupational groups who are not employees under the common-law rules but who perform services under certain specific circumstances.

Test 1:

Generally, an officer of a corporation is an employee of the corporation. However, an officer of a corporation who as such does not perform any services or performs only minor services and who neither receives, nor is entitled to receive, directly or indirectly, any remuneration for serving as an officer is not considered to be an employee of the corporation.

Test 2:

An individual is an employee under the common-law control test when the individual is subject to control by the person for whom the services are rendered as to the way the work is done -- i.e., control over when, where and

how the work is done. The control need not be actually exercised for an employer-employee relationship to exist; the right to exert such control is enough.

Test 3:

The following workers, who may not otherwise qualify as employees under the common-law rules, are required to be provided Missouri unemployment coverage:

- a. agent-driver or commission-driver engaged in distributing food products (other than milk), laundry or dry cleaning services for his principal;
- b. traveling or city salesman engaged in the solicitation of orders from wholesalers, retailers, contractors, or operators of hotels, restaurants, or other similar establishments concerning merchandise for resale or supplies for use in their business operations.

A worker may qualify as an employee under Test 3 if, in addition to meeting the specific requirements for the particular occupation, all of the following conditions are met:

- a. the worker is a member of one of the designated occupational groups;
- b. the contract contemplates that the worker perform substantially all of the services personally;
- c. the worker has no substantial investment in facilities for doing the work; and
- d. the services are performed in a continuing relationship; are not in the nature of a single transaction.

The *contract of service* under which the work is done may be oral or written or an informal arrangement.

The *contract of work* must contemplate that the worker perform substantially all the work. The important thing is not whether the worker delegates part of the work to another but rather whether the worker has the authority under the contract to do so. Mutual intent of the parties governs. A contract that contemplates the hiring of another will not affect the personal service requirement if the services delegated are merely incidental to the primary activity undertaken.

Whether a *substantial investment* is made by the worker depends on:

- the value of the worker's investment compared to the total investment;
- whether the facilities furnished are essential for the work or for the convenience of the worker;

- whether the worker is purchasing or leasing space from the person for whom the work is performed; and
- whether the facilities furnished by the worker are considerably more extensive than those usually furnished by other workers performing comparable services.

Facilities include such items as office furniture, fixtures, premises, tools and machinery. Facilities do not include education, training, good will, tools or other items commonly provided by employees or the worker's own vehicle for personal transportation.

A *continuing work relationship* exists if the work is regular or frequently recurring. A single job transaction, even though it covers a considerable period of time, is not generally considered performed in a continuing relationship.

As a general rule, someone who is performing service as an employee cannot be self-employed with respect to the same service. However, under certain conditions set forth in the Act and as noted above, service may be deemed to be performed as self-employment. Affected persons are U.S. citizens in the employ of foreign governments, ministers and members of religious orders, crews on fishing boats, newspaper vendors, real estate agents and direct sellers. If these persons meet conditions for deeming their services to be self-employed, it is unnecessary to consider their status as employees.

Although a person may be an employee under one or more of the above tests, the services may be exempted from employment by special provisions. For more information, see Sections 288.032-288.036 of RSMo.

Contract Employees/Independent Contractors

Individuals who do work for you may be classified into one of four categories of service providers:

- employees
- independent contractors
- statutory employees
- non-statutory employees

You, the hiring company, are the service recipient. That is, you receive the service or product and you pay to have that service or product provided to you.

Your responsibility for payment of state and federal taxes, social security (FICA), unemployment tax, and employee benefits depends on which of the four categories the workers fall under. Many companies, small and large, would prefer to hire some, or even all, of their workers as "independent

contractors.” When an independent contractor provides a service or product, the service recipient does not have to withhold employment taxes, pay social security taxes (FICA), or pay unemployment tax.

Independent contractors are considered self-employed. As such, they are responsible for reporting their income and paying the appropriate state and federal taxes. The hiring company is not required to pay benefits or worry about minimum wage regulations. All the hiring company must do is file federal income tax form 1099 at the end of the year. The 1099 is a federal tax form stating the amount paid to independent contractors by the company during that year. In addition to the savings in tax, companies hiring independent contractors save the cost of the bookkeeping associated with those taxes.

The category into which the workers fit, however, is determined by the conditions under which they work and the kind of work they do. You may not simply select a category and define them as you desire. Choosing the correct categories for the people who do work for you may be critical to the continuation of your business. The status of workers depends not on what the workers or the service recipients want, but on what work is provided and under what conditions.

The Internal Revenue Service (IRS), as part of its program to collect the maximum amount of tax owed, has begun to investigate and prosecute cases where individuals are classified as independent contractors.

The list that follows gives 20 factors or “tests” used by the IRS when determining whether a person is an employee or an independent contractor. The question of “who controls the details?” appears to be the primary basis on which the determination is made.

No single factor or small group of factors can be taken as conclusive evidence of the presence or absence of control. To determine a worker’s status, all the factors must be evaluated. The weight given to the individual factors is not equal, and some factors may not apply to certain occupations. Obtaining determination as an independent contractor can be very difficult.

These twenty factors show control over details of work must be weighed against or compared to those that point to an independent contractor status. The main factors to be considered in determining control are as follows:

1. Actual instruction or direction of worker. A worker who is required to comply with instructions about when, where and how to work is ordinarily an employee. The instructions may be in the form of manuals or written procedures that show how the desired result is to be accomplished.

2. Training of a worker by an experienced employee working with him by correspondence, by required attendance at meetings and by other methods is a factor indicating control by the employer over the particular method of performance. This is especially true if the training is given periodically or at frequent intervals. An independent contractor ordinarily uses his own methods and receives no training from the purchaser of the services.

3. Integration of the person's services in the business operations generally shows that he is subject to direction and control. When the success or continuation of a business depends to an appreciable degree on the performance of certain kinds of services, the people who perform those services must necessarily be subject to a certain amount of control by the owner of the business.

4. If the services must be rendered personally, it indicates an interest in the methods, as well as the results. Lack of control may be indicated when the person has the right to hire a substitute with the permission or knowledge of the employer.

5. Hiring, supervising, and payments to assistants on the same job as the worker generally show employer control over the job. Sometimes one worker may hire, supervise and pay the other workers. If this is done under a contract requiring that the worker furnish materials and labor and under which he is responsible only for the attainment of a result, the worker is an independent contractor. On the other hand, if he does so at the direction of the employer, he may be acting as an employee in the capacity of a foreman for or representative of the employer.

6. The existence of a continuing relationship between an individual and the person for whom he performs services tends to indicate an employer-employee relationship. If the arrangement contemplates continuing or recurring work, the relationship is considered permanent, even if the services are rendered on a part-time basis, they are seasonal in nature or the person actually works for only a short time.

7. The establishment of set hours of work by the employer bars the worker from being master of his own time, which is the right of the independent contractor.

8. Full-time work for the business is indicative of control by the employer since it restricts the worker from doing other gainful work. An independent contractor, on the other hand, is free to work when, and for whom, he chooses. Although not specified, full-time work may be required. For example, setting a quota which requires all his working time or denying him the right to work for anyone else may indicate full-time employment.

9. Doing the work on the employer's premises implies employer control, especially where the work is of such a nature that it could be done elsewhere. The use of desk space and of telephone and stenographic services provided by an employer places the worker within the employer's direction and supervision unless the worker has the option as to whether he wants to use the facilities. However, the fact that work is done off the premises does not always indicate freedom from control since some occupations, i.e., employees of construction contractors, are necessarily performed away from the premises of the employer.

10. If the order of the performance of services is, or may be, set by the employer, control by the employer may be indicated.

11. The submission of regular oral or written reports indicates control since the worker must account for his actions.

12. If the manner of payment is by the hour, week or month, an employer-employee relationship probably exists; whereas, payment on a commission or job basis is customary where the worker is an independent contractor. The guarantee of a minimum salary or the granting of a drawing account at stated intervals with no requirement for repayment of the excess over earning tends to indicate the existence of an employer-employee relationship.

13. Payment of the worker's business expenses by the employer indicates control of the worker.

14. The furnishing of tools, materials, etc., by the employer indicates control over the worker.

15. A significant investment by the worker in facilities used by him in performing services for another tends to show an independent status. And, the furnishing of all necessary facilities by the employer tends to indicate the absence of an independent status on the part of the worker. Facilities include, generally, equipment or premises necessary for the work but not tools, instruments, clothing, etc., that are commonly provided by employees in their particular trade. In order to be significant, the investment must be real, essential and adequate.

16. The possibility of a profit or loss for the worker as a result of his services generally shows independent contractor status. Factors that affect whether or not there is a profit or loss are whether: the worker hires, directs and pays assistants; he has his own office, equipment, materials or other facilities for doing the work; he has continuing and recurring liabilities or obligations; his success or failure depends on the relation of his receipts to his expenditures; he agrees to perform specific jobs for prices agreed upon in advance; and he pays expenses incurred in connection with the work.

17. Work for a number of persons at the same time often indicates independent contractor status because the worker is usually free, in such cases, from control by any of the firms. It is possible, however, that a person may work for a number of people or firms and still be an employee of one or all of them.

18. The availability of services to the general public usually indicates independent contractor status. This may be evidenced by the worker having his own office and assistants, hanging out a “shingle” in front of his home or office, holding business licenses, maintaining business listings in telephone directories or advertising in newspapers, trade journals, magazines, etc.

19. The right of discharge is that of an employer. An independent contractor, on the other hand, cannot be “fired” without incurring liability if he is producing a result that measures up to his contract specifications. A restriction on the employer’s right to discharge in a labor union contract does not detract from the existence of an employment relationship.

20. The right to quit at any time without incurring liability indicates an employer-employee relationship. An independent contractor usually agrees to complete a specific job and he is responsible for its satisfactory completion or is legally obligated to make good for failure to complete the job.



An excellent publication, *Independent Contractor vs. Employee* by North Central Regional Educational Materials Project is available for \$8.00 from University of Missouri Outreach and Extension Publications, 2800 Maguire, Columbia, MO 65211-0001; phone: 573/882-7216.

EMPLOYER RESPONSIBILITIES

Who is a liable employer?

There are five different types of employing units that can become liable to pay unemployment taxes and provide workers unemployment insurance coverage:

1. general business employers;
2. governmental entities;
3. nonprofit organizations described in Section 501(c)3 of the Internal Revenue Code;
4. employers of domestic (household) workers;
5. employers of agricultural workers.

There are four different ways in which a general business employer will become liable:

1. By having a total payroll of \$1,500 or more in a calendar quarter during either the current or the preceding calendar year;

2. By employing a worker for some portion of a day in each of 20 different weeks in either the current or preceding calendar year;
3. By acquiring and continuing without interruption substantially all of the business of another employer (applies to all types of employing units);
4. By being liable under the Federal Unemployment Tax Act and employing a worker in Missouri.

A nonprofit organization described in 501(c)(3) of the Internal Revenue Code becomes liable if it employs four or more workers for some portion of a day in 20 different weeks during the current or preceding calendar year.

An agricultural employer who, in all states combined, has 10 or more workers in 20 different weeks or pays as much as \$20,000 in cash wages in a calendar quarter, during the current or preceding year, becomes liable to cover workers and pay unemployment taxes.

An employer of a domestic or household worker in a private home, college sorority or fraternity, becomes liable when as much as \$1,000 in cash wages are paid in a calendar quarter during the current or preceding calendar year.

An employer is liable for all employment it has during the entire year in which liability was incurred and continues to be liable for following years until its liability is terminated.

Any employing unit that does not have sufficient employment or wages to become liable under the foregoing conditions may elect to become an employer subject to the Law and to cover workers for unemployment insurance. Such an election would go into effect on the first day of the quarter in which the election is made and must continue in effect for at least two complete calendar years.

Posters

Each employer is required to post and maintain a placard, "Notice to Workers Concerning Unemployment Benefits." This notice should be placed in locations so as to be visible to all workers. Workers who do not have access to the posters should otherwise be notified of their unemployment insurance coverage. The pamphlet, "Information for Workers," should be given to a worker when separated from employment. The posters and pamphlets are available at all local Employment Security/Job Service offices in the state.

Records

Employers must keep records for at least five (5) calendar years, as well as the current incomplete calendar year. The records must show the following information for each worker:

1. Worker's name and social security number;
2. Dates a worker was hired and separated;
3. Dates on which a worker performed some services;
4. The location where services were performed;
5. The amount of remuneration paid each worker;
6. The hours of each day in each pay period an individual worked in noncovered employment, and nature of work; and,
7. Wages, including commissions, bonuses, prizes and gifts. Also, tips received by a worker from persons other than employer, if such tips are reported to the employer for social security purposes.

Contribution and Wage Report

Each liable employer is required to file a quarterly contribution and wage report. This report must show the worker's name, social security number and the amount of wages paid to each wage earner during a calendar quarter. Work separation dates and the beginning and ending dates of probationary employment should be included in the wage detail.

The report is also used to summarize total and taxable wages paid during the calendar quarter and to compute the amount of contributions due on the taxable wage total. Complete instructions for preparation of this report are furnished with the report.

Contribution and wage report forms are furnished by the Division of Employment Security and are mailed to all established employers near the end of each calendar quarter. These reports should be filed and contributions paid during the month following the end of each calendar quarter. No part of the contributions due can be deducted from a worker's pay.

Assessments: Failure to file reports or pay tax when due will result in an assessment against the employer. A certificate of assessment may be filed in the circuit court where the employer resides or has assets. Once filed, it has the effect of a judgment upon any real or personal property of the employer.

Penalties: Failure to file contribution and wage reports could result in an estimated wage assessment and an additional 10% penalty charge. The law also provides for a 25% penalty if fraud or evasion is discovered.

Audits: All employing units in Missouri are subject to having their records examined by an authorized representative of the Division of Employment Security. Audits of employers' records are conducted periodically to

ascertain proper reporting of workers and wages. Failure or refusal by an employer or employing unit to make records available may result in the issuance of a subpoena to compel production of books and records.

Employment and Wages

Reportable wages include gross cash payments plus the reasonable cash value of other considerations, such as meals or lodging, received by a worker for personal services. The value of other considerations is excluded from wages with respect to domestic or agricultural employment. Bonuses, commissions, vacation pay, holiday pay and termination pay are wages. Tips received from persons other than the employing unit are wages to the extent required to be reported under the Federal Unemployment Tax Act. No payroll deductions are excluded from wage amounts reportable.

The law does not exempt from wages, payments made under a cafeteria plan under Internal Revenue Code Section 125. Elective employee salary reduction contributions to cash or deferred arrangements under Internal Revenue Code Section 401(K) are not exempt.

The Law exempts from wages, payments made by an employer to or on behalf of a worker for medical or hospitalization expense or death, including payments made into a fund, annuity, or for insurance, for these purposes, provided such payments are made under a plan that applies to all workers or a class of workers. Payments made to an employee for sickness or disability would be wages unless made under a workers' compensation law. Such payments made by a third party may be reported as wages by such third party if no accounting of payments is made to the employer.

The Law further exempts from wages any payments on account of sickness, accident, disability, or medical or hospitalization expenses that are made by an employer to or on behalf of an individual after the expiration of six calendar months following the date an individual last worked, regardless if such payments were made under a plan or a workers' compensation law.



Wages do not include payments by an employer, to or on behalf of an individual, from or to a trust, described in U.S.C. 401(a) that is exempt from federal income tax under 501(a), or payments under or to an annuity plan that meets the tax exempt requirements of 404(a)2 of the Internal Revenue Code.

For additional information, please request a copy of the booklet "Employers' Rights and Responsibilities" either from your local **Employment Security Job Service** office or from the **Division of Employment Security**, P.O. Box 59, Jefferson City, MO 65102-0059.



OBTAINING AN EMPLOYER IDENTIFICATION NUMBER

Every employer maintaining an office or transacting any business in Missouri and making payment of wages to a resident or nonresident individual must obtain a Missouri Employer Tax Identification Number (EIN), which is required by federal law if you are an employer, partnership or corporation. Some entities, such as financial institutions, also require a business to have an identification number. The application form (SS-4) is available from the Internal Revenue Service (IRS) or from our office.

FEDERAL REQUIREMENTS

Withholding Taxes

Employers are generally required to withhold federal income tax, social security tax, and Medicare tax from their employee's pay. Don't forget that you are not your own employee. Officers of their own corporations can be employees, but partners and sole proprietors cannot. Guaranteed payments to partners and draws of money from a business by the owners are not wages. Partners and owners are taxed on net profits, whether or not they draw out the money. They do not withhold taxes from these profits; instead, they make quarterly payments of their estimated taxes on Form 1040-ES.

To withhold federal income tax properly from an employee's wages, employers need four pieces of information:

- amount of wages
- payroll period
- employee's marital status
- number of withholding allowances claimed by employee (W-4)
- special rules applying to particular classes of work and employees

Citizenship

Under current federal law, all employees hired after November 6, 1986 must verify that they are authorized to work in the United States. This includes all employees, including yourself if you are an employee of the corporation.

Employers are required by law to complete the I-9 Employment Eligibility Verification Form on every employee. The form is simple and asks that you review documents (copy of birth certificate, passport or green card) that verify the employee's identity and right to work. To obtain a copy of the I-9 or for more information about your responsibilities, call the Immigration and Naturalization Service (INS) at 1-800-755-0777. The INS also has offices in St. Louis (314/539-2532) and Kansas City (816/891-0603).

Employee's Withholding Allowance Certificate (W-4)

Each employee must fill out a Form W-4 in order to have proper amounts of income tax withheld. If an employee does not fill out a Form W-4, the employer must withhold taxes as if the employee were single with no allowances.

Exemptions determine amounts not taxed on an income tax return. Withholding allowances determine amounts that decrease the tax withheld from wages. Withholding allowances claimed on the Form W-4 can be more or less than exemptions claimed on the tax return. Employers are not required to verify the accuracy of allowances claimed.

Social Security and Medicare Taxes

Social security is withheld only on annual wages up to a maximum of \$61,200 for each employee. The employer withholds 6.2% from wages and then pays a matching amount. The Medicare portion of FICA is withheld on all wages for each employee; the employer withholds 1.45% from wages and then pays a matching amount. An employer who hires his or her child under 18 does not have to withhold FICA from the wages nor match it. Wages paid to a spouse employed by a spouse are subject to FICA.

A sole proprietor or a partner does not withhold FICA from his draw. In these cases, payments of social security and Medicare taxes, called the self-employment tax, are figured along with the estimated income tax and normally paid during the year in four equal amounts with Form 1040-ES payment vouchers. The base is also in effect for the social security portion of the self-employed tax. The tax is figured at a rate of 15.3% (12.4% + 2.9%) for 1995. However, the law allows the following two deductions:

1. A deduction of half your self-employment tax from your self-employment income in figuring your income tax. This deduction is not allowed in figuring your self-employment tax, and;
2. A deduction from your self-employment income of half of the self-employment tax rate multiplied by your net self-employment income. The deduction is not allowed in figuring your income tax.

For more information on estimating taxes, see IRS Publication 505, "Tax Withholding and Estimated Tax."

Social security and Medicare taxes are figured on wages without deducting withholding allowances. Marital status makes no difference. FICA is a flat 7.65% (6.2% + 1.45%) of the gross wage, up to the wage base limit. In other

words, the wage is multiplied by .0765. The employer must pay a matching amount.

STATE REQUIREMENTS

New Hire Reporting

All employers in Missouri must report each newly hired employee to the Department of Revenue within 20 calendar days of hire. Employers may chose the form they use to report new hires. They should send a copy of the of the federal W-4 form or an equivalent form containing the following information to the Department of Revenue:

- Employee's name, address and Social Security number
- Employer's name, address and federal employer identification number (EIN)
- Employee's date of hire or the date the employee signed the W-4 form

Note: The date of hire is defined as the earlier of the date the employee signed the W-4 form, or the first date the employee reports to work, or performs labor or service.

Employers may use one of the following reporting methods:

1. Mail the W-4 or equivalent form to the Missouri Department of Revenue, P.O. Box 3340, Jefferson City, Missouri 65105-3340;
2. Fax copies to (573) 526-8079; or
3. Electronic filing

Employers having employees in two or more states **and** who transmit reports magnetically or electronically may choose **one** of the states in which they have employment to which all new hires will be reported. The employer must notify the Secretary of the U.S. Department of Health and Human Services (DHHS), of the chosen state. DHHS is developing procedures to accomplish such selection and notification.

An employer who intentionally fails to submit information on an employee is guilty of an infraction and shall be fined not more than \$25. If the failure to report is the result of a conspiracy between the employer and the employee to not supply the required report or to supply a false or incomplete report, the fine shall be \$350 for each failure to report or each false or incomplete report.

Here is what happens to the reports after employers submit them:

Department of Revenue: The Department of Revenue staff will forward the federal W-4 form or its equivalent to the Division of Child Support Enforcement.

Division of Child Support Enforcement: The Division of Child Support Enforcement (DCSE) will enter new hire information into the State Directory of New Hires. DCSE staff will match names in the directory with names of noncustodial parents on record with the division. Information obtained from any employer will be held confidential and will not be published or be open to public inspection other than to public employees in the performance of their public duties.



Effective July 1, 1997 changes were made to the program as a result of the passage of the Personal Responsibility and Work Opportunity Act of 1996 (aka Welfare Reform). Changes in reporting requirements was necessary to speed up the child support income withholding process, to expedite support collections from obligors who change jobs frequently, to quickly locate potential obligors for paternity establishment or support order establishment and to help children regularly receive their support.

You can learn more about New Hire Reporting in Sections 285.300 through 285.306 of the Revised Statutes of Missouri or by contacting the Division of Child Support Enforcement, P.O. Box 2320, Jefferson City, MO 65102-2320 or call (573) 751-4301 or (800) 859-7999. You may also send an e-mail message to: askcse@mail.state.mo.us

Withholding Taxes

Every employer maintaining an office or transacting any business in Missouri and making payment of wages to a resident or nonresident individual must obtain a Missouri Employer Tax Identification Number. State tax is then withheld from the employees payroll and remitted to the Missouri Department of Revenue. For more information contact: Tax Administration Bureau, P.O. Box 999, Jefferson City, MO 65108-0999; phone: 573/751-5752.

Employers file income tax withholding returns on form MO 941 (Employer's Report of Income Taxes Withheld). Employers also file an Employer's Annual Reconciliation Report of Income Tax Withheld by January 31 of the year following the reporting year. The form is supplied by the Department of Revenue.

In addition to filing your withholding taxes by mail, the Missouri Department of Revenue offers two alternative methods:

1. Telefile - By calling a toll free number you can file your withholding tax return using the Telefile System.
2. Electronic Data Interchange (EDI) - EDI offers two options for filing

your withholding tax return. The first option allows you to provide return information to your bank. The second option allows you to transmit your return through a value added network to the Department by use of EDI translation software.

These options are available to any Missouri taxpayer filing a Form MO-941W, Employer's Monthly Report of Quarter-Monthly Payments or Form MO-941, Employer's Return of Income Taxes Withheld. To learn more about these alternative filing methods, please contact the Tax Program Coordinator, P.O. Box 371, Jefferson City, MO 65105-0371 or call 573/751-3930.

The amount of withholding is based on the employee's wages, including reported tips, during the payroll period, marital status, and withholding exemptions. Employers must obtain a MO W-4 (Missouri Employee's Withholding Allowance Certificate) from each employee at the time work begins. Employees who do not complete the form are subject to withholding at the rate for single persons with no exemptions. Employees are entitled to the same number of personal and dependent exemptions on the state level as they are for federal withholdings.

Employers are required to keep records for all of their employees, including their names, addresses, Social Security numbers, period of employment, and dates and amount of wages subject to withholding.

In addition to state income tax withholdings, some municipalities impose an earnings tax on wages, salaries, other remuneration of city residents and of nonresidents working in the city.

To register with the Missouri Department of Revenue and receive an employer withholding tax number, request a copy of form 2643 (same form to obtain a sales tax number and a corporate income tax number). This form is available via the Web or can be requested from our office.

The Department of Revenue also produces a publication, "Employer's Tax Guide" that includes instructions and reporting forms. The Guide is available from the Department of Revenue (1-800-877-6881) or from our office.

Unemployment Insurance

Most companies doing business in Missouri are required to pay unemployment insurance to protect their workers during unemployment. This applies to most businesses having one or more workers on the payroll for 20 weeks during the calendar year, and to businesses paying an individual employee \$1,500 in a given quarter.

Currently rates are based on the first \$8,500 of each employee's annual salary. The employer with a credit balance will contribute at a rate of 0.00 (zero) percent to 2.7 percent. The employer with a deficit account will pay up to 6.0 percent; and a manufacturer new to Missouri with no experience rating, will pay the normal entry rate of 2.7 percent for 1999.

The Missouri Division of Employment Security is the state agency responsible for the administration of the unemployment insurance benefit and tax program and maintaining a free public employment office. The Division has responsibility to both workers and employers.

The division strives to administer the employer tax provisions of the Law equitably in accordance with the intent of the General Assembly of the State of Missouri. An effort is made to tax employers as little as possible while at the same time provide essential benefits to workers who are unemployed through no fault of their own and who are able, available, and actively seeking work.

The State Unemployment Insurance Laws must conform to certain standards in the federal Employment Tax Law administered by the United States Department of Labor. By conforming to these laws, Missouri employers are allowed to take a credit on federal unemployment tax returns, if state taxes are paid timely. This credit is allowed regardless of an employer's state tax rate.



We recommend that you obtain a copy of the division's handbook, *Employers' Rights and Responsibilities* from any local Employment Security/Job Service office, or by writing to MO Division of Employment Security, P.O. Box 59, Jefferson City, MO 65102-0059.

“Report To Determine Liability Status” (MoDES 2699)

Any person or organization that finds any of the following statements true for their business is required to make contributions to the Missouri unemployment compensation fund:

- paid taxes of at least \$1,500 in the current or preceding calendar quarter;
- employed at least one person for some portion of a day in each of 20 different calendar weeks in the current or preceding calendar quarter - - whether or not the same person was employed on each day or the weeks were consecutive;
- acquired substantially all of a business making contributions to the Missouri unemployment compensation fund; or
- elected to become subject to the Missouri unemployment compensation law.

Employers subject to the law register with the Division of Employment Security on a "Report to Determine Liability Status" (MoDES 2699). [Note: this form was previously called "Registration of Employment Experience"]

Worker's Compensation

All businesses with five or more employees (except agricultural or domestic labor) must provide worker's compensation insurance to protect their workers in case of job-related injury, illness or death. Construction companies need workers compensation insurance if they have one or more employees. Companies can offer this protection through a private insurance carrier or they can become self-insurers. Premium rates vary, depending on the risks associated with special occupations. As in most states, the premium rates apply to an employee's total annual salary. The maximum weekly benefit for temporary total disability, temporary partial disability, permanent total disability and death is currently computed as 105 percent of the average weekly wage, determined annually on July 1. Missouri's worker's compensation rates compare favorably with those in other states. Though benefits for claimants in other states usually increase automatically from year to year, in Missouri benefits cannot be increased without the review and approval of the state legislature.

In making the decision to enter into a new business venture, workers' compensation liability should be a primary area of concern. This article will provide some basic information regarding workers' compensation and will then pose and answer a number of questions such as might be asked of any attorney or insurance agent by any person entering into a small business enterprise.

The workers' compensation system is a statutorily created, state administered, no-fault program which constitutes an injured employee's sole remedy against the employer and which protects the employer from tort liability. The system is not intended to constitute a form of general health insurance. Rather, the system exists for the purpose of compensating employees who are injured, or who contract occupational diseases, which arise out of and in the course of employment. The law is liberally construed to bring the largest possible class of employers, employees and injuries under its provisions.

Furthermore, there is no limitation as to the kinds of injuries or diseases that might be found to be compensable. The term "injury" has been found to include, along with the usual lacerations, contusions, fractures, strains, and certain occupational diseases, to also include repetitive motion disease, some heart attacks and mental injuries, injuries as a result of exposure to fumes or weather, even injuries that occur as a result of misbehavior, involve intoxication or altercations among employees, the term can even include the results of sexual assault. But for a few exemptions, all kinds of businesses are subject to the law and in all likelihood the business which you are

contemplating starting up will similarly be included. Thus, you should ask yourself the following questions and understand the following coverage principles.

Will my business be subject to the law?

Every employer with five or more employees regularly employed is under the workers' compensation law. For many decades the law could be rejected, that is no longer true. Similarly, the nature of the business makes no difference, the law applies equally to hazardous employment versus non-hazardous, businesses operated for profit, corporations, partnerships, joint ventures and sole proprietorships. The only employment exempted, regardless of the number of workers, are farm labor, domestic servants in a private home or occasional labor performed for and related to a private household. Those exempted employments, and employers with less than five employees regularly employed, can come under the law by election, or may become subject to the law, by purchasing workers' compensation insurance. The wisest course is to assume that your business will be under the law unless you are certain that it will not be and you are comfortable under those circumstances.

Must my business have workers' compensation insurance?

Every employer under the law must either purchase and maintain valid workers' compensation insurance coverage or qualify as a self-insurer, either individually or as a member of a group. To be self-insured, state approval must be obtained and if an employer has not demonstrated the necessary qualifications and obtained the requisite approval, the employer is "bare" regardless of the employer's actual financial ability to pay claims.

What happens if my business does not have worker's compensation insurance, and is not a qualified self-insurer, should an injury occur?

If an employer subject to the law fails to insure or self-insure, the penalties are considerable. First of all, under those circumstances the injured employee has a right to either pursue the workers' compensation remedy or to file a civil suit for damages. In the event that the latter course of action is taken, the employer may not interpose defenses such as the negligence of a fellow servant or the employee's contributory fault. If the employee elects to pursue a workers' compensation claim, the law provides that all compensation shall be immediately computed and payable and the award can then be certified as a judgment and the employer's assets attached.

What if I decide I do not want to continue workers' compensation insurance and my business is small enough that I do not have to have coverage?

If an employer, not automatically under the law, chooses to accept the law, that acceptance remains in force until that acceptance is withdrawn through a formal filing with the Division of Workers' Compensation. Perhaps more

importantly, if a business purchases workers' compensation coverage, the employer automatically comes under the law and that status will continue even if the insurance policy is canceled or not renewed. Consequently, any employer who can opt out must be certain to notify the state even if the business accepted the law only the business' previous purchase of insurance coverage.

Who must the business count as an employee?

Anyone to whom the business pays a salary or wage for services performed must be considered an employee and the term can even include those who work for no pay at all. Partners and sole proprietors are not counted and executive officers only if the officers perform actual services for the business or are subjected to the hazards of the industry. In addition, it is not necessary that all employees to be counted be employed at the same moment in time, employees employed on a staggered basis, but employed to work on a single project, may all be counted to determine whether the business has or had five or more employees "regularly employed."

Can my business avoid being under the law through the use of independent contractors?

The use of contracting as a technique to avoid workers' compensation exposure is very risky at best. There is a provision in the law intended to prevent this practice. This provision creates "statutory" or presumptive employment in circumstances where a business contracts to have work performed on its premises which is the normal course of the work of that business. If those three criteria are met, the "statutory employer" becomes liable to provide workers' compensation benefits to uninsured subcontractors or the employees of uninsured subcontractors. Although this provision primarily affects the construction industry, it applies to all employments exempting only landowners who are having improvements erected, repaired, altered or demolished. Moreover, the term "employee" is very liberally construed under the state workers' compensation law and many individuals would be deemed as direct employees of a business even though they might be accepted as independent contractors under other statutes or regulations, i.e., by the IRS. In other words, you cannot conduct your usual business through the use of independent contractors and escape workers' compensation liability.

If my business comes under the law, am I safe from civil suits in the event that an employee is injured?

As a rule, if workers' compensation jurisdiction applies, the employer cannot be sued under civil law, either directly or indirectly. However, there are a few exceptions. One exception involves intentional torts such as an assault. Another exception involves the situation where the employer leaves the role of the employer and steps into the role of a co-employee and while working in that capacity causes injury. There, the employer or an individual manager

may be subject to suit and the employer's insurance coverage may not apply. Fortunately, however, the Missouri courts have allowed only a few exceptions to the rule of "exclusivity" and the fact of workers' compensation jurisdiction affords the business immunity from a civil judgment for damages on account of a work-related injury.

In conclusion, every business person must be cognizant of worker's compensation liability. No business can avoid exposure to the costs of work-related injury and even those businesses who are sufficiently small not to automatically come under the law, should seriously consider electing workers' compensation coverage since liability for work-related injury or disease exists even in the absence of workers' compensation jurisdiction. The trade-off, the obligation to supply workers' compensation benefits in exchange for limited damages, remains a good bargain for both the business and its workers.



For additional information:

You can obtain further information from the Missouri Division of Workers' Compensation at 1-800-775-2667 or consult with your attorney or insurance representative.

This article, written by James B. Kennedy, appeared in the St. Louis Business Journal and is re-printed with their permission.

OCCUPATIONAL SAFETY AND HEALTH ACT (OSHA)

All employers must furnish to employees employment and a place of employment free from recognized hazards that are causing or are likely to cause death or serious harm to employees. Employers must comply with occupational safety and health standards issued under the Act.

Employees must comply with all occupational safety and health standards, rules, regulations and orders issued under the Act that apply to their own actions and conduct on the job.

The Act requires that a representative of the employer and a representative authorized by the employees be given an opportunity to accompany the OSHA inspector for the purpose of aiding the inspection. Where there is no authorized employee representative, the OSHA Compliance Officer must consult with a reasonable number of employees concerning safety and health conditions in the workplace.

Employees or their representatives have the right to file a complaint with the nearest OSHA office requesting an inspection. If they believe unsafe or unhealthful conditions exist in their workplace, OSHA will withhold, on request, names of employees complaining. The Act provides that employees

must not be discharged or discriminated against in any way for filing safety and health complaints or for otherwise exercising their rights under the Act.

If upon inspection OSHA believes an employer has violated the Act, a citation alleging such violations will be issued to the employer. Each citation will specify a time period within which the alleged violation must be corrected. The OSHA citation must be prominently displayed at or near the place of alleged violation for three days, or until it is corrected, whichever is later, to warn employees of dangers that may exist there.

The Act provides for mandatory civil penalties against employers of up to \$7,000 for each serious violation and for optional penalties of up to \$7,000 for each nonserious violation. Penalties of up to \$7,000 per day may be proposed for failure to correct violations within the proposed time period and for each day the violation continues beyond the prescribed abatement date. Also, any employer who willfully or repeatedly violates the Act may be assessed penalties of up to \$70,000 for each such violation. A minimum penalty of \$5,000 may be imposed for each willful violation. A violation of posting requirements can bring a penalty of up to \$7,000. There are also provisions for criminal penalties.

Free assistance in identifying and correcting hazards and in improving safety and health management is available to employers, without citation or penalty, through OSHA-supported programs in each State; contact: Department of Labor and Industrial Relations, Division of Labor Standards, 3315 West Truman Blvd., P.O. Box 449, Jefferson City, MO 65102; phone: 573/751-3403 or 1-800-475-2130.

Additional information and copies of the Act, specific OSHA safety and health standards and other applicable regulations may be obtained from the OSHA regional office in Kansas City, MO at 816/426-5861.

If you are a small business subject to OSHA regulations, the *OSHA Handbook for Small Business* will give your business the information it needs to comply with federal occupational safety and health law. You can order by mail from the Superintendent of Documents, P.O. Box 371954, Pittsburgh, PA 15250-7954. Ask for publication #029-016-00144-1. The cost is \$4.00 per copy, postpaid. Orders charged by Visa or MasterCard may be placed by phone at (202) 783-3238 between 8 a.m. and 4 p.m. Eastern time.

INTERNAL REVENUE SERVICE (IRS) ASSISTANCE AND PUBLICATIONS

While the IRS is the source of much consternation for many of us, they also provide a great deal of helpful information and assistance to the small

business owner. The IRS even has a web site (<http://www.irs.ustreas.gov/prod/cover.html>) where you can retrieve :

- variety of forms
- IRS publications
- newsletters
- a business tax kit
- Tax Information for Business

It is definitely worth the visit!

Alternatively you can obtain a “business tax kit” and a copy of “Circular E, Employer’s Tax Guide” from your local IRS office or call 1-800-829-3676. “Circular E” explains federal tax withholding and Social Security tax requirements for employers as well as containing up-to-date withholding tables for you to use to determine how much federal income tax and Social Security tax is to be withheld from each employee’s paycheck.

NOTES:

Chapter 6. Financing Your Business

Funding for a business usually comes in two forms: debt and equity. Debt is obtained from borrowing and must be repaid from cash flow. Equity is contributed by owners or investors and is not repaid from operations. Retail and service businesses are difficult to finance. Funding for these enterprises is usually used for working capital, inventory and fixtures. These forms of collateral, in most instances, do not meet the lender's resale recovery criteria. As such, retail and service operations are often 100 percent equity financed.

Most traditional lenders prefer manufacturing or industrial operations where funds will be used to purchase fixed assets, like land, buildings or production equipment. These items offer the type of collateral used to secure the debt.

Most financial institutions are looking for a well prepared business plan from the applicant when requesting financial assistance. Along with a business plan, your particular lending institution may have a special form or application that they require for new business loans. If an application is not necessary, be prepared to present a very thorough record. Be honest, show your commitment and willingness to meet their requests.

Keep in mind that the number of small business failures is high, causing the bank to show skepticism and consider risk. You must display ability to manage financially and be ready to show a positive record both for yourself and your proposal.

Where to Find the Money You Need

It is important that you explore all of your funding options before you make a decision.

Personal Savings: Most new businesses are started with money from personal savings and other forms of personal equity.

Banks and Credit Unions: These are the most common sources of funding. They will provide you with a loan if you can show that your business is sound.

Friends and Relatives: Money from private sources may be loaned at no interest or low interest, which can be beneficial when getting started.

Venture Capital Firms: These firms provide start-up and other needed money for new companies in exchange for equity or part ownership.

Source: SBA, Focus on the Facts: How to Raise Money for a Small Business.

Roger Bel Air, author of *How to Borrow Money From a Banker* and national lecturer, reminds entrepreneurs that banks are in business to lend money and get it repaid -- with interest. That's their number one priority.

Bel Air says that "A banker's career is based on not making mistakes and determining whether or not the bank will be repaid -- the bottom line in any loan decision -- is subjective. Beyond the facts and figures alone, banks want to see that the applicant has thoroughly reviewed his options, laid the necessary groundwork for borrowing, and prepared a clearly written and well organized loan application."

Another advantage of preparing an effectively organized loan application, including the all-important business plan, is that it will significantly decrease the time spent waiting for an answer. Much of the time spent in approving a loan can be traced to the banker having to ask the potential borrower for more information or for clarification of the information that has already been submitted.

In evaluating loan applications, three C's of credit are taken into account -- character, capacity and collateral.

In evaluating loan applications, the three C's of credit are taken into account -- character, capacity and collateral:

1. **Character.** Character is actually a check on your financial status and personal credit history, including your previous loan payment record. The theory is that people are creatures of habit, if you have repaid a loan on time before, you will repay this one as well. Conversely, if you have defaulted on a previous loan, the danger is that you'll tend to default again.

Also considered is experience in the type of business you are trying to finance, including level of responsibility, education and business management training. Lenders are particularly concerned that potential borrowers have a solid understanding of financial record keeping, business credit, the importance of collecting accounts receivable, inventory control and turnover, and marketing their product or service.

If your prior business experience is not relevant to your current venture (for example, if your career has been in the corporate world, and you want to start a restaurant), banks will be leery about your ability to run the new endeavor successfully and thus repay the loan.

2. **Capacity.** Prudent bankers have always looked first to the cash flow of the business as the way the loan will be repaid, which underlines the importance of preparing a cash flow statement with future cash flow projections before

presenting your loan request. Doing so indicates to the lender that you are knowledgeable about the cash coming into your business and being spent, and therefore better able to avoid a cash shortage that would jeopardize making monthly loan payments.

3. Collateral. While cash flow is the primary source of loan repayment, lenders will want a back-up or secondary source as an “exit of last resort” should your business not prove profitable. Collateral - defined as “anything of value used as security for repayment of a debt or performance of a contract” - can be real estate, stocks and bonds, savings account passbooks, equipment, accounts receivable, or the cash value of life insurance policies.

Psychologically, lenders feel that borrowers have more interest in repaying the loan if they know that failure to do so will result in the lender taking possession of whatever has been put up for collateral. A lender will also try to obtain personal guarantees so that if you default on the loan, the institution has access to your personal assets.

One final tip is not to forget “relationship banking.” Once a relationship has been established, and you’ve explained your business operations and anticipated needs, it becomes far easier to approach a banker when a loan is needed. This familiarity will make you more credible than a customer who has not taken the time to introduce himself. Scott McCrea, a consultant with Deloitte & Touche, advises entrepreneurs to develop and nurture a relationship once credit is granted. He suggests keeping the lender updated on the company’s progress, and staying abreast of the lender’s other products and services that may apply to your business. As the business grows, you may need to restructure or enhance your credit, and it only makes sense to turn to someone already familiar with, and confident in, your business acumen.

Be sure to stay close to your banker, being open and honest about major changes and significant events - both good and bad. Because your lending officer has to tell your story to other people in the organization, nothing can jinx the relationship faster than a lack of candor. Feeding bankers regular information is, of course, time consuming when you have a company to run. But it’s all part of building credibility and trust, and will enable you to use your banker’s knowledge to help ensure the continued success of your business.

Don’t let a rejection at the bank stop your effort in obtaining financing. Consider all possibilities from government loans and grants for small businesses to potential financing from suppliers which you will likely patronize and always consider existing businessmen or private investors.

If all fails, friends or relatives may be the key to financial start-up; however, be cautious and document every single transaction. As is often said “friends and families seldom make good business partners.”

Look for every way to prove success by searching for equipment, materials, or labor that can be provided at a reduced rate. Search for all sources that are available and don't ever lose sight of the dream that your business can and will succeed.

PRIVATE SOURCES

Commercial Banks

Your local bank should be the first place you approach for your business financing needs. Many banks have loan departments that deal specifically with small business and many banks are beginning to offer special services to small business owners. It is also important to remember that many alternative financing programs require a letter denial or partial funding from a bank before they will consider your application.

LOCAL AND REGIONAL SOURCES

The following agencies provide a variety of funding options, generally tied to one or more of the following criteria: residence in delivery area, income level, type of business, etc. Most are "microlenders", i.e., organizations that offer small loans. Also, many, if not most, require attendance at regular meetings and mandatory business education programs prior to applying for loans.

This list is in no way inclusive of all of the programs that operate in the state of Missouri; it serves only to provide a glimpse of the opportunities that exist on the local level and is not intended to be, nor should it be construed to be, an endorsement of any of these programs. The information provided is a summary of the program - please contact the individual program for complete details on applicant criteria and the loan application process.

St. Louis City Metropolitan Area:

Working Capital, St. Louis (314/531-4546): Working Capital is a micro-lending program which identifies small business people in the St. Louis area and makes available to them the commercial credit and business support which enables them to expand their business.

Working Capital utilizes a peer-lending technique. At required monthly meetings borrowers receive continuing assistance in the marketing of their goods or services. The maximum first-time loan is \$500 payable in four to six months; subsequent loans can have increased amounts (up to \$5,000) and longer duration. Working Capital gives priority to individuals already in business to minimize loan risk; will consider applications from start-ups.

Economic Council of St. Louis County, (314/889-7633): Services include Business Development Fund (BDF), Metropolitan St. Louis Loan Program, Minority/ Disadvantaged Contractor Loan Guarantee, Recycling Market Development Loan Program, SBA 504 Loan Program and Minority & Women's Prequalified Loan Program.

St. Charles County Economic Development Council, St. Peters (314/441-6880): Program assists eligible companies with fixed asset and working capital needs; acts as the certified development company which packages SBA 504 loans.

St. Louis City Revolving Loan Fund (314/622-3400): Provides direct, low interest, subordinated loans for working capital, machinery and equipment, purchasing land and buildings, renovation and constructing facilities and leasehold improvements. Business must be located in the City of St. Louis and be licensed to do business in the City. Must create one full-time job for every \$10,000 of funds. Loans can provide up to 1/3 of the project cost to a maximum loan amount of \$150,000.

St. Louis Urban Enterprise Loan, St. Louis Development Corporation (314/622-3400): Provides loans to businesses located within the Enterprise Community area or the Enterprise Zone within the City of St. Louis. Eligible borrowers must be for profit businesses with current employment of less than 100. Eligible program activities will include fixed asset or working capital needs. Eligible projects must retain existing or create new jobs (one job created for every \$20,000 of funding). The UEL can lend up to 50% of the project costs to a maximum loan amount of \$100,000.

LDC Micro Loan Program, St. Louis Development Corporation (314/622-3400): Microloans are available to start-up companies or businesses less than one year old located within the City of St. Louis; one (1) job, other than the owner's, must be created. Successful applicants must demonstrate a viable business plans and the inability to secure bank financing. Companies must show the ability to start or grow the business with a maximum loan amount of \$25,000. Loans may be used to cover start-up costs, working capital and purchase of machinery and equipment.

Kansas City Metropolitan Area:

First Step Program, Kansas City (816/474-5111, ext. 247): The First Step Fund (FSF) offers training in business basics such as recordkeeping, budgeting and marketing; assistance in completing a feasibility study for your business; opportunity to apply for loans of up to \$2,500; and ongoing support group. FSF participants must be residents of Jackson, Clay or Platte counties in Missouri and must meet federal guidelines for low to moderate income.

During a 10-week business training program, students work on a feasibility study for the proposed business. Potential borrowers receive continuing education at monthly meetings. Participants review each others' feasibility studies and approve loans. The maximum loan amount for first-time borrowers is \$2,500 and \$5,000 for second-time borrowers.

Kansas City's Urban Enterprise Loan Fund, Kansas City (816/561-1000): Fund is designed to assist with the creation, expansion and retention of small businesses located, or aspiring to locate, within the federally designated Enhanced Enterprise Community and the State Enterprise Zone. Eligible applicants include any Missouri resident with a for-profit business with gross annual revenues of less than \$250,000 and less than 100 employees. Loan amounts can range from \$10,000 to \$100,000; matching funds are required as well as new job creation (minimum of one job per \$20,000 borrowed).

Capital for Entrepreneurs, Kansas City (816/561-4646): Seed capital fund divided into three separate funds of \$1 million each: Fund for Women, Fund for Hispanics, and Fund for African-Americans.

Community Development Corporation of Kansas City, (816/921-3350): Provides microloan business assistance to small businesses located in a five-county area; assists entrepreneurs whose credit needs are \$25,000 and under.

Center for Business Innovation (816/561-8567): Administers The Microloan Program, created by the Small Business Administration, for residents of Jackson, Clay, Platte and Cass counties. The program is administered through community-based lenders and is designed to encourage economic and financial activity among thousands of potential borrowers who do not generally meet the credit standards of traditional lenders. Any Missouri small business owner is eligible for a microloan. While the program was designed to primarily assist women, low-income, and minority entrepreneurs and business owners, any small business can apply for a microloan. Borrowers may apply for loans ranging from \$500 to \$25,000.

Outstate Missouri:

Thomas Hill Enterprise Center, Macon (1-800-470-8625): The Thomas Hill Enterprise Center established a Revolving Loan Fund (RLF) to fill financing gaps not covered by conventional lenders. While certain restrictions exist, the RLF is designed to provide financing for businesses which cannot obtain adequate funds from conventional sources. Qualifications include:

- be located in Macon, Howard, Boone, Audrain, Linn, Randolph, Chariton, Shelby, Monroe or Adair counties
- have annual gross revenues of less than \$1.0 million or have 50 employees or less
- require gap financing to supplement conventional loans

- have positive net work according to generally accepted accounting principles
- demonstrate significant growth potential and/or provide a meaningful public purpose

Top of the Ozarks RC&D, Houston (417/967-4188): Provides microloans in a 10 county area (Dent, Douglas, Howell, Laclede, Oregon, Ozark, Pulsaki, Shannon, Texas and Wright). First loan is limited to a maximum of \$500; successful repayment by the business borrower increases the loan maximum eligibility to \$2,000. Those businesses which utilize natural resources are preferred, but other are considered. For every \$100 borrowed, the business owner must donate 2 hours of “sweat equity” which can be accomplished through mentoring, speaking to organizations about the program, etc.

In\$Dent Small Business Support (573/364-3147): Peer lending program designed to assist low income residents of Dent County attain economic self-sufficiency by helping them start and/or maintain profitable businesses. All borrowers complete an approved business management training program and must be a member of a peer lending group. Loans will not be for more than \$1,000 for any one group member. After the initial loan is repaid, members can apply for larger loans up to \$2,000; each loan thereafter will have a ceiling of twice the previous loan, up to a maximum of \$10,000.

Rural Missouri, Inc. (573/635-0136 or toll free 1-888-234-4971): Administers the Microloan Program, created by the Small Business Administration, in all Missouri counties with the exception of Kansas City. The program is administered through community-based lenders and is designed to encourage economic and financial activity among thousands of potential borrowers who do not generally meet the credit standards of traditional lenders. Any Missouri small business owner is eligible for a microloan. While the program was designed to primarily assist women, low-income, and minority entrepreneurs and business owners, any small business can apply for a microloan. Borrowers may apply for loans ranging from \$500 to \$25,000.

STATE SOURCES

Recognizing the important impact that small businesses have on Missouri’s economy, the State of Missouri, through a variety of agencies, has developed programs that provide financing options to small businesses. The following is a general description of the program, please contact the agency for more information.

MISSOURI FIRST Linked Deposit For Small Businesses

The State Treasurer has reserved a portion of available linked deposit funds for small businesses. State funds are deposited with participating lending

institutions at up to 3% below the one-year Treasury Bill rate, with the lender passing on this interest savings to the small business borrower. A company must have less than 25 employees, be headquartered in Missouri, and be operating for profit. Small Business MISSOURI FIRST Linked Deposit loans are available for working capital. The maximum loan amount is \$100,000. Contact:

State Treasurer's Office
P.O. Box 210
Jefferson City, MO 65102-0210
Phone: 1-800-662-8257

Missouri's Export Finance Program

Working Capital Loan Guarantees

Missouri companies that need financial assistance exporting to foreign markets can use programs of the Export and Import Bank of the United States (Ex-Im Bank) and the Small Business Administration (SBA) through a joint project that provides **local** access for Missouri businesses. There are primarily two programs available, Working Capital Loan Guarantees and Export Credit Insurance. These programs are designed to help small and medium-sized businesses that have exporting potential but need funds or risk insurance to produce and market goods or services for export.

Eligible uses: The exporter may use the guaranteed financing to: purchase finished products, materials, services and labor; cover stand-by letters of credit and bid and performance bonds; or to fund foreign marketing activities, if sufficient collateral and cash flow exist.

Export Credit Insurance

The state of Missouri offers assistance in obtaining export credit insurance through the Export/Import Bank of the US to take the risk out of selling to customers overseas. The Missouri program, which insures both commercial and political risks, guarantees an exporter that once his goods are shipped he will be paid. Insured receivables can enhance an exporter's ability to obtain export financing and allow an exporter to offer more attractive credit terms to foreign buyers.

All credit-worthy exporters (industrial and commercial) whose export credit sales have averaged less than \$2 million annually for the past two years and have not been covered under any Foreign Credit Insurance Association policy during the previous two years are eligible under the Missouri program.

Contact:

Missouri Export Finance Program
P.O. Box 118

Jefferson City, MO 65102-0118
Phone: (573) 751-4855

Market Development Loans for Recovered Materials

The Environmental Improvement and Energy Resources Authority funds activities that promote the development of markets for recovered materials. Loans of up to \$75,000 are available to companies for equipment used in the production or manufacture of products made from recovered materials. After three years, if all contract obligations are met, the loan is forgiven and repayment is not required. Contact:

Environmental Improvement and Energy Resources Authority
P.O. Box 744
Jefferson City, MO 65102
Phone: (573) 526-5555

Financial Aid for Beginning Farmers

Beginning farmers can receive federally tax-exempt loans from commercial lenders at rates 20 to 30 percent below conventional rates through this program. A qualified borrower can borrow up to \$250,000 to buy agricultural land, farm buildings, farm equipment and breeding livestock in Missouri. The borrower must be a Missouri resident, at least 18 years old and whose chief occupation must be farming or ranching after the loan is closed. The borrower's net worth must not exceed \$150,000, and he or she must have adequate working capital and experience in the type of farming operation for which the loan is sought. A beginning farmer is one who has not previously owned more than 15 percent of the medium-sized farm in their county. Land cannot be purchased from a relative. For more information, contact:

Missouri Agricultural and Small Business Development Authority
Beginning Farmer Program
P.O. Box 630
Jefferson City, MO 65102
Phone: (573) 751-2129

Small Business Investment "Capital" Tax Credit

The state of Missouri, through the Small Business Investment Capital Tax Credit Program offers a 40% tax credit to eligible investors in qualified businesses. Eligible investors may not be principle owners in the business. Only unsecured investments are considered eligible. All businesses wishing to participate in the program must make application to the Department of Economic Development prior to accepting investments for which tax credits are to be issued. For more information, Contact:

Missouri Dept. of Economic Development
Business Development Finance Programs
P.O. Box 118

Jefferson City, MO 65102-0118
Phone: (573) 751-0295

Small Corporation Offering Registration (SCOR)

Missouri's Small Corporate Offering Registration (SCOR) provides a process for entrepreneurs to register their securities. The SCOR process has been designed by state securities regulators to make it easier and less expensive for small companies to raise needed capital from Missouri residents. All securities registered through this process need to complete form U-7 available from the Secretary of State's Office. For more information, contact:

Securities Division
Secretary of State's Office
P.O. Box 1276
Jefferson City, MO 65102
Phone: (573) 751-4136

Limited assistance and counseling on SCOR is available from:

Missouri Innovation Center - Columbia
5650A South Sinclair Road
Columbia, MO 65203-8611
Phone: (573) 446-3100

FEDERAL SOURCES

Businesses that are locating or expanding in Missouri may take advantage of a number of federal programs designed to promote economic development. These programs are intended to assist entrepreneurs, financial institutions and local communities with direct loans, loan guarantees and direct grants to spur job-creating business investments. The following is a general description of some of the federal financing programs. For more information, please contact the agencies listed or the Missouri Department of Economic Development.

SMALL BUSINESS ADMINISTRATION

The Small Business Administration (SBA) helps new or growing businesses meet their financial needs; provides business counseling; and acts as an advocate for small businesses with state, federal, and private agencies.

SBA defines a small business as one which is independently owned and operated and is not dominant in its field. To be eligible for SBA loans and other assistance, a business must meet size standards based on total employment or annual receipts. This standard varies by industry.

The financial assistance offered by SBA has helped thousands of small businesses get started, expand and prosper. The Regular Small Business Loan program is the largest SBA assistance package. Through loan guarantees and direct and immediate participation loans, SBA can help small businesses acquire equipment, facilities, materials and supplies, and working capital.

For more information on the following SBA programs, contact:

Small Business Administration
Lucas Place, 323 West 8th Street
Kansas City, Missouri 64105-1512
Phone: (816) 374-6701

Small Business Administration
815 Olive St., Room 242
St. Louis, Missouri 63101
Phone: (314) 539-6600

Small Business Administration
620 S. Glenstone, Ste 110
Springfield, Missouri 65802-3200
Phone: (417) 864-7670

Small Business Administration Answer Desk -- 1-800-827-5722

SBA Section 7(a) - Loan Guaranty

This is the SBA's primary business loan program. Under 7(a), the SBA guarantees loans to small businesses that cannot obtain financing on reasonable terms through other channels. This program generally is used to meet the varied short- and long-term needs of small businesses. Lenders, not the SBA, approve and service the loans and request SBA guaranties. The guaranties reduce risks to the lenders, expanding their ability to make small business loans.

Loan proceeds from the 7(a) Program may be used for business start-ups, expansion, equipment purchases, working capital, inventory or real-estate acquisition. Generally, the SBA can guarantee up to \$750,000 of a private-sector loan; as much as 80 percent on loans of \$100,000 or less and 75 percent on loans of more than \$100,000. The interest rate may not exceed 2.75 percent over the prime lending rate except for loans under \$50,000, where the rates may be slightly higher. Maturities can extend to 10 years for working capital and 25 years for fixed assets.

There are a number of programs under the 7(a) Program that address specific needs:

SBA LowDoc Loan Program

LowDoc is for small business loans of \$100,000 or less, features a one-page SBA application. If approved, SBA guarantees up to 80 percent of the loan. The applicant completes the front of a one-page SBA application; the lender completes the back. Lenders may require additional information from the applicant. For loans over \$50,000, the applicant includes a copy of US Income Tax Schedule C or the front page of the corporate or partnership returns for the past three years.

Personal financial statements are required for all guarantors. Eligible businesses include those whose average annual sales for the preceding three years did not exceed \$5 Million, who employed 100 or less, including affiliates, and who satisfy other statutory criteria.

Women's Prequalification Loan Program

This program enables the SBA to prequalify a loan guaranty for a woman business owner before she approaches a lender. The program focuses on an applicant's character, credit, experience and reliability rather than her collateral. An SBA-designed nonprofit intermediary, such as an SBDC, works with a woman business owner to review and strengthen her application. The review is based on key financial ratios, credit history, business history and the proposed use of the proceeds. This is a pilot program available in a limited number of locations.

The 7(a); plus minority program may be used for-profit intermediaries, fees will vary, women's program uses nonprofit only; both may charge guarantee fees.

Must be at least 51% owned and operated by racial/ethnic minority or women; \$5 million or less annual sales for past 3 years; employ 100 or fewer, focus on credit history, ability to repay, probability of success (both are pilot programs available at 16 sites only). The maximum amount guarantee is \$250,000 generally total loan amount. The maximum percent of guarantee is set at 75 percent. The maximum interest rate with lender, loans under 7 years, maximum prime+2.25 percent or more, maximum 2.75 percent over prime; under \$50,000, rate may be slightly higher.

Minority Prequalification Loan Program

This pilot program is administered like the Women's Prequalification Loan (see above). However, this program is designed for qualified minority-owned companies and allows the use of for-profit intermediaries. This is a pilot program available at a limited number of locations.

SBA Capline Program

The Capline program have five distinct short-term working capital loan programs including: Short-term & RLC's, Seasonal, Contract, Builders, Standard Asset-Based Line. It finances seasonal working capital needs; costs to perform construction costs; advance against existing inventory and receivable; consolidation of short-term debts to existing businesses. Its total loan amount except small asset-based to the maximum of \$750,000 with a guarantee or 75 percent, whichever is less, up to 5 years. Same as the 7(a) except the Standard-Asset Based: no fee restriction, but fee disclosure to SBA is required. For Small Asset-based, the maximum guarantee amount is \$200,000.

The primary collateral will either be the current assets acquired with the loan proceeds or the current assets serving as a base for disbursement. Personal guarantees will also be required from the principal owners of the business.

SBA Fastrack Program

Fastrack allows participating lenders to use their own documentation and procedures and to apply an SBA guarantee to a loan without prior review by the SBA. In return for this flexibility, participating lenders agree to limit the maximum loan to \$100,000 and to accept a maximum guarantee of 50 percent.

The normal guarantee percentage on loans under \$100,000 is 90 percent. The lower 50 percent guarantee will allow the SBA to approve more loans at a lower cost to the government and use SBA leverage to attract even more private capital to small businesses. This will give selected lenders the authority to approve, service and liquidate loans up to \$100,000. These lenders would use their own application package, loan documentation, servicing documentation, and liquidation procedures. The borrower's interest rate must be within the existing SBA maximum rate.

This is a pilot program through 18 lenders. Same as the 7(a); limitations on real estate and construction may be used for term loans or revolving credits of not more than 5 years.

Export Working Capital Program (EWCP)

The EWCP provides short-term financing to small businesses for export-related transactions. Proceeds from the export sales are the primary source of repayment. Under the EWCP, the SBA guarantees up to 75 percent of a secured loan (80 percent on loans of \$100,000 or less) or \$750,000, whichever is less. Typically, maturities match a single transaction cycled with a term of up to 18 months or support a line of credit with a term of up to 12 months.

International Trade Loan (ITL)

This program provides short- and long-term financing to small businesses involved in exporting, as well as businesses adversely affected by import competition. The SBA can guarantee up to \$1.25 million for a combination of fixed-asset financing and permanent working capital.

Minority Enterprise Development

8(a) Small Disadvantaged Business Development

The MED office utilizes the SBA's Section 8(a) contracting authority to provide business development assistance to minority- and other disadvantaged-owned firms through federal procurement opportunities.

7(j) Management and Technical Assistance

The 7(j) Program provides management and technical training to 8(a) and other firms owned by socially and economically disadvantaged individuals, low-income individuals, and firms in either labor-surplus areas or areas with a high proportion of low-income individuals.

Assistance is concentrated in four major areas: accounting, marketing, proposal/bid preparation and industry-specific technical assistance. Entrepreneurial training is also available.

SBA Seasonal Line Of Credit Program

The "Seasonal Line of Credit" is a short-term loan available under SBA's guarantee program to finance an increase in the trading assets (receivables and inventory) of eligible small businesses arising from a seasonal upswing in business.

In addition to SBA's size and eligibility requirements, the small business must have been in operation for the last twelve calendar months preceding the date of application and must have established a definite pattern of seasonal activity.

SBA may guarantee up to \$750,000 or 85% of the loan, whichever is less. The maximum guarantee for loans up to \$155,000 is 90%. The amount of the loan is determined by the increased working capital needs created by the seasonal upswing in business.

The duration of the seasonal line runs from the date of first disbursement and cannot exceed twelve months.

Only one seasonal line of credit may be outstanding at any one time and each loan must be followed by an out-of-debt period of at least thirty days. These restrictions do not apply to agricultural enterprises.

SBA's collateral position primarily will consist of liens on all accounts receivable and inventory. Additional collateral, including the pledge of outside assets and personal guaranties, also may be required.

SBA Section 504 - Certified Development Company Loans

SBA's Certified Development Company (CDC) program was created as a cooperative effort between the federal government and the private sector to provide financing to small businesses for the acquisition of land and buildings, construction, expansion or renovation, and purchase of equipment.

State or local development companies certified by the SBA participate in financing with a private lender. CDC financing typically is structured whereby the CDC lends 40% of the total project amount (up to \$750,000), a private lender provides 50%, and the borrower provides the remaining 10%. The borrower receives the advantages of long-term financing, a low down payment, and low interest rates. The private lender receives a 50% loan-to-value ratio with first mortgage or security interest, and the added advantage of minimal paper work and exposure. The Certified Development Companies in Missouri are:

Territory Authorized	CDC	Phone
Andrew, Buchanan, Clinton, DeKalb counties	Mo-Kan Development, Inc. 1302 Faraon Street St. Joseph, Missouri 64501	(816) 233-8485
Audrain, Boone, Callaway, Cole, Cooper, Montgomery, Randolph counties	Enterprise Development Corporation 1015 East Broadway, Suite 240 P.O. Box 566 Columbia, Missouri 65205	(573) 875-8117
Caldwell, Daviess, Grundy, Harrison, Linn, Livingston, Mercer, Putnam, Sullivan counties	Green Hills Rural Development, Inc. 909 Main Street Trenton, Missouri 64683	(660) 359-5086
Crawford, Gasconade, Maries, Phelps, Washington counties	Meramec Development Corp. 101 West 10th Street Rolla, Missouri 65401	(573) 364-2993
Camden, Dent, Laclede, Miller, Morgan, Pulaski counties	Central Ozarks Development, Inc. P.O. Box 786 Camdenton, Missouri 65020	(573) 346-5692

Clay County	Clay County Development Corp. 2900 Rockcreek Parkway, Suite 510 North Kansas City, Missouri 64117	(816) 472-5775
Platte County	Platte County Industrial Development Commission 10920 Ambassador Dr., Suite 536 Kansas City, Missouri 64153	(816) 891-8770
Franklin, Lincoln, St. Charles, Warren counties	St. Charles County Economic Development Corp. 1 Mid Rivers Mall Drive, Suite 200 St. Peters, Missouri 63376	(314) 441-6880
Jefferson County	The Economic Development Corp. of Jefferson County P.O. Box 62 Hillsboro, Missouri 63050	(314) 789-4594 or (314) 942-4300, ex 337
Kansas City	Economic Development Corporation 10 Petticoat Lane, Suite 250 Kansas City, Missouri 64106	(816) 221-0636
St. Louis City	The St. Louis Local Development Co. 330 N. 15th St. St. Louis, Missouri 63103	(314) 622-3400
St. Louis County	Business Development Finance 121 S. Meramec, Suite 412 St. Louis, MO 63105	(314) 889-7663
Statewide	Rural Missouri, Inc. 1014 Northeast Drive Jefferson City, Missouri 65101	(573) 635-0136

SBA 7(m) Microloan Program

The Microloan Program was created by the Small Business Administration as the federal government's first program to target small loans to small businesses and entrepreneurs. The program is administered through community-based lenders and is designed to encourage economic and financial activity among thousands of potential borrowers who do not generally meet the credit standards of traditional lenders.

Any Missouri small business owner is eligible for a microloan. While the program was designed to primarily assist women, low-income, and minority entrepreneurs and business owners, any small business can apply for a microloan. Borrowers may apply for loans ranging from \$500 to \$25,000.

Two organizations process loans in Missouri. For more information contact:
Center for Business Innovation (residents in Jackson, Clay,
4747 Troost Avenue Platte, and Cass Counties only)
Kansas City, Missouri, 64110
816/561-8567

Rural Missouri, Inc. (all of Missouri except for above four counties)
1014 Northeast Drive
Jefferson City, Missouri 65109
Phone: 573/635-0136 or toll free 1-888-234-4971

USDA - RURAL DEVELOPMENT

The US Department of Agriculture can make assistance available for development through the USDA-Rural Development Program (formerly known as Farmers Home Administration). This assistance has been in the form of grants, loans, and loan guarantees. Currently available are the Business and Industry Loan program, aimed at encouraging development in rural areas in order to create or preserve employment opportunities there, and the Community Programs Guaranteed Loans, for providing essential community facilities in rural areas. New development, or expansion of commercial or industrial ventures may be financed. Loans may not be made in cities or towns with populations of 50,000 or more, and priority is given to projects in areas of 25,000 or less. For information on this and other development-related programs, contact:

USDA-Rural Development
601 Business Loop 70 West
Parkade Center, Suite 235
Columbia, Missouri 65203
Phone: (573) 876-0995.

USDA Rural Development Farmer Loan Program

The state's Beginning Farmer Program and Missouri First Linked Deposit Program can be used in conjunction with the USDA-Rural Development down payment loan program for reduced-interest loans to first-time farmers.

Eligible borrowers must provide a cash down payment of ten percent of the purchase price. The program can loan 30 percent of the purchase price or appraised value leaving 60 percent to be financed. Those financing the remaining 60 percent through a commercial lender, and who are eligible for participation in the Missouri Department of Agriculture's Beginning Farmer Loan Program may receive blended interest rates well below conventional rates. For more information

contact the county office of the USDA-Rural Development (formerly Farmers Home Administration). Or contact:

USDA-Rural Development
601 Business Loop 70 West
Parkade Center, Suite 235
Columbia, Missouri 65203
Phone: (573) 876-0995.

Rural Missouri, Inc.-Intermediary Relending Program (IRP)

Rural Missouri, Inc., (RMI) is approved by the USDA-Rural Development to offer financing to Missouri's small businesses. The Intermediary Relending Program (IRP) may be used to finance fixed assets or working capital up to \$150,000 or 75% of the total project cost, whichever is less. The funds cannot be used for refinancing. The interest rate is the prime rate, but not less than 7.5%, and the term is flexible. Businesses must be located in non-metro areas of under 25,000 population. Financing is not available for hotels, recreation and amusement facilities and agricultural production except: commercial nurseries, forestry, livestock and poultry processing, growing of mushrooms and hydroponics. For more information contact:

Rural Missouri, Inc.
1014 Northeast Drive
Jefferson City, MO 65109
Phone: (573) 635-0136 or Toll Free: 1-800-234-4971

Rural Missouri, Inc.- Small Business Investment Fund (SBIF)

Rural Missouri Incorporated (RMI) administers an investment fund available to rural small businesses. Funds are available for "gap" financing up to \$25,000 where the project involves a bank or other lending institution and owner investment. Funding may be provided through short term loans for purchase of debentures or equity investment. Terms and collateral are flexible, and the interest is tied to "prime." In addition to normal requirements, the business must agree to hire at least one qualified farmworker applicant for each \$5,000 of RMI investment. For more information contact:

Rural Missouri, Inc.
1014 Northeast Drive
Jefferson City, MO 65109
Phone: (573) 635-0136
Toll Free: 1-800-234-4971

Chapter 7. Resources

These listings are intended to serve as a reference document to aid entrepreneurs in locating organizations that can provide assistance in starting or operating a business. Many of these organizations are referenced in the text of this book.

STATE AGENCIES

Aging, Division of

Department of Social Services
615 Howerton Court
P.O. Box 1337
Jefferson City, MO 65102-1337
573/751-3082

Agriculture, Department of

1616 Missouri Blvd.
P.O. Box 630
Jefferson City, MO 65102-0630
573/751-4211

Attorney General

Supreme Court Building
Washington and High Streets
P.O. Box 899
Jefferson City, MO 65109-0899
573/751-3321

Consumer Protection Hotline
1-800-392-8222

Bingo Licensing and Tax

Missouri Gaming Commission
1616 Industrial Drive
Jefferson City, MO 65109
573/526-5370

Conservation, Department of

2901 West Truman Blvd.
P.O. Box 180
Jefferson City, MO 65102-0180
573/751-4115

Corporation Tax, Revenue

Truman Building, Room 330
P.O. Box 700
Jefferson City, MO 65102-0700
573/751-2836

Corporations Office, Secretary of State

600 West Main Street
P.O. Box 778
Jefferson City, MO 65102-0778
573/751-4153

Design and Construction, Division

Office of Administration
Truman Building, Room 730
P.O. Box 809
Jefferson City, MO 65102-0809
573/751-3339

Economic Development (DED)

Truman Building, Room 720
P.O. Box 118
Jefferson City, MO 65102-0118
573/751-4241

Regional Offices:

Kansas City: 816/889-2900
Missouri State Office Bldg.
615 East 13th Street, Rm 516

St. Louis: 314/340-6823
111 North 7th St., Rm 929

Springfield: 417/888-4001
1736 E. Sunshine, Ste 702

Dexter: 573/624-9950
808C Specialty Drive

Trenton: 660/359-5960
1600 East 9th Street

Houston: 417/967-5770
1330A Sam Houston Blvd.

Moberly: 660/269-8802
219 West Reed

**Education, Elementary and
Secondary, Dept.**

205 Jefferson Street
P.O. Box 480
Jefferson City, MO 65102-0480
573/751-4446

**Employment Security,
Division of**

421 East Dunklin Street
P.O. Box 59
Jefferson City, MO 65104-0059
573/751-3215

Energy, Division of, DNR

1500 Southridge Drive
P.O. Box 176
Jefferson City, MO 65102-0176
573/751-4000

**Environmental Quality,
Division of, DNR**

205 Jefferson Street
P.O. Box 176
Jefferson City, MO 65102-0176
573/751-4817

**Family Services, Division of,
DSS**

Central Office
615 Howerton Court
P.O. Box 88
Jefferson City, MO 65102-0088
573/751-3221

**Fiduciary/Partnership Tax,
Revenue**

Truman Building, Room 330
P.O. Box 3815
Jefferson City, MO 65105-3815
573/751-1467

Film Commission, Missouri

Truman Building, Room 720
P.O. Box 118
Jefferson City, MO 65102-0118
573/751-9050

**Franchise Tax
Secretary of State**

600 West Main Street
P.O. Box 1366
Jefferson City, MO 65102-1366
573/751-0907

Gaming Commission
3417 Knipp Drive
Jefferson City MO 65109
573/526-4080

St. Louis:
1175 Borman Dr., Suite 104
St. Louis MO 63146
314/340-4400

**Governor's Comm. on
Employment of People with
Disabilities**
3315 West Truman Blvd.
P.O. Box 1668
Jefferson City, MO 65102-1668
573/751-2600

Governor's Office
Capitol Building, Room 216
P.O. Box 720
Jefferson City, MO 65102-0720
573/751-3222

Health, Department of
920 Wildwood
P.O. Box 570
Jefferson City, MO 65102-0570
573/751-6400

**Highway and Transportation,
Dept.**
Capitol and Jefferson Streets
P.O. Box 270
Jefferson City, MO 65102-0270
573/751-2551

**Highway Patrol Headquarters,
Department of Public Safety**
1510 East Elm Street
P.O. Box 568
Jefferson City, MO 65102-0568
573/751-3313

Human Rights Commission
3315 West Truman Blvd.
P.O. Box 1129
Jefferson City, MO 65102-1129
573/751-3325

Insurance, Dept. of
Truman Building, Room 630
P.O. Box 690
Jefferson City, MO 65102-0690
573/751-4126
1-800-726-2390

**Job Development and
Training**
2023 St. Mary's Blvd.
Jefferson City, MO 65109
573/751-4750

**Labor and Industrial
Relations, Dept.**
3315 West Truman Blvd.
P.O. Box 507
Jefferson City, MO 65102-0504
573/751-4091

Labor Standards
3315 West Truman Blvd.
P.O. Box 449
Jefferson City, MO 65102-0449
573/751-3403

Lieutenant Governor
Capitol Building, Room 121A
Jefferson City, MO 65101
573/751-4727

Liquor Control, Division of
Department of Public Safety
Truman Building, Room 870
P.O. Box 837
Jefferson City, MO 65102-0837
573/751-2333

Mental Health, Department of

1706 East Elm Street
P.O. Box 687
Jefferson City, MO 65102-0687
573/751-4122

Lottery, Missouri

1823 Southridge Drive
P.O. Box 1603
Jefferson City, MO 65102-1603
573/751-4050

Natural Resources, Dept. of

205 Jefferson Street
P.O. Box 176
Jefferson City, MO 65102-0176
573/751-3443 1-800-334-6946

Nursing Home, Licensing, DSS

615 Howerton Court
P.O. Box 1337
Jefferson City, MO 65102-1337
573/751-3082

**Public Service Commission
(PSC)**

Truman Building, Room 530
P.O. Box 360
Jefferson City, MO 65102-0360
573/751-3234
Business Regulations Hotline:
1-800-392-4211

Purchasing, Division of

Truman Building, Room 580
P.O. Box 809
Jefferson City, MO 65102-0809
573/751-2387

Revenue, Department of

Director's Office
P.O. Box 311
Jefferson City, MO 65105
573/751-4450
To order forms: 1-800-877-6881

Regional offices:

Cape Girardeau - 573/290-5852
3102 Blattner Drive, Suite 102

Jefferson City - 573/751-7191
2018 Williams Street
Joplin - 417/629-3070
1110 E. Seventh Street

Kansas City - 816/889-2944
615 East 13th Street, Room B2

St. Joseph - 816/387-2230
525 Jules, Room 314

St. Louis - 314/968-4740
2510 S. Brentwood, Suite 300
Springfield - 417/895-6474
149 Park Central Sq., Rm 313

*Regular office hours are 7:45
a.m. to 4:45 p.m., Monday
through Friday.*

Sales Tax, Revenue

Truman Building, Room 330
P.O. Box 840
Jefferson City, MO 65105-0840
573/751-2836

Secretary of State

Capitol Building, Room 208
P.O. Box 778
Jefferson City, MO 65102-0778
573/751-3318

Securities, Division of

600 West Main Street
P.O. Box 1276
Jefferson City, MO 65102-1276
573/751-4136

Social Services, Dept. of
Broadway Building, 2nd Floor
221 West High Street
P.O. Box 1527
Jefferson City, MO 65102-1527
573/751-4815

State Tax Commission
621 East Capitol Avenue
P.O. Box 146
Jefferson City, MO 65102-0146
573/751-2414

Supreme Court
Supreme Court Building
207 West High Street
P.O. Box 150
Jefferson City, MO 65102-0150
573/751-4144

Tourism, Division of
Truman Building, Room 290
P.O. Box 1055
Jefferson City, MO 65102-1055
573/751-4133

Transportation, Division of
Truman Building, Room 230
P.O. Box 1216
Jefferson City, MO 65102-1216
573/751-7100

Treasurer, Office of
Capitol Building, Room 229
P.O. Box 210
Jefferson City, MO 65102-0210
573/751-2411
1-800-662-8257

**Uniform Commercial Code
(UCC)**
Secretary of State
600 West Main Street
P.O. Box 1159
Jefferson City, MO 65102-1159
573/751-2360

**Weights and Measures,
Agriculture**
1616 Missouri Blvd.
P.O. Box 630
Jefferson City, MO 65102-0630
573/751-4316

Withholding Tax, Revenue
Truman Building, Room 330
P.O. Box 999
Jefferson City, MO 65108-0999
573/751-5752

**Worker's Compensation,
Division of**
3315 West Truman Blvd.
P.O. Box 58
Jefferson City, MO 65102-0058
573/751-4231

Missouri Business Assistance Center (MBAC)

Determining the requirements to start a new business can be confusing and time consuming because many different state agencies regulate various aspects of business operations. New business owners often do not know which agency to contact for assistance and information.

That's why the Missouri General Assembly created the **Missouri Business Assistance Center (MBAC)** within the Missouri Department of Economic Development. MBAC serves as a centralized point of contact for state requirements to do business in Missouri. MBAC staff can help both the seasoned business owner and the first-time entrepreneur begin operations with confidence knowing that all legal requirements have been met. A single contact can provide direct assistance or guide business owners to all the various sources of assistance they need to start, expand or retain a business in Missouri. A customized packet of information and forms will be created based on the information you provide about your type of business and structure.

MBAC also serves as a vital link between small businesses and various public and private assistance programs and services. Referrals can be made for such services as financial analysis, loan packaging and business management counseling. MBAC also maintains a resource library containing business information and helpful pamphlets and brochures published by the U.S. Small Business Administration and other agencies.

The databases, information and assistance from the MBAC is now available via the World Wide Web! Our Web site offers our publication "Starting A New Business In Missouri" along with links to various resources, state and federal agencies, downloadable state forms, an interactive database that provides a complete listing of state licenses, fees, permits and regulations. In addition, e-mail is provided to allow questions to be submitted to our counselors. World Wide Web: <http://www.ecodev.state.mo.us/mbac/>

CONTACT MBAC FOR:

- A business start-up packet customized to your particular business.
- A copy of "Starting A New Business in Missouri" -- a simple-to-use guide for both new start-ups and seasoned business owners.
- Information on state-level licenses, fees, permits and regulations affecting your business and copies of many state forms.
- Information on sources of financing.
- Referral to local, state and federal agencies, professional associations and local organizations that provide business education and counseling.
- Help in locating a Missouri supplier or manufacturer of products and services.

Missouri Business Assistance Center
MO Department of Economic Development
301 West High Street, Room 720
P.O. Box 118
Jefferson City, Missouri 65102
Phone: 1-888-751-2863
FAX: 573/526-2416
e-mail: mbac@mail.state.mo.us

University Outreach and Extension

University Outreach and Extension includes all outreach efforts of the University of Missouri campuses in Columbia, Kansas City, Rolla and St. Louis, and the extension activities of Lincoln University. Extension specialists on the campuses and in 114 counties provide education programs to help citizens apply university research knowledge to solve individual and community problems.

Working with business owners and managers on a one-to-one basis, B&I specialists help entrepreneurs identify problem areas and find solutions. Writing a business plan, improving or creating products, developing markets, setting up accounting procedures, finding financing and managing personnel are among the areas with which B&I specialists help clients. B&I services are available to both existing and start-up businesses. Counseling services are completely confidential and provided free or at nominal charge.

Specialists schedule training programs for businesses on site or at other locations at times convenient for owners, managers and employees and at nominal charges. Topics include - but are not limited to - taxes, inventory planning, advertising, effective supervision, time management, record keeping, understanding financial statements, microcomputing, management decision making, stress management and communication.

Program Director, Bus. & Ind.
821 Clark Hall
University of Missouri
Columbia, MO 65211
573/882-4321

Audrain County
4th Floor, Courthouse
Mexico, MO 65265
573/581-3231

Adair County
503 East Northtown Road
Kirksville, MO 63501
660/665-9866

Boone County
1012 Hwy. UU
Columbia, MO 65203
573/445-9792

Buchanan County
4125 Mitchell Avenue
P.O. Box 7077
St. Joseph, MO 64507
816/279-1691

Camden County
113 Kansas St.
P.O. Box 1405
Camdenton, MO 65020
573/346-2644

Cape Girardeau County
815 Hwy. 25 South
P.O. Box 408
Jackson, MO 63755
573/243-3581

Clay County
1901 N.E. 48th
Kansas City, MO 64118
816/792-7760

Cole County
2436 Tanner Bridge Road
Jefferson City, MO 65101
573/634-2824

Greene County
833 North Boonville Ave.
Springfield, MO 65802
417/862-9284

Livingston County
Library, 3rd Floor
450 Locust
Chillicothe, MO 64601
660/646-0811

Phelps County
Courthouse, 200 North Main
Rolla, MO 65401
573/364-3147

St. Charles County
260 Brown Road
St. Peters, MO 63376
314/970-3000

Tayne County
207 David Road
P.O. Box 218
Forsyth, MO 65653
417/546-2371

Franklin County
115 Locust, P.O. Box 71
Union, MO 63085
314/583-5141

Howell County
217 South Aid Avenue
West Plains, MO 65775
417/256-2391

Pettis County
1012 A Thompson Blvd.
Sedalia, MO 65301
660/827-0591

Adair County
500 East Northtown Road
Kirksville, MO 63501
660/665-9866

St. Louis County
121 South Meramec, Suite 501
Clayton, MO 63105
314/889-2911

SMALL BUSINESS DEVELOPMENT CENTERS

The mission of the Missouri Small Business Development Centers (MO SBDC) system is to improve competitiveness and management quality of Missouri small businesses. MO SBDC will help these businesses identify problems, explore opportunities, and obtain solutions by offering comprehensive, timely assistance to create positive impact. Assistance includes counseling, training information and technology transfer, research, and other services to meet the changing and evolving needs of the Missouri small business community.

Southeast MO. State University
One University Place, MS 5925
Cape Girardeau, MO 63701
573/986-6084

Chillicothe Satellite Center
715 Washington Street, City Hall
Chillicothe, MO 64601-2229
660/646-6920

University of MO-Columbia
1800 University Place
Columbia, MO 65211
573/882-7096

MO Southern State College
3950 Newman Road
Joplin, MO 64801-1595
417/625-9313

Rockhurst College
1100 Rockhurst Rd.
Kansas City, MO 64110-2508
816/501-4572

Truman State University
207 East Patterson
Kirksville, MO 63501
660/785-4307

Thomas Hill Enterprise Center
1709 North Prospect Dr.
P.O. Box 246
Macon, MO 63552
660/385-6550

Northwest MO State Univ.
423 North Market Street
Maryville, MO 64468-1614
660/562-1701

Mineral Area College
P.O. Box 1000
Park Hills, MO 63601-1000
573/431-4593 ext. 266

St. Joseph Satellite Center
3003 Frederick Ave.
St. Joseph, MO 64506-5104
816/232-4461

Southwest MO. State University
901 South National
Springfield, MO 65804-0089
417/836-5685

St. Louis University
3750 Lindell Blvd.
St. Louis, MO 63108-2097
314/977-7232

Central MO State University
Grinstead, Room #009
Warrensburg, MO 64093-5037
660/543-4402

Poplar Bluff Satellite Center
Telecommunications Community Resource Center
1121 Victory Lane
Poplar Bluff, MO 63901
573/840-9450

Special Service Centers:

Technology Development Center
Central MO State University
Grinstead Room #009
Warrensburg, MO 64093-5037
660/543-4402

Provides counseling on technology development, works with manufacturing problems, product analysis and improvement, product development, plant layout, quality assurance and marketing assistance for new innovations.

Small Business Research & Information Center
University of MO-Rolla
Room 104, Nagogami Terrace
Rolla, MO 65409-1340
573/341-4559

Taps electronic sources from around the globe to help small businesses make informed decisions. The center can also access a network of experts to help find a unique or specific solution to company's technology problems.

State Office:

MO Small Business Development Centers
300 University Place
Columbia, MO 65211
573/882-0344

SERVICE CORPS OF RETIRED EXECUTIVES (SCORE)

SCORE counselors, experienced business professionals, provide confidential one-on-one counseling. Services include business plan preparation, financing, record keeping and problem solving and are provided free of charge. In addition to the following list, several Chambers of Commerce in the St. Louis area have SCORE counseling hours. Appointments with these counselors are made through the SCORE office at the St. Louis Business Information Center.

SCORE - Business Information Center
815 Olive Street, Room 242
St. Louis, MO 63101-1569
314/534-6970

573/874-1132
SE Missouri SCORE
Route 1, Box 282
Neelyville, MO 63954
573/989-3577

Ozark Gateway SCORE
101 E. Washington St.
Cuba, MO 65453
573/885-4954

SCORE - Business Incubator Building
3019 Fair St.
Poplar Bluff, MO 63901
573/785-4727

Lake Ozark SCORE
P.O. Box 1405
Camdenton, MO 65020
573/346-2644

St. Joseph SCORE
Chamber of Commerce
3003 Frederick Avenue
St. Joseph, MO 64506
816/232-4461

SCORE- Columbia Chamber of Commerce
300 South Providence
P.O. Box 1016
Columbia, MO 65205-1016

SCORE - St Charles City/County Library
425 Spencer Road

St. Peters, MO 63376
314/946-6294

SCORE
620 South Glenstone, Ste. 110
Springfield, MO 65804
417/864-7670, ext. 138

SCORE - Mr. Richard Gross
HCR #1, Box 4441
Shell Knob, MO 65747
417/858-6798

SCORE - Business Information Office
323 West 8th St., Suite 104
Kansas City, MO 64105
816/374-6675

National SCORE Office
409 Third St., S.W., Ste. 5900
Washington, D.C. 20024
202/205-6762
1-800-827-5722

MINORITY BUSINESS CONTACTS

The Office of Minority Business was established within the Department of Economic Development in 1987 to assist minority business owners obtain managerial, technical and financial assistance as well as to identify opportunities for successful entrepreneurship. The Office is responsible for identifying and developing networks and support systems that can help minorities gain a foothold in the mainstream of Missouri's economy through the start-up, retention or expansion of minority-owned firms.

Department of Economic Development
Missouri Minority Business
Advocacy Commission
P.O. Box 118
Jefferson City, MO 65102
573/751-3237

Office of Administration
Minority Purchasing Unit
P.O. Box 809
Jefferson City, MO 65102
573/751-4569

Kansas City:

Black Chamber of Commerce
Lincoln Building, Suite 380
1601 E. 18th Street
Kansas City, MO 64108
816/474-9901

Black Economic Union
1601 E. 18th Street, Suite 300
Kansas City, MO 64108
816/474-1080

Chamber of Commerce of
Greater Kansas City
2600 Commerce Tower; 911 Main
Kansas City, MO 64105
816/221-2424

Hispanic Chamber of Commerce
of Greater Kansas City
1125 Grand, Suite 1803
Kansas City, MO 64106
816/472-6767

Minority Contractors Assn.
1720 Paseo, Suite D
Kansas City, MO 64108
816/472-4900

Minority Supplier Council
3017 Main Street, Suite 100
Kansas City, MO 64108-3323
816/931-9672

Springfield:

Minority Business Development
Room 108, City Hall (Personnel Dept.)
840 Boonville; P.O. Box 8368
Springfield, MO 65801-8368
417/864-1600

St. Louis:

Hispanic Chamber of Commerce
P.O. Box 78386
St. Louis, MO 63178-8386
314/621-1991

Minority Supplier Council
720 Olive Street, Suite 1630
St. Louis, MO 63101
314/241-1143

Minority Enterprise Networking
Association (MENA)
P.O. Box 16716
St. Louis, MO 63108

St. Louis Development Corporation
1015 Locust Street, Suite 1200
St. Louis, MO 63101
314/622-3400

Minority Small Business Council
Small Business Administration
815 Olive, Room 242
St. Louis, MO 63101
314/539-6660

PROCUREMENT ASSISTANCE

There are several organizations that can provide assistance, training and registration for businesses interested in providing product or services to federal, state or local government agencies. Some opportunities also occur in the private sector.

State of Missouri, Division of Purchasing
Truman Building, Room 580
P.O. Box 809
Jefferson City, MO 65102-0809
Phone: 573/751-2387
Fax: 573/751-7276 or 751-9377

State of Missouri, Division of Purchasing
MBE/WBE Certification
P.O. Box 809
Jefferson City, MO 65102-0809
Phone: 573/526-1467
Fax: 573/526-3576

Missouri Procurement Assistance Center
Central Region
University of Missouri-Columbia
300 University Place
Columbia, MO 65211
Phone: 573/882-3597
Fax: 573/884-4297

Missouri Procurement Assistance Center
Eastern Region
Economic Council-St. Louis County
3830 Washington Avenue
St. Louis, MO 63108
Phone: 314/534-4413
Fax: 314/534-3237

Missouri Procurement Assistance Center
Western Region
University of Missouri-Kansas City
5110 Cherry Street
Kansas City, MO 64110
Phone: 816/235-2891
Fax: 816/235-2947

SMALL BUSINESS INCUBATORS

A small business incubator is a building that is divided into units of space, which are then leased to new small businesses. In addition to low-cost physical space, incubators can help clients with access to necessary office machines, reception and secretarial services, furniture, conference rooms, and technical expertise in business management. Incubators often offer the best environment for survival and success.

St. Louis Enterprise Center - West County
743 Spirit 40 Park Drive
Chesterfield, MO 63005
314/519-4700

St. Charles County Synergy Center
5988 Mid Rivers Mall Drive
St. Charles, MO 63304
314/441-6880

St. Louis Enterprise Center - Midtown
3830 Washington Avenue
St. Louis, MO 63108
314/534-1818

Ozark Foothills Business Incubator
3019 Fair, P.O. Box 1183
Poplar Bluff, MO 63901
573/785-6402

Thomas Hill Enterprise Center
P.O. Box 246
Macon, MO 63552
816/385-6550

Hannibal Small Business Incubator
410 South Maple
Hannibal, MO 63401
573/221-1033

INNOVATION CENTERS

Missouri's four innovation centers provide a wide range of management and technical assistance to businesses. These centers are familiar with up-to-date business management and technology innovations and help businesses apply these innovations to help increase profits. Clients plugging into the innovation center program become part of a network of state, federal, university, and private resources designed to develop and support high-growth businesses.

The Center for Business Innovation
4747 Troost Avenue
Kansas City, MO 64110
816/561-8567

Center for Emerging Technology
8001 Natural Bridge Rd., 243-GSB
St. Louis, MO 63121
314/516-5022

Missouri Innovation Center
5650A South Sinclair Road
Columbia, MO 65203-9496
573/446-3100

Missouri Enterprise Center
800 West 14th Street, Suite 111
Rolla, MO 65401
573/364-8570

Mid-America Manufacturing Technology Center (MAMTC)

Mid-America Manufacturing Technology Center (MAMTC) improves the competitiveness and productivity of small- and medium-sized manufactures. In addition to providing hands-on engineering and technical assistance, other services include seminars, vendor and technology searches, product testing and equipment demonstrations. Initial assessment is done and followed up with recommended solutions for the identified problems and inefficiencies.

Cape Girardeau:
MAMTC-Missouri
Southeast Missouri State University
Industrial Technology Department
MS4000
One University Plaza
Cape Girardeau, MO 63701
Phone: 573/651-2304
Fax: 573/651-2985

Columbia:
MAMTC-Missouri
5650 A South Sinclair Road
Columbia, MO 65203
Phone: 573/446-3130
Fax: 573/446-3847

Joplin:
MAMTC-Missouri
Business & Technology Training
And Quality Center
Missouri Southern State College
107A Matthews Hall
Joplin, MO 64801
Phone: 417/625-3123
Fax: 417/625-9782

Kansas City:
MAMTC-Missouri
Business & Technology Center
6899 Executive Drive, Suite 178
Kansas City, MO 64120
Phone: 816/482-1176
Fax: 816/482-5487

Rolla:
MAMTC-Missouri
Missouri Enterprise
800 West 14th Street, Suite 111
Rolla, MO 65401
Phone: 573/364-8570
Fax: 573/364-6323

Springfield:
MAMTC-Missouri
1736 East Sunshine, Suite 702
Springfield, MO 65804
Phone: 417/823-9661
Fax: 417/823-9662

St. Louis:
MAMTC-Missouri
12208 Missouri Bottom Road
Hazelwood, MO 63042
Phone: 314/731-1110
Fax: 314/731-4144

MID-AMERICA TRADE ADJUSTMENT ASSISTANCE CENTER

Trade Adjustment Assistance (TAA) is available to small and medium-sized manufacturers in Missouri, Kansas and Arkansas who have been hurt by foreign competition.

The Trade Adjustment Assistance Center helps these firms analyze their strengths and weaknesses; develop a strategy to offset foreign competition; and pay for implementing this strategy with federal cost-share funds. The program is not a loan; there is no money to be paid back, and there are no conditions, such as hiring additional employees. TAA is a cost-share program funded by the U.S. Department of Commerce.

For more information, contact:

Paul Schmid, Director, Mid-America TAAC
1700 University Place
Columbia, MO 65211
phone: 573/882-6162

REGIONAL PLANNING COMMISSIONS (RPC)

Some of the services provided include: business assistance, business development, education seminars/workshops, job training programs, loan preparation requests, community assistance, airport planning, environmental assessments, grant administration and writing, hazardous waste planning, housing programs, legislative activities, local emergency planning committee, research, rural assistance, solid waste management, transportation planning, water and sewer planning, workshop development.

Boonslick Advisory Council
616 B N. Hwy 47
P.O. Box 429
Warrenton, MO 63383
314/456-3473

Bootheel RPC
Malden Industrial Park
P.O. Box 397
Malden, MO 63863
573/276-2242

East-West Gateway Coord. Council
911 Washington, Lower Level
St. Louis, MO 63101
314/421-4220

GreenHills RPC
909 Main
Trenton, MO 64683
660/359-5636

Kaysinger Basin RPC
213 S. Washington
Clinton, MO 64735
660/885-3393

Lake of the Ozarks Council of Local Govt.
P.O. Box 786
Camdenton, MO 65020
573/346-5616

**Mark Twain Regional
Council of Governments**
P.O.Box 73
Perry, MO 63462
573/565-3391

Mid-America Regional Council
300 Rivergate Center, 600 Broadway
Kansas City, MO 64105-1536
816/474-4240

Northeast Missouri RPC
326 East Jefferson, P.O. Box 346
Memphis, MO 63555
660/465-7281

Harry S Truman Coordinating Cncl.
211 S. Main, Ste. 203
Joplin, MO 64802-1355
417/782-3515

South Central Ozarks Council of Govts.
P.O. Box 100
Pomona, MO 65789
417/256-4226

**Southwest Missouri Local Government
Advisory Council**
SMSU
901 So. National
Springfield, MO 65804-0089
417/836-6900

Meramec RPC
101 West Tenth Street
Rolla, MO 65401
573/364-2993

MO-KAN Regional Council
1302 Faraon
St. Joseph, MO 64501
816/233-3144

Ozark Foothills RPC
3019 Fair, P.O. Box 1183
Poplar Bluff, MO 63901-1183
573/785-6402

Show-Me RPC
College & Culton Streets
P.O. Box 348
Warrensburg, MO 64093
660/747-2294

Southeast Missouri RPC
1 West St. Joseph Street
P.O. Box 366
Perryville, MO 63775
573/547-8375

Northwest MO Regional Council of Govts.
114 West Third
Maryville, MO 64468
660/582-5121

OTHER HELPFUL AGENCIES

The following agencies provide specialized assistance and information.

Career Planning and Placement Ctr.
100 Noyes Building
Columbia, MO 65211
573/882-0697

Provides counseling and assistance in assessing your skills and strengths and works with you to match them with a career or home-based business.

MO-TAC

Missouri Textile and Apparel Center
122 Stanley Hall
University of Missouri-Columbia
Columbia, MO 65211
573/882-6439 or FAX: 573/884-4807

Missouri Textile and Apparel Center provides a centralized forum for manufacturers to express their problems and work out new strategies; research assistance; trade show representation; workshops and seminars; demonstration center.

MO State Chamber of Commerce

428 East Capitol
Jefferson City, MO 65101
573/634-3511

Consider joining your local Chamber of Commerce. You can contact the State Chamber for location of a Chamber in your area.

Missouri Artisans Business Development Association (MABDA)

101 West Broadway
P.O. Box 322
Columbia, MO 65203
573/445-3876

Assists Missouri artists and craftspeople who have no other source of support; counsel in developing successful, self-supporting businesses.

Missouri State Census Data Center

Missouri State Library
600 West Main Street
P.O. Box 387
Jefferson City, MO 65102
573/751-1823 or FAX: 573/526-1142

Disseminates information from and about the Federal census. Available in print, microfiche and computer tape. Foreign trade data and data from the Bureau of Economic Analysis is also available. There is a fee for some data.

Missouri Alternatives Center

628 Clark Hall
University Outreach and Extension
Columbia, MO 65211
573/882-1905 or 1-800-433-3704

Answers questions related to alternative agricultural enterprises, small farms or or new family farm options.

Office of Value-Added Agriculture

215 AG Engineering
University of Missouri-Columbia
Columbia, MO 65211
573/882-1150 or Fax: 573/884-5650

Provides assistance to value-added agriculture ideas or businesses for: consumer preference evaluation, grant and loan programs; marketing plans; packaging and labeling; processing systems; product development and feasibility; regulatory issues; safety evaluation.

MISCELLANEOUS STATE, FEDERAL AND PRIVATE AGENCIES

Better Business Bureau

Serving Greater Kansas City
306 E. 12th Street, Suite 1024
Kansas City, MO 64106
Phone: 816/421-7800
Fax: 816/472-5442
<http://www.kansascity.bbb.org>

Better Business Bureau

Serving East Missouri & So. Illinois
12 Sunnen Drive, Suite 121
St. Louis, MO 63143-1400
Phone: 314/645-3300
Fax: 314/645-2666
<http://www.stlouis.bbb.org>

Better Business Bureau

Serving Southwest Missouri
205 Park Central East, Suite 509
Springfield, MO 65806-1326
Phone: 417/862-4222
Fax: 417/869-5544
<http://www.springfield-mo.bbb.org>

Business & Public Administration Research Center

Room 10, Professional Building
University of Missouri
Columbia, MO 65211
573/882-4805

Business Assistance Center

15th Floor, City Hall
414 E. 12th Street
Kansas City, MO 64106
816/274-1858

Business Assistance Center

1200 Market Street, Room 421
St. Louis, MO 63103
314/622-4120
(Assistance for St. Louis City only)

Inventors Association of St. Louis

9666 Olive Blvd.
St. Louis, MO 63132-3013
314/432-1291

Export/Import Bank of U.S.

1-800-424-5201

IRS

1222 Spruce Street
St. Louis, MO 63103
For forms and start-up
information: 1-800-829-3676
For tax info: 1-800-829-1040
For EIN over phone: 816/926-5999

SBA Business Information Center

121 South Meramec Avenue
St. Louis, MO 63105
314/854-6861

Small Business Administration

815 Olive, Room 242
St. Louis, MO 63101
314/539-6600

Small Business Administration

Small Business Answer Desk
Washington, D.C.
1-800-827-5722

Small Business Administration

Lucas Place
323 West 8th St., Suite 501
Kansas City, MO 64105
816/374-6701

Small Business Administration

620 South Glenstone, Room 110
Springfield, MO 65803
417/864-7670

COUNTY GOVERNMENT CONTACT INFORMATION

You need to contact your local city and/or county clerk to determine the need for a city and/or county business license, zoning regulations and other business regulations for your particular location. Contact the County Clerk of the appropriate county:

Adair

Kirkville, 63501
660/665-3350

Andrew

Savannah, 64485
816/324-3624

Atchison

Rock Port, 64482
660/744-6214

Audrain

Mexico, 65265
573/581-8211

Barry

Cassville 65265
417/847-2561

Barton

Lamar, 64759
417/682-3529

Bates

Butler, 64730
816/679-3371

Benton

Warsaw, 65355
660/438-7326

Bollinger

Marble Hill, 63764
573/238-2126

Boone

Columbia, 65201
573/874-7511

Buchanan

St. Joseph, 64501
816/271-1411

Butler

Poplar Bluff, 63901
573/785-8201

Caldwell

Kingston, 64650
816/586-2571

Callaway

Fulton, 65251
573/642-0730

Camden

Camdenton, 65020
573/346-4440

Cape Girardeau

Jackson, 63735
573/243-3547

Carroll

Carrollton, 64633
660/542-0615

Carter

Van Buren, 63965
573/323-4527

Cass

Harrisonville, 64701
816/884-5100

Cedar

Stockton, 65785
417/276-3514

Chariton

Keytesville, 65261
660/288-3273

Christian

Ozark, 65721
417/485-6360

Clark

Kahoka, 63445
660/727-3283

Clay

Liberty, 64068
816/792-7600

Clinton

Plattsburg, 64477
816/539-3713

Cole

Jefferson City, 65101
573/634-9100

Cooper

Boonville, 65233
660/882-2114

Crawford

Steelville, 65565
573/775-2376

Dade

Greenfield, 65661
417/637-2724

Dallas

Buffalo, 65622
417/345-2632

Daviess

Gallatin, 64640
660/663-2641

DeKalb

Maysville, 64469
816/449-5402

Dent

Salem, 65560
573/729-4144

Douglas

Ava, 65608
417/683-4714

Dunklin

Kennett, 63857
573/888-2796

Franklin

Union, 63084
314/583-6355

Gasconade

Hermann, 65041
573/486-5427

Gentry

Albany, 64402
660/726-3525

Greene

Springfield, 65801
417/868-4055

Grundy

Trenton, 64683
660/359-6305

Harrison

Bethany, 64424
660/425-6424

Henry

Clinton, 64735
660/885-6963, ext. 12

Hickory

Hermitage, 65668
417/745-6450

Holt

Oregon, 64473
660/446-3303

Howard

Fayette, 65248
660/248-2591

Howell

West Plains, 65775
417/256-2591

Iron

Ironton, 63650
573/546-2912

Jackson

County Assessment Dept.
321 West Lexington
Independence, 64050
816/881-4669

Jasper

Carthage, 64836
417/358-8800

Jefferson

Hillsboro, 63050
314/789-3911

Johnson

Warrensburg, 64093
660/747-6161

Knox

Edina, 63537
660/397-2184

Laclede

Lebanon, 65536
417/532-5471

Lafayette

Lexington, 64067
660/259-4315

Lawrence

Mt. Vernon, 65712
417/466-2638

Lewis

Monticello, 63457
573/767-5205

Lincoln

Troy, 63379
314/528-4415

Linn

Linneus, 64653
660/895-5417

Livingston

Chillicothe, 64601
660/646-2293

McDonald

Pineville, 64856
417/223-4717

Macon

Macon, 63552
660/385-2913

Madison

Fredericktown, 63645
573/783-2176

Maries

Vienna, 65582
573/422-3388

Marion

Palmyra, 63461
573/769-2549

Mercer

Princeton, 63461
660/748-3425

Miller

Tuscumbia, 65082
573/369-2731

Mississippi

Charleston, 63834
573/683-2146

Moniteau

California, 65018
573/796-4661

Monroe

Paris, 65275
660/327-5817

Montgomery

Montgomery City, 63361
573/564-3357

Morgan

Versailles, 65085
573/378-5436

New Madrid

New Madrid, 63869
573/748-2524

Newton

Neosho, 64850
417/451-4540

Nodaway

Maryville, 64468
660/582-2251

Oregon

Alton, 65606
417/778-7475

Osage

Linn, 65051
573/897-2139

Ozark

Gainesville, 65635
417/679-3516

Pemiscot

Caruthersville, 63830
573/333-4203

Perry

Perryville, 63775
573/547-4242

Pettis

Sedalia, 65301
660/826-5395

Phelps

Rolla, 65401
573/364-1891

Pike

Bowling Green, 63334
573/324-2412

Platte

Platte City, 64079
816/464-2232, ext. 262

Polk

Bolivar, 65613
417/326-4031

Pulaski

Waynesville, 65583
573/774-2241

Putnam

Unionville, 63565
816/927-2674

Ralls

New London, 63459
573/985-7111

Randolph

Huntsville, 65259
816/277-4717

Ray

Richmond, 64085
816/776-3184

Reynolds

Centerville, 63633
573/648-2494, ext. 22

Ripley

Doniphan, 63935
573/996-3215

St. Charles

St. Charles, 63301
314/947-2600

St. Clair

Osceola, 64776
417/646-2315

St. Francois

Farmington, 63640
573/756-5411

St. Louis County

Clayton, 63105
Gen. Info: 314/889-2000
License Div. 889-2218

St. Louis City

License Collector
Tucker Blvd & Market St
314/622-4089

Ste. Genevieve

Ste. Genevieve, 63660
573/883-5589

Saline

Marshall, 65340
660/886-3331

Schuyler

Lancaster, 63548
660/457-3842

Scotland

Memphis, 63555
660/465-7027

Scott

Benton, 63736
573/545-3549

Shannon

Eminence, 65466
573/226-3414

Shelby

Shelbyville, 63469
573/633-2181

Stoddard

Bloomfield, 63825
573/568-3339

Stone

Galena, 65656
417/357-6127

Sullivan

Milan, 63556
660/265-3786

Taney

Forsyth, 65653
417/546-2241

Texas

Houston, 65483
417/967-2112

Vernon

Nevada, 64772
417/667-3157

Warren

Warrenton, 63383
314/456-3331

Washington

Potosi, 63664
314/438-4901

Wayne

Greenville, 63944
314/224-3221

Webster

Marshfield, 65706
417/468-2223

Worth

Grant City, 64456
816/564-2219

Wright

Hartville, 65667
417/741-6661

University of Missouri - Columbia



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