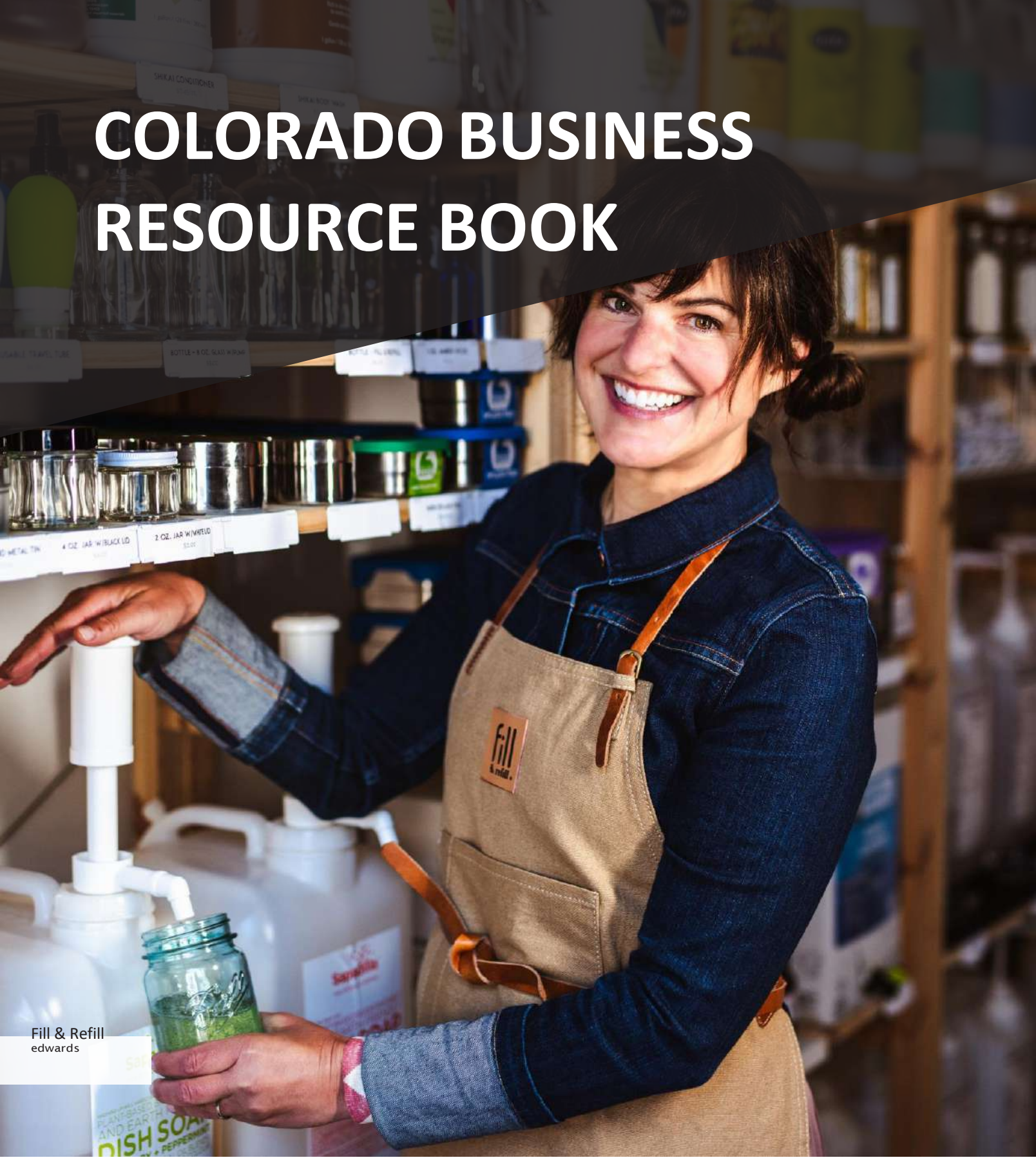
COLORADO BUSINESS RESOURCE BOOK



Fill & Refill
edwards

CBDF COLORADO BUSINESS DEVELOPMENT FOUNDATION

Ent®

Colorado SBDC
Small Business Development Center Network

BUSINESS BANKING.

From checking accounts to credit cards and financing, your commercial banker at Alpine Bank has you covered. Save time, save money, and focus on running your business.

YOU ARE COLORADO *So are we!*

Alpine Bank

LEARN MORE

EQUAL HOUSING LENDER. NMLS#414674 • MEMBER FDIC • ALPINEBANK.COM

TABLE OF CONTENTS

06 Starting a Business Checklist

08 Business Entry Options

1 Legal Struction & Registration

19 Income & Property Tax

23 Colorado Sales Tax

28 Employer Responsibilities

40 Bookkeeping

44 Sources of Assistance

54 A Guide To Choosing Your Advisors

56 Business Plan

58 Marketing

65 Financing Options

72 Liabilities & Insurance

76 Trademarks, Copyrights & Patents

A GUIDE TO START-UP SUCCESS

The Colorado Business Resource Book is one of the most successful and comprehensive business books in the nation. This publication is made possible by the Colorado Business Development Foundation and the Colorado Small Business Development Center Network.

Since its inception in 1998, more than 210,000 copies of the book have been distributed to entrepreneurs across Colorado and the nation. In 2019, a digital version of the book was made into an online resource at coloradobusinessresourcebook.com. Through the website, we are able to constantly update the ever-changing information entrepreneurs need to know.

There has never been a better time to join Colorado's business community. Over the years, several national publications have ranked Colorado as one of the best places in the country to start, build and grow a small business. Approximately 99.5% of all firms in Colorado are considered small. Those small businesses employ more than 1.2 million of Colorado's employees!

Get involved and take advantage of the support, education and business information outlined in this book. The programs mentioned provide invaluable assistance, support and information as you progress through the various stages of your business' growth. Please let us know how we can be of service. We are only a phone call or click away!

Sara Knudsen, Executive Director
Colorado Business Development Foundation

Joey Jenkins, State Director
Colorado Small Business Development Center Network

MYBIZCOLORADO

MyBizColorado was launched by the State of Colorado in May 2018 and is the fastest way to register and manage a business in Colorado. MyBiz is the official filing tool for the State and functions as a one-stop-shop for new business registrations. MyBiz asks business owners a brief set of questions and then, based on the answers, routes new business owners electronically to the:

- Secretary of State's Office (new business registration)
- Department of Revenue (sales tax license, wage withholding account, Revenue Online)
- Department of Labor and Employment (employer's unemployment account)

MyBiz eliminates the need to personally visit agencies, wait in line and fill out paper forms. MyBiz issues documents electronically and in real-time. MyBiz works on desktop computers, tablets or mobile devices and once you create an account, all of your information is saved so you can work on it at your own pace. The average time spent on MyBiz to set up a new business is a little over 11 minutes!

As of January 2022, MyBiz electronically issued more than 202,009 total licenses, including:

- Sales Tax = 56,454
- Wage Withholding = 79,662
- Unemployment = 65,893

In that time frame, MyBiz was visited almost 140,000 times!

To start your session with MyBizColorado, simply visit mybiz.colorado.gov.

If you ever have any issues with MyBiz, you may reach their IT support desk at 303-534-3468 or email them at partnersupport@ colorado.gov.

STARTING A BUSINESS CHECKLIST

Starting a business is risky, but understanding the risks and reducing them through careful planning can improve the chances for success. It's wise to be fully aware of the implications of owning your own business, including the affect it will have on you and your family. We recommend that you carefully analyze your reasons for starting a business, and ask yourself how it will fit with your family and your lifestyle.

Ask yourself the following questions:

- Am I a self-starter?
- Do I have the discipline to maintain a schedule?
- Do I want to earn more money?
- Will this business earn more money from the beginning or do I need to be prepared to initially work for less?
- Do I want to be more creative?
- Do I have the necessary skills to be successful in this business?
- Am I looking for more flexibility in my work and family schedule?
- Will this business allow me to work the schedule I desire?
- Am I ready for different challenges and adventures?
- Am I prepared to respond quickly to the needs of my business?
- Have I discussed this proposed business with my family?
- Do I have the money needed for business start-up and initial operating expenses until I start earning a profit?

Decide upon the legal structure of your business, choose a business name and register your business with the appropriate city, state and/or federal agencies. Sole proprietors, general partnerships and unincorporated nonprofit associations are registered with the Colorado Secretary of State at coloradosos.gov. Refer to the Legal Structure and Registration chapter of this book.

If your business will be selling, renting or leasing tangible personal property, you must obtain the proper state sales tax license from the Department of Revenue and determine if a separate local sales tax license is also required. Sales tax licenses are also required if you rent accommodations for less than 30 days. For more information, refer to the Colorado Sales Tax chapter of this book.

Lori Lynn's Cookies & Cream
monument, palmer lake, colorado springs

- You should also be aware of the personal and business tax implications of starting your own business. Refer to the Income and Property Tax chapter of this book and/or contact the Internal Revenue Service at 800-829-1040 or irs.gov for more information.

- Be sure to define the products or services your business will provide. Ask yourself the following questions: Is there actually a need for what you will provide in today's marketplace? Is the demand great enough to be profitable? Who are your competitors? What is your competitive advantage?

- You will need to develop a marketing strategy. Refer to the Marketing chapter of this book.

- Determine if there are any special licenses required for the business you are starting. If you need industry specific information, call the SBDC Small Business Hotline at 303-892-3840, which can provide you with comprehensive information on federal, state and local business licensing requirements.

- Find the best location for your business. The Colorado Department of Transportation (CDOT) has information on traffic patterns on state highways. Some local governments have information on city and county roads, and may also have information on local population demographics. Contact CDOT at 303-757-9011 or visitcodot.gov.

- The U.S. Census Bureau (720-962-3700) and the Colorado State Demography Office (demography.dola.colorado.gov) are also useful resources for population demographics. Be sure to observe pedestrian movement during business hours to estimate walk-in potential.

- Check with the city and county government authorities regarding any special business regulations, sales taxes, personal property taxes and zoning restrictions affecting your business for every location where you conduct business.

- Seek management advice and counseling, and assemble your team of professional advisors (i.e., accountant, attorney, insurance broker, real estate agent, etc.). Your local Small Business Development Center, SCORE, Small Business Administration, trade associations and chamber of commerce are good resources. Refer to the Choosing Advisors and the Sources of Assistance chapters of this book for more information.

- Develop a sound business plan with specific goals and objectives. A business plan should outline your background, including your strengths and weaknesses. Evaluate where you are today and develop a plan to achieve your goals. Refer to the Business Plan chapter of this book for more information.

- Develop a financial plan, including profit and loss projections, cash flow analysis and capital requirements. Determine the proper pricing strategy for your product or service. Ask yourself the following questions: Do you have enough resources to adequately support your business and yourself until you begin making a profit? What type of financing will your business need? What financing options are realistic for your situation? Refer to the Business Plan and the Financing Options chapters of this book for more information.

- Identify your liability risks. Obtain adequate insurance coverage, and protect your business activities far enough in advance to cover your growth. Refer to the Liabilities and Insurance chapter of this book for more information.

- Finally, protect your ideas, products, symbols and logos through proper registration and maintenance. Refer to the Trademarks, Copyrights and Patents chapter of this book for more information.

BUSINESS ENTRY OPTIONS

There are typically three avenues available when going into business. Please note: It is advisable to seek professional accounting and legal help before starting any business.

START A NEW VENTURE

A start-up is pursued when you have a unique idea that requires special equipment, talents or a new way of doing things. A new venture may also be pursued when there is a customer base you can serve or you are aware of an unfilled market need.

BUY AN EXISTING BUSINESS

By purchasing a business that is already established, you may eliminate some of the problems associated with starting a brand-new business.

PURCHASE A FRANCHISE

Franchising offers a unique opportunity for individuals interested in operating a business. It allows you to both own and operate a business while drawing from the resources of the parent company.

STARTING A NEW VENTURE

A new start-up is typically pursued when you have a unique idea that requires special equipment, specialized talents or a new way of doing things. A new venture may also be pursued when there is a customer base you can serve, or you are aware of an unfilled market need (e.g., there is not a dry cleaner within 12 square miles).

The principal advantage of starting a new business is that you are in control of how you want your business to operate. There will be no negative history or track record to overcome, and you will be able to provide your product or service the way you think it should be provided. The principal disadvantage is the need to start from scratch. Factors you need to consider when forming a new venture include legal structure, location, marketing and advertising, facilities, equipment, employees, taxes, a record-keeping system and capital.

BUYING AN EXISTING BUSINESS

Buying an existing business can have its advantages. By purchasing a business that is already established, you may eliminate some of the problems associated with starting a brand-new business. However, when you acquire an existing business, you may also acquire its debts. Purchasing an existing business can be fairly complex. The following is a brief list of some of the concerns of which you should be aware.

Be sure to think about the following:

- How successful is the business?
- How well-known is the business?
- How loyal are the customers to the business? Is their loyalty based upon the current ownership?
- Why is the seller selling the business?
- If the business has not been profitable, find out why. Do you have a plan to make it profitable?
- Does your purchase agreement include the sale of the business name, the property, the equipment and inventory and/or the debts? Be sure the exact terms of the sale are explained clearly, in writing, before you buy.
- Are there any outstanding claims on inventory, equipment and fixtures? If so, whose responsibility will it be to settle these claims?
- Are there liens against the property? (Check with the seller and recorder's office in the county where the business and the seller are located. Also check with the Colorado Secretary of State, Uniform Commercial Code Section (coloradosos.gov) for records of any security interests that may have been filed as liens against the property or assets of the business.
- Will the owner of the building transfer the lease to you?
- What are the terms and restrictions of the lease?
- Are the business' financial statements in good order?
- Examine any existing contracts that affect the business.
- Can you transfer the existing phone number?

TAX LIABILITIES

If you purchase a retail business, you may be liable for tax debts of the business. As a precaution, you should get a tax status letter from the Colorado Department of Revenue before buying. The tax status letter must be requested by the current owner using Form DR 0096. Tax status letters may be requested on all state collected tax accounts including sales tax, wage withholding and corporate income tax accounts. There is a $10 charge for each tax letter requested.

If you purchase a corporation or limited liability company, you may have the option of keeping the same sales tax account with the Colorado Department of Revenue. If you purchase a sole proprietorship or a partnership, you are required to open a new sales tax account. When you purchase tangible property as part of a business (such as new or used furniture, fixtures or equipment) for which you have not paid sales tax, you must pay a state sales/use tax even if the prior owner paid sales tax when the property was first acquired.

"Home-rule" cities may collect sales and use taxes directly, and there may be additional liabilities for personal property taxes imposed by the county. Contact the local city clerk, the county assessor and/or the county treasurer's offices for more information regarding local sales, use and personal property taxes.

You must establish all new tax accounts when buying an existing business, except when purchasing the stock of an existing corporation and continuing the operations of that corporation. The previous owner's sales tax licenses, state wage withholding and unemployment insurance accounts and federal employer identification numbers do NOT transfer to you as the new owner.

IF THERE ARE EMPLOYEES IN THE BUSINESS

If there are employees in the business, you will be responsible for withholding income tax, Social Security (FICA), Medicare and local employment taxes. You will have to pay the employer's portion of FICA, Medicare and local employment taxes. You must open new employee payroll accounts unless you buy out the stock of an existing corporation or membership in a limited liability company and do not set up a new business entity. In every case, the unemployment history established under the former owners will transfer to your unemployment insurance account. When you purchase the business, the former owner should file Form UITL-2 to report the change in ownership for unemployment tax purposes. For more information on payroll tax requirements, see the Employer Responsibilities chapter of this book.

PURCHASING A FRANCHISE

Franchising offers a unique opportunity for individuals interested in operating a business. It allows you to both own and operate a business while drawing from the resources of the parent company.

This arrangement may reduce some of the risks of going into business for yourself, depending upon the quality and stability of the franchiser. While fewer than 5% of all franchised businesses fail annually, success is not guaranteed. You should not rush into franchising before completing a thorough investigation. It should be noted that while a franchise is a method for going into business, it is NOT a form of legal structure. The franchiser (the business with the plan and structure) and the franchisee (you) are two completely separate businesses. You must each determine the appropriate form of legal structure for your own business. Refer to the Legal Structure and Registration chapter of this book for more information.

FRANCHISE SERVICE

The franchiser often provides a range of services to assist you, the franchisee, in starting and operating the business. Types of assistance vary depending upon the company. It is important that you fully understand and have documentation in writing regarding which services your fran- chiser will and will not provide. Types of services available may include:

- Use of the company trademark, trade name, service mark or any other company identification
- Site selection for your business
- Training programs
- Marketing and advertising ideas
- Equipment and inventory purchasing assistance
- Capital/financial assistance

SELECTING A FRANCHISE

Once you have decided that you are able to meet the requirements for purchasing a franchise, you may want to shop around for the best investment. There are various publications and franchise directories available from bookstores and public libraries. The classified sections of your local newspaper or magazine often have listings of franchise offers. Franchise fairs and conventions are another method for learning about different franchise opportunities.

BEFORE YOU BUY

- Always ask for a disclosure statement. The Federal Trade Commission has information for franchisers and franchisees on federal disclosure requirements.
- Compare similar franchise benefits and costs.
- Contact current franchisees for additional information and compare their business experiences with the information provided to you by the franchisor. The franchiser should make the names of her/his other franchisees available to you.
- Investigate the franchiser's earnings claim and determine if it is legitimate.
- Obtain a WRITTEN CONTRACT specifying the exact terms of the franchise agreement and any promises the franchiser makes to you.
- Make sure you thoroughly understand the company's operating policies.
- Consider consulting a professional, independent attorney (not one recommended by the franchiser), CPA and/or business advisor who is familiar with franchise laws to examine the terms of the franchise offer to help you secure the best deal. Your advisor should review the franchise contract itself, any property/ equipment purchase agreements and any property/ equipment leasing agreements.

EXERCISE CAUTION!

Before you agree to invest in a company that promises you large financial returns, you should exercise some caution. Colorado lacks specific laws to protect you should you need recourse. However, there are general provisions governing "good business practices." These protections against deceptive and unfair trade practices are stated in the Colorado Consumer Protection Act and the Uniform Consumer Credit Code. The federal government also offers protection from problems encountered by non-disclosure and misrepresentation. The Federal Trade Commission's Franchise Rule requires franchisers to provide prospective buyers with a detailed disclosure statement regarding the company's history, background and operations. This document should also describe the costs and responsibilities of both the franchiser and the franchisee and must be made available to you at least ten days before any agreements are signed, or at the first face-to-face meeting, whichever comes first.

ADDITIONAL SOURCES OF REFERENCE

"Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures" (The Franchise Rule) and "The Consumer Guide to Buying a Franchise" are available at no-cost from the Federal Trade Commission.

ASK THE RIGHT QUESTIONS

Obtaining reliable information before you invest in the business will help you make an informed decision. The success of the franchise depends upon a number of factors.

Most importantly, you should consider:

- What are the total costs of the franchise? These may include opening costs for inventory and fixtures, franchise fees, licensing fees, working capital, on-site expenses for the lease and construction and any service charges.
- Is it affordable? Are there any hidden costs that might not be spelled out in the franchise agreement?
- Does the business require any special skills? What types of training programs are available? At what cost? For how long?
- What type of assistance will you receive from the franchisor? At what cost? For how long? What types of ongoing fees or royalties are involved?
- If there are changes in the program or method of doing business, will you have any input into the process? Will changes be dictated by the franchisor's home office?
- Are there restrictions on renewing, transferring, selling or terminating the business? Does the franchisor have the right of first refusal when renewing your contract?
- What type of control will the franchisor exercise over the operation of your business?
- What are the costs of purchasing the necessary equipment? Are competitive rates available? What type of warranty and maintenance services are available? If the equipment becomes outdated, what must you do to update it?
- What financial investment is required of you? Does the franchisor offer credit arrangements?
- How will you finance the business? What are your current assets? What type of loans will you be eligible for?
- Can you terminate the franchise agreement? If so, at what cost?

LEGAL STRUCTURE & REGISTRATION

When starting your own business, you must carefully choose the appropriate legal structure for your venture. You should examine the characteristics of each structure along with the needs and desires you have for your business. All legal structures are set up at the Secretary of State online at coloradosos.gov. For more information and registration, visit mybiz.colorado.gov.

There are several issues that you should consider when determining the legal structure of your business. First, to what extent will you be person- ally at financial and legal risk? Second, who will have the controlling in- terest in the business? Third, how will the business be financed? There are advantages and disadvantages to each legal structure. As a new business entrepreneur, you should examine all the characteristics and determine which is best suited to your needs.

As you decide upon your legal structure, you should carefully evaluate both your present and future needs for operating your business. To avoid duplication of legal expenses, licensing and paperwork, analyze your various options and choose the business structure that will meet your long-term needs, rather than choosing a business structure solely for its short-term convenience. While it is not a requirement, it may be valuable to consult an attorney. See the chapter on Choosing Advisors for suggestions on how to select an attorney and other professional advisors.

SOLE PROPRIETORSHIP

A sole proprietorship is a business owned and operated by a single individual. There are few legal requirements to be met to establish a sole proprietorship. If an individual is operating the business under a name other than his/her own full first and last legal names, the business name must be registered as a trade name online with the Secretary of State at coloradosos.gov. This is the most common form of legal structure for new small businesses.

ADVANTAGES

A sole proprietorship is the least complicated form of legal structure. All profits and losses of the business are reported directly on the owner's personal income tax return. All decision making and control remains in the hands of the single owner. As a result, the owner is able to respond quickly to business challenges and opportunities.

DISADVANTAGES

The primary disadvantage of a sole proprietorship is that the proprietor is personally responsible for all the business liabilities and debts. If the busi- ness is unable to meet its financial obligations, creditors may pursue the personal assets of the owner. The sole proprietor is generally limited to fi- nancing the business by using his/her own assets and/or borrowing money.

Borrowing money will require periodic loan payments, regardless of whether the business is making money. Therefore, the fact that the owner's personal assets are at risk is an important factor. If you and your spouse run your business together and share in the profits, your business may be considered a partnership. You should record your respective shares of partnership income or loss separately for self-employment taxes. Doing this may or may not increase your total tax. It will ensure that each spouse receives credit for social security earnings on which retirement benefits are based. IRS Publication #541, "Partnerships," is a useful guide regarding partnership filing requirements and the allocation of income to the partners. Married couples are encouraged to consult a competent tax professional to determine the exact tax implications of their business. The Colorado Department of Revenue will require that a husband and wife register the trade name as a general partnership if both are listed as owners of the business.

NOTE: The transfer of a business between spouses is considered a change in ownership and is treated in the same manner as the transfer or sale of a business between two unrelated individuals.

For more information, visit mybiz.colorado.gov.

GENERAL PARTNERSHIP

A general partnership is a business owned by two or more individuals or other business entities. Although it is not required, it is strongly recommended that a general partnership prepare a written partnership agreement that outlines the business' structure and each partner's responsibilities. If the partnership owns real property, the partnership agreement should be filed in the county where the property is located with the office that keeps real estate records. Otherwise, there is no requirement to file the agreement with any state or federal agency. If the partners are operating the business under a name other than their own legal names, the business name must be registered as a trade name with the Colorado Secretary of State at coloradosos.gov.

ADVANTAGES

Partnerships have few legal requirements for formation. Partnerships are able to pool the financial, professional and managerial talents and resources of two or more individuals. A partnership is financed through the capital contributions of the partners and by borrowing money. The profits and losses of the business are reported annually on federal and state partnership returns. However, there are no partnership taxes. The partners are individually responsible for the taxes on their personal income tax returns. Profits and losses may be divided among the partners in whatever manner determined by the partners.

DISADVANTAGES

The partners in a general partnership are personally liable for all business debts. Even if the partnership agreement specifies a defined split in profits, each partner is 100% responsible for all liabilities and debts. The personal assets of any one or all of the partners may be attached to cover the partnership's liabilities, regardless of which partner incurred the liability or debt.

For more information, visit mybiz.colorado.gov.

LIMITED PARTNERSHIP

A limited partnership is a business owned by two or more individuals or other business entities in which at least one of the partners has limited liability protection. There must be at least one general partner who remains personally responsible for all the partnership's liabilities. Limited partnerships are created by filing a "Certificate of Limited Partnership" with the Secretary of State.

ADVANTAGES

A limited partner's risk is limited to his/her financial (cash or property) investment in the business. The general partner(s) can retain personal control of the business while increasing the financial resources available to the businesses without incurring long-term debt. A limited partnership may raise capital by selling additional limited partnership interests in the business.

DISADVANTAGES

The general partner(s) remain(s) personally responsible for all the liabilities and debts of the business. The limited partner(s) may not work in the business or participate in management without risking loss of limited liability status. For more information, visit mybiz.colorado.gov.

CORPORATION

A corporation is a legal entity that exists separately from the people who create it. A corporation is owned by its shareholders and run by a board of directors elected by the shareholders. In a large corporation, the directors hire corporate officers to manage the day-to-day operations of the business. In a small corporation, the directors and the corporate officers are usually the same individual(s).

Corporations are created by filing "Articles of Incorporation" with the Secretary of State and by adopting bylaws. There are certain formalities a corporation must adhere to, including:

- Procedures for annual shareholder meetings
- The election of the board of directors
- Maintenance of corporate records
- Adoption of bylaws
- Complete separation of personal and business finances
- Proper filings with the Secretary of State

Although many of the requirements may seem unnecessary for a small corporation, they are important to preserve the corporate form.

ADVANTAGES

A corporation is a legal entity separate from the owners. It is like a person with a life of its own. This creates a wall of separation which normally limits a stockholder's liability to the amount of investment in the corporation. If an owner dies or wishes to sell his/her interest, the corporation continues to exist and do business. This adds stability to its existence. Once a corporation has been established through the Secretary of State, no other business may register with the Secretary of State using the same name.

DISADVANTAGES

While a corporation limits an owner's liability, the owner(s) and/or the corporate officers may still be held responsible if the "corporate veil" has been pierced. The "corporate veil" can be pierced in a number of ways, primarily by the personal actions or guarantee of an owner. Corporate profits may be subject to double taxation. A corporation must pay tax on income as a separate legal entity. If profits are distributed to shareholders, they are also subject to taxation as part of the individual shareholder's income. For more information, visit mybiz.colorado.gov.

S CORPORATION

An S Corporation is not a separate form of legal structure, but rather a special tax status granted by federal tax law to a corporation to tax the business' income like a partnership or a sole proprietorship. A corporation elects S Corporation status by filing with the IRS on Form 2553, "Election by a Small Business Corporation." Generally, the election must be filed within 75 days of incorporating. Otherwise, a corporation may not change its status until the beginning of each new calendar year. Form 2553 must to be filed by March 15 to be effective for the new tax year. Once elected, S Corporation status will continue until the shareholders revoke the choice or a corporation no longer meets the qualifications.

ADVANTAGES

An S Corporation has all the general advantages of "regular" corporations except it does not pay corporate income taxes. It divides the expenses and income among its shareholders. Individual shareholders report profits and losses on their personal income tax returns.

DISADVANTAGES

To apply for S Corporation status, the business must comply with the following restrictions:

- It must be a domestic corporation. It cannot be a financial institution using the reserve method of accounting for bad debts, an insurance company, a corporation that takes tax credits for doing business in a U.S. possession or a domestic international sales corporation (DISC).
- It may only have one class of stock issued and outstanding.
- It may not have accumulated earnings and profits at the close of each three consecutive taxable years if 25% of its gross receipts for each of the years are passive investment income. Passive investment income includes royalties, rents, dividends, interest, annuities and sales or exchanges of stocks or securities.
- It may have a maximum of 75 shareholders. It may not have as a shareholder any person who is not an individual, except for certain qualifying trusts or certain qualifying exempt organizations. Shareholders must be U.S. citizens or resident aliens.
- It must have a tax year ending December 31.
- All shareholders must agree to elect S Corporation status.

While an S Corporation is not subject to double taxation as a regular corporation, it loses the ability to deduct the full cost of medical insurance as a business expense under current tax law. Corporate officers are still treated as employees. There are also differences in how business losses are carried forward, which may be positive or negative depending upon the individual situation. A competent tax advisor should be consulted before applying for S Corporation tax status. It is important to note that the corporation must file the "Articles of Incorporation" with the Secretary of State before it can apply to the IRS for S Corporation status. For more specific information about qualifying and applying as an "S" Corporation, visit mybiz.colorado.gov.

LIMITED LIABILITY COMPANY

The Colorado Limited Liability Company Act was adopted in 1990. A Limited Liability Company (LLC) combines the concepts of partnerships for tax purposes and corporations for liability purposes. LLCs are created by filing "Articles of Organization" with the Secretary of State. While similar, LLCs are NOT corporations. In an LLC, the owners are called members. The members may elect or hire a manager(s) to run the business. As in a corporation, the owner(s)/member(s) may elect themselves to be the manager(s).

ADVANTAGES

Members of an LLC are protected from personal liability in the same way as corporation shareholders, while the entity itself can have the flexibility of a partnership. The IRS has determined that LLCs may elect to be treated as partnerships or corporations for income tax purposes. A Colorado LLC will be treated as a partnership if there are two or more owners, unless the LLC elects to be taxed as a corporation. However, state law allows the formation of an LLC by a single individual. In that case, the IRS will treat the LLC as a sole proprietorship. Because LLCs are a new form of legal structure and various questions remain unanswered, it is recommended that you consult a knowledgeable attorney if considering the formation of an LLC.

DISADVANTAGES

LLCs are a recognized legal structure in all states. However, tax and liability treatment of an LLC is not uniform across state lines. There may also be limitations on the transferability of ownership in certain situations. In that case, the IRS may treat the LLC as a sole proprietorship or partnership. For more information, visit mybiz.colorado.gov.

LIMITED LIABILITY PARTNERSHIPS & LIMITED LIABILITY LIMITED PARTNERSHIPS

Registered Limited Liability Partnerships (LLP) and Registered Limited Liability Limited Partnerships (LLLP) limit a partner's personal liability in the business to their personal investment in the business, except in areas related to their personal professional conduct. LLPs and LLLPs will usually be taxed as partnerships but may elect to be taxed as corporations. Both entities are created by filing a "Registration Statement" with the Colorado Secretary of State. The partners in LLPs and LLLPs are directly considered the operators of the business. There is usually no election of officers or managers as in corporations or LLCs.

ADVANTAGES

New businesses and existing general partnerships (currently registered with the Colorado Department of Revenue) may register as a Registered Limited Liability Partnership. Existing limited partnerships (currently registered with the Colorado Secretary of State) may register as a Registered Limited Liability Limited Partnership and gain liability protection for all partners without a complete reorganization of the business. The liability protection is similar to the protection provided to the owners of a corporation. Once an LLP or LLLP has been registered with the Colorado Secretary of State, no other business may register with the Colorado Secretary of State using the same name. The intent of

the law is to gain the benefits of the partnership form of business while limiting the personal liability of the owners.

DISADVANTAGES

LLPs are primarily for businesses where all the owners belong to a single licensed profession (e.g. CPAs, attorneys, doctors, etc.) It is a new form of legal structure and it is not a recognized form of legal structure in all states. Anyone considering the formation of a LLP or a LLLP should consult a knowledgeable attorney. For more information, visit mybiz. colorado.gov.

LIMITED PARTNERSHIP ASSOCIATIONS

Limited Partnership Associations (LPAs) are created by filing "Articles of Association" with the Colorado Secretary of State.

ADVANTAGES

The main difference between a limited partnership association and a partnership or limited liability partnership is that the association has an indefinite life. Its existence terminates upon the affirmative vote of all of its members or as otherwise provided in the bylaws and by filing articles of dissolution with the Colorado Secretary of State. The association's existence does not terminate upon the disassociation, death or bankruptcy of a partner. LLCs may convert to LPAs in the same fashion that they could convert to partnerships or limited partnerships under the Limited Liability Company Act.

DISADVANTAGES

LPAs must have two or more persons as members of the business. This structure is new and at this time there are few interpretive guidelines. For more information, visit mybiz.colorado.gov.

NONPROFIT ORGANIZATIONS

Nonprofit is a term that refers to an organization which uses all profits to further organizational goals instead of distributing the profits to shareholders, organizers or owners. (NOTE: Distribution of wages includes the payment of wages.) In Colorado, an organization may choose to be an Unincorporated Nonprofit Association or a Nonprofit Corporation.

ASSOCIATION VS. CORPORATION

Nonprofit associations are normally formed by clubs or other less formal groups that do not intend to seek any special tax-exempt status or to exist beyond the current members. If organized as an unincorporated nonprofit association, a constitution, articles of association or a written declaration of organization must be adopted by two or more persons and the name must be registered with the Colorado Secretary of State at coloradosos.gov.

To further clarify an association's nonprofit status, additional optional documentation may be filed with the Secretary of State. However, organizations that want to become tax-exempt or exist beyond the current organizers should consider organizing as a Nonprofit Corporation. While not explicitly required, it will be easier to obtain tax-exempt status if organized as a corporation rather than as an association. A Nonprofit Corporation must file articles of incorporation with the Secretary of State in accordance with the Colorado Nonprofit Corporation Act. For the necessary forms to become a Nonprofit Corporation, contact the Secretary of State at coloradosos.gov.

TAX-EXEMPT STATUS

After organizing, submit Form SS-4, Application for Employer Identification Number, to have the Internal Revenue Service (IRS) assign a Federal Employer Identification Number (FEIN), whether there are any employees or not. The FEIN is the basic federal tax ID number for the organization.

Tax-exempt status requires an additional set of forms and paperwork. Tax-exempt status is granted by the IRS to nonprofit organizations to de- termine their status for paying federal income taxes. Forming a nonprofit association or even a nonprofit corporation does NOT automatically es- tablish tax-exempt status. For more information, visit irs.gov.

After a 501(c)(3) Letter of Determination is received from the IRS, apply to the Colorado Department of Revenue for a sales tax-exemption. A copy of the Letter of Determination, financial statements and documents confirming your organizational structure and function must accompa- ny application Form DR 0715. If the Colorado Department of Revenue determines the organization qualifies for Colorado tax-exempt status, a Certification of Exemption authorizing purchases for the organization without state or state collected local sales taxes will be granted. A Letter of Determination from the IRS does not guarantee Colorado tax-exempt status.

Some religious, charitable and educational nonprofit tax-exempt organizations may qualify for property tax exemption. An organization must own real property to take advantage of this exemption. Federal tax- exempt status is not used to determine whether an organization qualifies for the property tax exemption. Organizations that would like more information should contact the Colorado Department of Local Affairs, Division of Property Taxation at dola.colorado.gov/property-taxation.

Although nonprofit tax-exempt organizations may not pay income tax, they must still file tax returns. IRS Form 990 is used for federal income tax returns and DR 0112 for state returns. While there are a few exceptions, tax-exempt organizations are still responsible for all payroll taxes and all other employer responsibilities on employees and must collect

appropriate sales tax when selling personal tangible products to the public. See the Employer Responsibilities and Sale Tax chapters of this book for more information.

COOPERATIVES

A cooperative is a legal organization that is formed by a group of individuals and/or businesses that desire to work together for their "cooperative" benefit. A cooperative has two unique characteristics. It allows a group of separate individuals or individual businesses to join together for a common purpose, such as the bulk purchase of materials, to share office space or to sell common products. While a cooperative has to cover its costs to stay in business, it can focus its resources on meeting the needs of its user-owners, called members. Business decisions are made on the basis of what is in the overall best interests of the members. Each member maintains his/her status as an individual or individual business and the cooperative becomes a means to realize common business and personal goals.

NOTE: A cooperative is not a form of legal structure used to operate a sin- gle independent business. In a cooperative, each member generally has only one vote regardless of the amount of equity owned. This one-mem- ber, one-vote approach makes cooperatives very democratic, which can be viewed as an advantage or a disadvantage. Wealthy members can't buy control and all members have equal say in how the business is con- ducted. However, it does not take into account the amount of financial and/or time commitments made to the organization. In a non-coopera- tive business, people usually have voting power that is based solely on their equity investment.

A cooperative may organize as an unincorporated association. This is the least formal method for organizing a cooperative. The only govern- ment requirement is the registration of a trade name with the Secretary of State at coloradosos.gov. However, you must also adopt and have available for members a constitution, articles of association or a written declaration of organization.

Most groups organize as a corporation. Organizing as a corporation has three advantages. First, the personal liability of each member for losses suffered by the cooperative is limited to the member's equity in the cooper- ative. Second, the cooperative exists independently of the original organiz- ers. Transfer of ownership and control is simple. New members purchase a membership or a share of voting stock. When a person is no longer eligible to be a member, the cooperative repurchases that person's membership interest. Finally, organizing as a corporation conveys the image of a solid, long-lasting venture to members and outsiders. For more information, visit mybiz.colorado.gov.

OUT-OF-STATE BUSINESSES

Any out of state business that will have ongoing business in the State of Colorado must register with the Colorado Secretary of State.

NOTE: All wages and income earned from work and operations conducted in the State of Colorado are subject to Colorado income tax regardless of the residency of the individual or the business. Employers must withhold Colorado income tax from employee wages and make the required estimated income tax payments for the business. Refer to the Employer Responsibilities and the Income and Property Tax chapters of this book for more information on filing requirements. For more information, visit mybiz.colorado.gov.

CORPORATE FINANCING

A corporation may raise capital to begin the business by two different means: equity financing and borrowing money. Equity financing involves the issuance of shares of stock, which represent ownership in the business. Stock may be issued in exchange for cash, property, labor or services rendered. The primary advantage of equity financing is that the corporation is not required to repay the principal or interest. Instead, the shareholder acquires an interest in the business and may share in its future profits. When issuing stock, a corporation should be aware that there are various types or classes of stock. Different classes of stock grant the shareholder different rights when profits are distributed. A corporation may also acquire capital by borrowing money. Debt financing is attractive to the investor because the corporation is legally obligated to repay the principal and interest. Interest payments are deductible to the corporation. However, debt financing may be difficult or impossible for a new corporation which has little or no current earnings. A loan may require the personal guarantee of the corporate officer(s) who may then be held personally responsible for the repayment of the loan. A shareholder who is a working officer in the corporation is considered to be an employee and must be paid a "reasonable wage" subject to state and federal payroll taxes. If dividends are paid in lieu of wages, the entire dividend is subject to payroll taxes.

WHERE TO REGISTER

SECRETARY OF STATE

If you are a sole proprietor or general partnership and will be doing business under a name other than your own legal name(s), you must register your trade name(s) with the Colorado Secretary of State at coloradosos.gov. Registration of the trade name does not grant exclusive rights to the use of the name. Sole proprietors and general partnerships gain exclusive rights to their name through the use of the name over a period of time or by filing a trademark in addition to registering with the Secretary of State. If you want to find out if a name is already being used, visit the Secretary of State's website. Click "Businesses, trademarks, trade names" then "Search business database." By searching this database, you can find out whether or not a name is currently in use. If your business will be a Limited Partnership, Limited Liability Company,

Corporation, Registered Limited Liability Partnership, Registered Limited Liability Limited Partnership or a Limited Partnership Association, you must file with the Secretary of State. If you do business under an additional name, you must file a "Statement of Trade Name" with the Secretary of State. Corporations, limited partnerships, limited liability companies and limited liability partnerships organized outside Colorado must file for authority to do business in Colorado as a foreign entity.

INTERNAL REVENUE SERVICE

All forms of legal structure, except sole proprietors with no employees, must obtain a Federal Employer Identification Number (FEIN). The FEIN is your federal tax ID number. You can obtain your FEIN by:

- Applying online at irs.gov
- Filing a completed Form SS-4 with the IRS

Sole proprietorship owners with no employees may use their social secu- rity number as a federal tax ID number or may file Form SS-4 to receive a FEIN. The SS-4 and many other federal tax forms may be obtained from the IRS website located at irs.gov.

DEPARTMENT OF REVENUE

REGISTERING FOR A SALES TAX LICENSE & WAGE WITHHOLDING ACCOUNT

If you will have sales and/or employees, you must use Form CR0100, "Colorado Business Registration." The CR0100 will open your sales tax license and Colorado state wage withholding accounts. You can download the form at tax.colorado.gov. Businesses with employees must also register with the Colorado Department of Labor regarding unemployment insurance. Applications for sales, withholding and unemployment can be made online at mybiz.colorado.gov.

It is important for you to register for sales taxes and wage withholding prior to making sales and hiring employees. You could face personal liability for failing to collect, account for, and pay over sales and withholding taxes, even if you are operating as a corporation or limited liability company.

PRIVATE ASSISTANCE FOR NONPROFITS

The Colorado Non-Profit Association is a statewide "trade associ- ation" for nonprofits in Colorado, composed of a diverse group of more than 1,100 members. It provides information programs, publi- cations and group purchasing services. The association helps char- itable and philanthropic nonprofits manage their organizations and resources, represents the non- profit sector and serves as a bridge between the public and private sectors. Its bookstore sells a num- ber of useful publications including "How to Form Your Own Non- profit Corporation" and "Fiscal Sponsorship: 6 Ways to Do It Right."

Colorado Non-Profit Association 789
Sherman Street #240
Denver, CO 80203
coloradononprofits.org

The Community Resource Center (CRC) helps take start-up groups through the process of forming a nonprofit. CRC provides direct training, consultation and empowerment services to nonprofits, including lead- ership training for directors. CRC also publishes the "Colorado Grants Guide" and the "Colorado Funding Report."

Community Resource Center 789
Sherman #210
Denver, CO 80203-0426
crcamerica.org

HOW TO DO A NAME SEARCH

To search for all businesses registered in Colorado, it is necessary to do a name search with the Secretary of State.
The Secretary of State has an online service where you can check to see if a name is being used. Visit the Secretary of State website at coloradosos.gov. Click on "Businesses, trademarks, trade names" then "Search Business Database." The Secretary of State will provide information on trade names, corporations, limited partnerships, limited liability companies, limited liability partnerships or trademarks filed in the State of Colorado. Most forms can be completed and paid for with a credit card online.

ARTICLES OF INCORPORATION

An attorney is not required to file Articles of Incorporation. However, if you decide not to use an attorney, you should educate your- self thoroughly regarding all aspects of a corporation. The following are basic definitions related to filing Articles of Incorporation and should not be considered comprehensive legal advice. For example, common stock and preferred stock are the two classes of stock that a corporation may issue. In addition, stock may have other attributes and combinations of attributes that define a stockholder's rights. Articles of Incorporation may include additional information regarding the management, structure, purpose and goals of the corporation that are not outlined here.

Corporation Name is the name you wish to call your corporation. The name must include the word corporation, company, incor- porated or limited or an abbreviation of one of these words. The name may not be the same as any existing corporation. You may check on the name availability at coloradosos.gov. If it is not being used, go to "File a Document" and create a new record. Fill out the form for a profit corporation. When you complete the form online, you will be able to submit online with a credit card.

Cumulative Voting is the ability of a shareholder to vote the number of shares owned multiplied by the number of directors to be voted on. For example, if shareholder "A" owns 100 shares and three directors are being elected, shareholder "A" has 300 votes to cast for any one director or he can split up the votes and cast any desired number for any one or more of the candidates.

Preemptive Rights entitle each shareholder the right to maintain the same proportion of ownership if additional stock is issued. If a stockholder owns 25% of current outstanding stock, she/he would have the option to purchase 25% of new issues before the stock is offered to anyone else.

Common Stock normally has the following characteristics: 1) The right to vote for the board of directors, 2) The right to receive div- idends when declared by the board of directors, and 3) The right to share in the distribution of assets, after creditors and preferred stock, if the corporation is liquidated.

Preferred Stock is normally associated with the following characteristics: 1) Very limited voting rights, 2) Preference over common stockholders for receiving dividends, 3) A preference over common stockholders, after creditors, in the distribution of assets if the corporation is liquidated, and 4) The stock may be repurchased by the corporation at the option of the corporation.

Authorized Shares are the total number of shares that the corporation has the authority to issue. If there is more than one class, record the number of shares in each class. The number of authorized shares may only be changed at a later date by a vote of the stockholders as provided in the bylaws.

Par Value stock must have a stated value in the Articles of Incorporation. The stock cannot be issued unless par value is paid to the corporation.

No Par Value (NPV) stock is issued at a value determined by the board of directors at the time of issue. Generally, the value is de- termined by whatever price the market will bear when the stock is issued.

A **Registered Agent** may be an individual or another corporation who represents the corporation. Although a post office box may be included, the registered agent must have a physical address in Colorado on record at all times with the Secretary of State. The address may or may not be the corporation's place of business.

A **Board of Directors** must have one or more members and the number or method of determining the number must be specified in the bylaws. Directors must be at least 18 years of age.

Incorporators are the individuals who perform the initial steps of incorporation. They may or may not be involved in the corpora- tion's activities after the formation of the corporation. Incorporators must be at least 18 years of age.

Bylaws are the rules by which a corporation is managed and regulated. The bylaws are adopted and amended by the board of directors.

INCOME & PROPERTY TAX

This chapter outlines the general income tax laws that you will encounter when you own your own business. For more specific information, you should contact the IRS and the Colorado Department of Revenue.

CORPORATIONS

If your business is a corporation located or "doing business" in Colorado, it is subject to state and federal corporate income taxes. In general, a corporation will be considered to be "doing business" when it has employees or business property in Colorado or if it makes an adequate amount of sales in Colorado.

If you will be filing federally as an S Corporation, your business income will normally be taxed similar to a partnership and will not be subject to income taxes at the entity level. S Corporations must file a return on Form DR 0106 and take one of the required actions to ensure Colorado taxes will be paid by nonresident shareholders.

Working corporate officers are still treated as employees, even in an S Corporation, and must be paid a reasonable wage which is subject to all payroll taxes. At the end of the corporation's fiscal year, you must figure its net taxable income, or net loss, by subtracting the operating expenses and "allowable deductions" from the gross income.

The laws governing federal tax rates, allowable deductions and losses change frequently. Annually, you should obtain a summary of the current applicable federal tax laws from the IRS. The IRS Publication #542, "Corporations," is a useful guide in determining your federal tax liability.

Every corporation doing business in Colorado or deriving income from Colorado sources must file a corporate income tax return with Colorado. Colorado taxable income is generally determined by adding and/or subtracting various adjustments to your federal taxable income. If your corporation is doing business in Colorado as well as other states, you must generally apportion to Colorado the share of your income derived from sources within Colorado. Review the Colorado Corporate Income Tax guide, available at tax.colorado.gov, or contact the Colorado Department of Revenue for more information.

If you expect your federal tax liability to be $500 or more and/or your state tax liability to be $5,000 or more, you are required to file and pay estimated taxes during the year. Use Form 1120W, "Estimated Tax for Corporations," to figure federal estimated taxes due. The state form for making estimated tax returns is the DR 0112-EP. Report your federal corporate income annually on Form 1120, "U.S. Corporation Income Tax Return," or Form 1120S, "U.S. Income Tax Return for an S Corporation." At the end of the year you will file your corporate state tax on Form DR 0112 or, for S Corporations, on Form DR 0106. A corporation that owes more than $500 (and no estimated tax payments equal to the smaller of current year's or prior year's taxes) in federal income tax or $5,000 in state income tax may be subject to penalties and interest. If you receive dividends from your corporation, you must report them as income on your personal income tax return and pay the appropriate income taxes.

PARTNERSHIPS & LIMITED LIABILITY COMPANIES

If your business is a general partnership, limited partnership, limited liability partnership, limited liability limited partnership or a limited partnership association, you must file state and federal partnership income tax returns. Limited liability companies with at least two members are normally treated like partnerships unless they elect to be treated like corporations. The partnership business is generally not required to pay income tax directly. The state and federal partnership income tax returns are used to report your business' income and expenses, changes in your balance sheet and how the partners share profits and losses.

First, complete your federal return of income, Form 1065, "U.S. Return of Partnership Income" or Form 1120S, "U.S. Income Tax Return for an S Corporation." You will need this information to complete your Colorado return, Form DR 0106. Each partner is then responsible for his/her own income and self-employment taxes as an individual. However, partnerships and S Corporations are responsible for ensuring that Colorado income taxes are paid by nonresident partners and shareholders. There are several options for satisfying this obligation. Refer to Form DR 0106 and the related instruction book for more information.

If you expect to owe the IRS more than $1,000 in individual federal taxes, you must make federal estimated tax payments using Form 1040-ES (Estimated Taxes for Individuals). If you expect to owe Colorado more than $1,000 in individual state taxes, you must pay state estimated tax payments. Estimated payments are made using the Colorado Form DR 0104-EP.

If you and your spouse run your business together and share in the profits, your business may be considered a partnership. You should record your respective shares of partnership income or loss separately for self-employment taxes. Doing this will usually not increase your total tax, but will give each spouse credit for social security earnings on which re-

tirement benefits are based. IRS Publication #541, "Partnerships," is a use- ful guide regarding partnership filing requirements and the allocation of income to the partners.

SELF-EMPLOYMENT TAXES

If you are a sole proprietor, a partner in any form of partnership or a member in a limited liability company, you must file your own estimated self-employment taxes. When you work for others as an employee, your employer withholds your taxes from your paycheck. As an employee, your employ- er pays half of your social security taxes and you pay half. When you are self-employed, you must pay the entire amount.

Estimated taxes are normally paid quarterly on actual income. If you do not have taxable income, you do not have to pay estimated taxes. If you expect to owe the IRS more than $1,000 in federal taxes, you must make federal estimated tax payments using Form 1040-ES. The IRS prints a number of useful publications regarding your income tax rights and responsibilities including Publication #334, "Tax Guide for Small Business," Publication #505, "Tax Withholding and Estimated Tax," Publication #533, "Self-Em- ployment Tax" and Publication #587, "Business Use of Your Home." Con- tact the IRS directly for these publications and any additional information on calculating your taxable income and federal tax payments.

Colorado income tax is a flat 4.55% of your adjusted federal taxable in- come. If you expect to owe Colorado more than $1,000 in state taxes, you must pay state estimated tax payments. Estimated payments are made using the Colorado Form DR 0104-EP.

PROPERTY TAX

Property taxes are assessed on any real and/or personal property (land, buildings, furniture, equipment, etc.), which directly or indirectly produce income within your business. The County Assessor determines the value of property using a market, cost or income approach. Property taxes are assessed on a percentage of actual value. To determine your property tax bill, multiply the assessed value by the local tax rate. The county assessor will mail a declaration schedule for property taxes after January 1. Taxes must be paid by April 15 unless an extension has been obtained. The Coun- ty Treasurer is responsible for mailing and collecting the actual property tax bill. Agricultural and natural resources are treated somewhat differ- ently. You should contact your local county assessor regarding property taxes, personal and real estate, whenever you start a new business.

WHEN YOU ARE AN EMPLOYEE

When you are an employee, your employer must withhold and submit to the IRS your federal income tax withheld and your portion of Social Security (FICA) and Medicare taxes withheld. Your employer is also responsi- ble for paying state and federal unemployment taxes (SUTA and FUTA).

Your employer must give you a Form W-2, Wage and Tax Statement, showing your salary and any payroll deductions for the year (examples: Federal Income Tax, health insurance, etc.).

You may only deduct work-related expenses when they exceed 2% of your adjusted gross income, and you itemize your deductions on Schedule A.

WHEN YOU ARE AN INDEPENDENT CONTRACTOR

- You are responsible for setting aside and paying your own income tax and self-employment tax (effectively the employee's and the employer's share of Social Security and Medicare taxes). The businesses you work for do NOT withhold or pay taxes on your behalf.
- You are not eligible to collect unemployment insurance benefits.
- You are not covered by workers' compensation insurance benefits unless you purchase a policy from an insurance carrier.
- The businesses you work for are required to give you a Form 1099 MISC if they have paid you $600 or more during the year.
- You may deduct business expenses on Schedule C of your income tax return. You may also depreciate the cost of most business assets.

ENTERPRISE ZONES

The Colorado Enterprise Zone (EZ) Program is designed to promote a business-friendly environment in economically-distressed areas by offering state income tax credits that incentivize businesses to locate and develop in, and non-profit organizations to assist with, the needs of these communities.

Enterprise zones are economically-depressed areas designated by the Colorado Economic Development Commission based upon unemploy- ment rate, population growth rate and/or per capita income. Enterprise zones may include both urban and rural areas. There are currently 16 des- ignated enterprise zones in Colorado. Maps and additional information about designated enterprises zones can be found at oedit.colorado.gov/ enterprise-zone-program.

Colorado has established several tax incentives for private enterprises to start new businesses and expand existing businesses in enterprise zones. These incentives come primarily in the form of credits that can be applied toward a taxpayer's Colorado income tax liability. These credits are gener- ally based upon investments made or employees hired by the taxpayer in an enterprise zone. There are also sales and use tax exemptions allowed for certain machinery and tools used exclusively in an enterprise zone.

This book is designed to provide taxpayers with general information about tax incentives for business activity and investments in enterprise

zones. Nothing in this publication modifies or is intended to modify the requirements of Colorado's statutes and regulations. Taxpayers are encouraged to consult their tax advisors for guidance regarding specific situations. Additionally, taxpayers can request a General Information Letter (GIL) or Private Letter Ruling (PLR) on issues related to enterprise zone tax credits and exemptions.

In addition to the tax incentives discussed in this book, an enterprise zone contribution credit is allowed to taxpayers who make monetary or in-kind contributions for the purpose of implementing the economic development plan for an enterprise zone. Please see the publication Income Tax Topics: Enterprise Zone Contribution Credit for additional information about the contribution credit.

Private-sector business activity encouraged by these income tax incentives brings job opportunities and capital investment to economically distressed areas. The private investment results in tax revenue for school districts, cities, counties and the state, outweighing the costs of the tax credits granted.

Most enterprise zone credits require that a taxpayer apply for precer-tification prior to engaging in a qualified activity. For more information on precertification, visit oedit.colorado.gov/enterprise-zone-program, or review the Colorado Enterprise Zone Tax Guide at tax.colorado.gov.

LIST OF ENTERPRISE ZONE TAX CREDITS

EZ – INVESTMENT TAX CREDIT

Businesses investing in enterprise zones through business personal property can earn a tax credit of 3% tax credit of a qualified investment. Special rules for renewable energy equipment apply.

EZ – JOB TRAINING

Companies that implement a qualified job-training program for their enterprise zone employees may earn an income tax credit of 12% of their eligible training costs.

EZ – NEW EMPLOYEE CREDIT

Businesses increasing their workforce may earn a state income tax credit $1,100 per net new employee.

EZ – AGRICULTURAL PROCESSOR

An additional tax credit of $500 per net new employee may be claimed by businesses adding value to agricultural commodities through manufac- turing or processing.

EZ- ENHANCED RURAL EZ

An additional tax credit of $2,000 per net new employee may be claimed for businesses in Enhanced Rural EZs – these are re-established every two years. EREZ designated counties are highlighted on the map at choosecolorado.com.

EZ – ENHANCED RURAL AGRICULTURAL PROCESSOR

An additional tax credit of $500 per net new employee may be claimed if the business is an agricultural manufacturing or processing business in an Enhanced Rural EZ.

EZ – EMPLOYER SPONSORED HEALTH INSURANCE

Offers businesses $1,000 per net new employee insured under a qualified health plan for which the employer pays at least 50% of the cost. This credit is available for the first two years the business is located in an enterprise zone.

EZ – RESEARCH AND DEVELOPMENT TAX CREDIT

Businesses conducting research and development may earn a 3% tax credit on the increase in such expenditures as compared to that of the prior two years.

EZ – VACANT COMMERCIAL BUILDING REHABILITATION

Encourages redevelopment of vacant commercial property with a 25% credit for the cost of rehabilitation of a building that is at least 20 years old and has been completely vacant for at least two years. The credit is limited to $50,000 per building. *When certifying for the EZ Vacant Commercial Building Rehabilitation tax credit, the applicant is required to provide evidence of the building's age and vacancy condition prior the start of the remodel.

EZ – COMMERCIAL VEHICLE INVESTMENT TAX CREDIT

Investment in commercial trucks, truck tractors, tractors, or semitrailers, and associated parts registered in Colorado and based and used in an EZ may earn the taxpayer a 1.5% credit.

EZ – CONTRIBUTION PROJECTS

Enterprise Zone (EZ) Contribution Projects encourage community participation and public-private partnerships to revitalize EZs. EZ Administrators may propose projects for EZ Project status to implement the economic development plan of that specific EZ. EZ Administrators work with their communities to bring forward proposals that support local economic improvements, result in job creation/retention and business expansion, and have the support of the community. Colorado taxpayers may earn a 25% state income tax credit by contributing to targeted efforts.

ENTERPRISE ZONE ADMINISTRATORS

Speak with your local Enterprise Zone Administrator to learn more about the EZ Program, local conditions and other local incentives.

APPLY FOR ENTERPRISE ZONE BUSINESS TAX CREDITS

PRE-CERTIFICATION

Businesses wanting to claim any of the Colorado Enterprise Zone (EZ) income tax credits (excluding the Contribution Project credit for which pre-certification is not required), must annually pre-certify with their local EZ Administrator to be eligible to claim EZ tax credits. Pre- certification can be completed up to three months in advance of the business' tax year start date. Pre-certification is approved by the Local EZ Administrator. Pre-certify each business location as credits are only available for business activity in an Enterprise Zone.

CERTIFICATION

A business having pre-certified, and then conducted activities that are eligible for EZ credits, must then complete a certification application and receive approval from the local EZ Administrator. Certification documents must be submitted with your Colorado income tax filing. The Certification document from the online application system takes the place of DOR forms DR 0074, DR 0076 and DR 0077.

Desert Sun Coffee Company
durango

photo credit: todd macon photography

COLORADO SALES TAX

Within this chapter, you'll find general information on Colorado taxes. This book is not intended to be a substitute for the Colorado Revised Statutes or the Department of Revenue's rules. This publication does not constitute written advice from the Department of Revenue and may not be used to avoid any tax, fee, penalty or interest. Taxpayers are encouraged to consult with a tax advisor for guidance.

If you sell, rent or lease tangible personal property or certain services in Colorado, you must obtain a sales tax license. The type of license you need and the amount of tax you are required to collect depends upon who you are selling to and where and how you are doing business. A license is also required to rent accommodations for periods of less than 30 days. You may also be required to collect other taxes and fees, such as the retail delivery fee, which began July 1, 2022. The Colorado Sales Tax Guide, topic-specific publications and sales tax FYIs are found at tax. colorado.gov.

- If you will be selling any tangible personal property, you must obtain a sales tax license. If you are selling to the end user, you are a retailer. If you will be selling to someone who will resell your product or use it to make another product that is resold, you are a wholesaler. If you are doing both, it is only necessary to obtain a retail sales tax license.
- Wholesale and retail licenses are $16 for a two-year calendar licensing period. The cost of a new license is prorated during the licensing period. There is a $50 deposit on retail licenses that is refunded once $50 in state sales taxes have been collected and remitted to the Colorado Department of Revenue.
  - If a business has more than one location, each location must be licensed. The $50 deposit is only collected for the first location.
- If you will be selling products at an organized event, you are required to obtain an event license. A single event license is good only for a single event. A multiple event license is good for an unlimited number of events during the licensing period.
- A multiple event license costs $16 for a two-year calendar licensing period. The cost of a new license is prorated during the licensing period. A single event license costs $8. If a business has a retail or wholesale license, there is no charge for either a multiple event or single event license.
- Use the Colorado Business Registration, Form CR 0100, to apply for a retail or wholesale license. Application can also be made online at mybiz.colorado.gov or through the Revenue Online application at tax.colorado.gov. Use the Sales Tax Special Events Application, Form DR 0589, to apply for a Multiple or Single Event license.
- To register a trade name, visit the Secretary of State at coloradosos.gov.
- The Colorado Department of Revenue collects state sales and use taxes and the sales and use tax of most counties, cities and special districts. Some cities, however, are self-collected. If you will be located in a self-collected home-rule city, you must contact the city regarding local licensing requirements. Refer to publication DR 1002, Colorado Sales/Use Tax Rates, for a list of self-collected home-rule cities.
- Determine your proper sales tax rate for your business location(s). DR 1002, Sales/Use Tax Rates, contains the individual rates for all the different sales tax jurisdictions in Colorado. You may also search for tax rates by address using the Colorado Sales & Use Tax Systems (SUTS) system at colorado.ttr.services.

If you purchase items to use in your business, sales/use tax should be paid at the time of purchase or by filing a Consumer Use Tax Return, Form DR 0252. The tax on items which were originally purchased for resale but are actually used by your business should be paid on your consumer use tax return. You may also be subject to local use taxes. Check with the city's sales/use tax (DR 1002).

SALES TAX LICENSES

RETAIL SALES TAX LICENSE

A retail sales tax license is required if you are selling, renting or leasing your product to the end user of the product. If you will be doing wholesale and retail sales, you only need a retail sales tax license. Apply for the sales tax license on Form CR 0100, Colorado Sales Tax/Wage Withholding Account Application. You can also apply online at mybiz.colorado.gov or tax.colorado.gov/sales-use-tax-forms.

A retail sales tax license costs $16 for a two-year calendar period, plus a one-time $50 deposit. The deposit will be automatically refunded to you once you have collected and remitted a total of $50 in state sales tax to the Colorado Department of Revenue.

WHOLESALER LICENSE

A wholesaler license is required if you are selling your product to another business that will resell your product or use it as an ingredient in another product to be resold. A wholesaler license costs $16 for a two-year period. Apply for the sales tax license on Form CR 0100, "Colorado Sales Tax/Wage Withholding Account Applica-

tion." If your business is primarily wholesale, you may have up to $1,000 in retail sales per year and will not be required to obtain a retail sales tax license. If you will have more than $1,000 in retail sales per year, you should get a retail sales tax license and record your wholesale sales under your retail license.

SINGLE EVENT

If you plan to attend a single event as a vendor at a location other than your regular business location, you must obtain a single event license. A single event license costs $8 for each event, unless you already have a wholesale or retail license (in that case, there is no charge.) Apply for the single event license on Form DR 0589, "Special Event Application." To register a Trade Name, visit the Secretary of State at coloradosos.gov.

MULTIPLE EVENT LICENSE

If you attend more than one event during a two-year period, you should obtain a multiple event license. A multiple event license costs $16 for a two-year calendar period, unless you already have a wholesale or retail license, and then there is no charge. Apply for the multiple event license on Form DR 0589, "Special Event Application."

LOCAL LICENSES

Most county and city sales taxes are collected by the state. However, there are approximately 70 self-collecting Home-Rule cities that collect their own sales tax and require separate reporting directly to the city. Any city or county can require a business license for business conducted within its jurisdiction. Form DR 1002 can be found at tax.colorado.gov and provides a list of self-collected home-rule cities with addresses and phone numbers. It is updated in January and July each year.

APPLICATIONS & FEES

Retail and wholesale licenses are obtained by completing the Colorado Sales Tax/Wage Withholding Account Application, Form CR0100. Appli- cation can also be made at mybiz.colorado.gov or through the Revenue Online system at tax.colorado.gov. Multiple and single event licenses are obtained by completing the Sales Tax Special Events Application, Form DR 0589. All state sales tax licenses, except for single events, cost $16 per two-year calendar period. Each two year period is divided into four six-month quarters. The actual cost of your initial license will be prorated depending upon the quarter in which you obtain your license.

RETAIL & DELIVERY FEE

As of July 1, 2022, Colorado retailers must collect a $0.27 retail delivery fee on every retail sale of tangible personal property that is delivered by a motor vehicle to a purchaser in Colorado, including items delivered by postal mail and third parties. The retail delivery fees will be remitted to the Colorado Department of Revenue on the same filing and payment schedule, but not the same form, as your state sales taxes (monthly for most retailers). Each retail sale is a single retail delivery regardless of the number of shipments necessary to deliver the items purchased. The retail delivery fee amount will be adjusted annually for inflation. Learn more at tax.colorado.gov/retail-delivery-fee.

COLLECTING SALES TAX

RATES

If you will be selling a product to the end user, you must collect sales tax. The amount of sales tax you collect depends generally on the location the purchaser receives the purchased property or service (see House Bill 19-1240). To determine the amount of tax you must collect, you need to add together the various rates that apply to your business (DR 1002). You may also find the rates and jurisdictions for a particular address using the Colorado Sales & Use Tax Systems (SUTS) lookup tool at colorado.ttr. services. To determine how to collect the state tax, refer to the Colorado Sales Tax Guide for determining when to collect state and local sales tax.

STATE

The 2.9% state sales tax must be collected for all sales sourced to Colorado pursuant to Colorado law (see House Bill 19-1240). As of July 1, 2022, retailers are also required to collect a retail delivery fee for each retail sale of taxable tangible personal property that is delivered to the purchaser by motor vehicle.

COUNTY

Many Colorado counties also impose sales and use taxes. County sales taxes are collected by the Colorado Department of Revenue, except for the taxes imposed by the City & County of Denver and the City & County of Broomfield. The Colorado Sales/Use Tax Rates publication (DR 1002) lists the counties with sales and use taxes and their rates. You may also find the rates and jurisdictions for a particular address using the Colorado Sales & Use Tax Systems (SUTS) lookup tool at colorado.ttr. services.

SPECIAL DISTRICTS

Businesses are required to collect 1% for the Regional Transportation District (RTD) and 0.1% for the Scientific and Cultural Facilities District (SCFD), for a total of 1.1% for any sale made or delivered in those districts. The Colorado Sales/Use Tax Rates publication (DR 1002) describes in detail the boundaries of RTD and SCFD. The boundaries for the two districts are not identical. Other special districts may also impose sales and use taxes within their boundaries as described in publication DR 1002. You may also find the rates and jurisdictions for a particular address using the Colorado Sales & Use Tax Systems (SUTS) lookup tool at colorado.ttr.services.

CITY

There more than 200 cities with an established sales tax. Most are state-collected. However, there are approximately 70 self-collecting home-rule cities that collect their own sales tax and require separate reporting directly to the city. The Colorado Sales/Use Tax Rates publication (DR 1002) lists the cities with sales and use taxes and their rates. Contact information for home-rule cities is also provided. You may also find the rates and jurisdictions for a particular address using the Colorado Sales & Use Tax Systems (SUTS) lookup tool at colorado.ttr.services.

LODGING

State and state-administered local sales taxes generally apply to sales of rooms and accommodations. State-administered counties may also impose an additional county lodging tax. Certain special districts may impose a local marketing tax on sales of rooms and accommodations. Finally, self-collecting home-rule cities may impose sales or special lodging taxes on lodging.

SPECIAL TAXES

Other special taxes are the Local Improvement District tax, Mass Transit District tax, Multi-Jurisdictional Housing Authority (MHA), Public Safety Improvement (PSI), Health Services District Tax (HSD), Metropolitan District Tax (MDT) and Local Marketing District Tax (DR 1002). Health Service Districts can also impose sales tax in Colorado. See DR 1002 for more information.

Example: To determine the amount of tax you must collect at your location, add all the rates that apply to your location and type of business. For example, if you have a restaurant in the City of Lakewood, you must collect 2.9% for the state, 1.1% for RTD/SCFD, 0.5% for Jefferson County, and 3.0% for Lakewood. Your total sales tax rate would be 7.5%. Sales tax is based on the seller's location only if the purchaser receives the property at that location. Otherwise, sales tax is based on the location the purchaser receives the property or service (House Bill 19-1240). Refer to Colorado Sales Tax Guide for more information. Retail delivery fees may also apply (refer to Application & Fee section above for specific information).

TAX CHARTS

Publication DR 1002, "Sales/Use Tax Rates," lists all the various sales tax rates throughout Colorado and should be used as a guide to calculate the sales tax rates for different locations. You may also find the rates and jurisdictions for a particular address using the Colorado Sales & Use Tax Systems (SUTS) lookup tool at colorado.ttr.services.

The State of Colorado has a Geographic Information System (GIS) in place which allows users to type in an address to determine the sales tax and local jurisdictions for any address inside the State of Colorado. Please note — The GIS does not provide any information on special taxes or fees such as lodging taxes, excise taxes or retail delivery fees.
Get more information about the GIS at tax.colorado.gov/gis-info.

MOBILE BUSINESSES

If your business involves sales at your client's address, deliveries or is mobile, you must collect the appropriate tax for each sales location. Sales taxes are generally based upon the location at which the purchaser receives the goods. If this situation applies to you, you must collect the appropriate tax for each point of sale. You should obtain one retail sales tax license to collect all state taxes. You may need several city sales tax licenses from the self-collected home-rule cities where you do business. You do not need to obtain an additional state tax license for each sale tax location. Department of Revenue Publication DR 1002, "Colorado Sales/ Use Tax Rates," lists all state, county and city sales tax rates, as well as addresses and phone numbers for self-collected home-rule cites with separate licensing and collection procedures.

CRAFT SHOWS

If you will be selling at events, you must have a state multiple events license. If the event is held in a city that collects its own city sales tax (a home-rule city), you may be required to obtain an additional city sales tax license.

MULTIPLE PERMANENT BUSINESS LOCATIONS

If your business has multiple permanent locations (sites), each site must have its own license and collect the appropriate tax. Exception: Vending machine operators and mobile businesses are only required to have one state license but report the appropriate tax collection under additional sites. However, each machine is required to display a vending machine decal and may still be subject to local licensing requirements. All local taxes and licensing at the vending machine location(s) are applicable.

SMALL HOME BUSINESSES

If you operate a small business from your home and your total sales are less than $1,000 per year, you do not have to obtain a state sales tax license. However, you must collect all applicable sales taxes and file Sales Tax Return for Occasional Sales DR 0154 (tax.colorado/gov/sales- use-tax-forms) at the end of each calendar year. In addition, you will not be able to purchase inventory or supplies at wholesale without a license. If you are located in a home-rule city, contact your city officials regarding your local sales tax requirements.

CHARITABLE ORGANIZATIONS

Colorado allows charitable organizations that have been classified 501(c)(3) by the U.S. Internal Revenue Service an exemption from paying state-collected sales tax on items the organization purchases. The exemption must be requested in writing using the form, "Application for Sales Tax Exemption for Colorado Organizations," Form DR 0715. The exemption only applies to items purchased for use in the regular charitable functions and activities of the organization. When making tax exempt purchases, the organization must show a copy of the exemption certificate or have one on file with the vendor. Purchases over $250 must

be made using an organization check or credit card. Retailers may also require an affidavit for their records on Form DR 5002.

Tax exempt organizations must still obtain a sales tax license and collect sales tax on all items sold to the public. However, organizations making sales with net proceeds of less than $45,000 per year are generally exempt from state sales tax licensing and the obligation to collect sales tax. Most cities and counties have not adopted this exemption. Licensed charitable organizations are exempt from payment of the $50 deposit on retail sales tax licenses. See Sales and Use Tax Topics: Charitable Organizations at tax.colorado.gov/sales-use-tax-guidance-publications.

SALES TAX FRAUD

It is illegal to use your sales tax license to obtain personal goods or assets which you will use in business tax-free. Only goods which will be resold may be purchased exempt from sales tax. Sales tax must be listed separately from the purchase price on the items you sell on all invoices. Vending machines, bar drinks and mobile food cart vendors are exempt from this rule. It is illegal to advertise that you will make retail sales "tax free" or absorb the cost of sales tax.

FILING RETURNS & PAYMENT OF TAXES

FILING REQUIREMENTS

Once you have obtained a sales tax license, you will be able to file returns. Returns may be file electronically after an online login has been established through Revenue Online at colorado.gov/revenueonline. You must file a sales tax return for every period, even if no tax was collected for the period. Each applicable line must be completed on the DR 0100.

Retailers doing business in multiple state-administered and self- collecting home-rule jurisdiction should consider using the Colorado Sales & Use Tax Systems (SUTS) to file and pay sales taxes. Most home- rule cities now accept returns through SUTS. Visit tax.colorado.gov/suts- help for more information. Returns for state-administered jurisdictions may also be filed on the paper Form DR 0100 which is available at tax. colorado.gov under Instructions & Forms. If you have a wholesaler license, you will file annually.

If you have a retail license and you collect less than $300 in state sales tax each month, you may file quarterly. If you collect $300 or more in state sales tax every month, you must file monthly.

All sales tax returns are due the 20th of the month following the end of the taxing period (i.e., the return for April through June is due July 20). If the 20th falls on a Saturday, Sunday or holiday, the due date is the next regular business day. If you have a single or multiple event license, an individual return must be filed for every event. Each return must be filed by the 20th of the month following the month in which an event is held.

County lodging tax, Local Marketing District Tax (LMD) and home-rule city collected sales taxes are each filed separately. If your sales tax return is not filed or postmarked on or before the due date, you must pay a 10% penalty plus an additional 0.5% for each additional month up to a maximum of 18% on the total tax due plus interest on the amount due.

If you sell, rent or lease tangible personal property, or rent accommoda- tions for less than 30 days, you must collect retail sales tax. For more in- formation about sales tax responsibilities or existing sales tax accounts, contact the Colorado Department of Revenue at 303-238-SERV. You can also visit its website at tax.colorado.gov.

CONSUMER USE TAX

If you use products on which Colorado sales tax has not been paid, consumer use tax is due! Use tax is imposed on the storage, use or consumption in Colorado of tangible personal property upon which Colorado sales tax has not been paid. For example, if you purchase a computer for your business in another state, consumer use tax must be paid in Colorado unless the seller collected Colorado sales tax. In calculating the amount of use tax due, a credit is allowed for properly imposed sales tax paid to another state. The amount of tax is based upon where an item is used and the purchase price.

The state use tax rate is 2.9%, the RTD/SCFD rates total 1.1% and the RTA district taxes vary from one location to another. These taxes are paid to the Department of Revenue by filing Form DR 0252, "Consumer Use Tax Return."

If you use items taken from your sales inventory, you may report the cost and pay a use tax. State-administered cities and counties can impose use tax only on motor vehicles and building materials. In either case, the use tax is paid directly to the city or county, either during the vehicle registration or building permit process. Home-rule cities administer their own use taxes. No local use taxes (other than special district use taxes) are remitted directly to the Department of Revenue. If the seller collects the tax, it is sales tax. If the seller does not collect the appropriate tax, the consumer (user) must pay use tax.

File and pay at tax.colorado.gov. Review the Colorado Consumer Use Tax Guide for more information at tax.colorado.gov/consumer-use-tax-guide.

INTERNET SALES

Website internet access is a nontaxable services in Colorado. However, if service providers sell tangible personal property is sold to customers in Colorado, then sales tax should be charged on those items. Retail delivery fees may also apply. The sale of goods through the internet is treated the same as the sale of tangible personal property through traditional selling methods.

Still Confused about Sales Tax?

Sales tax classes are held at the Department of Revenue Service Centers at the beginning of each month. Visit tax.colorado.gov for current class locations and schedules. Sales tax classes include information on what sales tax is, how to collect sales tax and how to fill out sales tax returns. Check with the local home-rule cities to see if they offer a class.

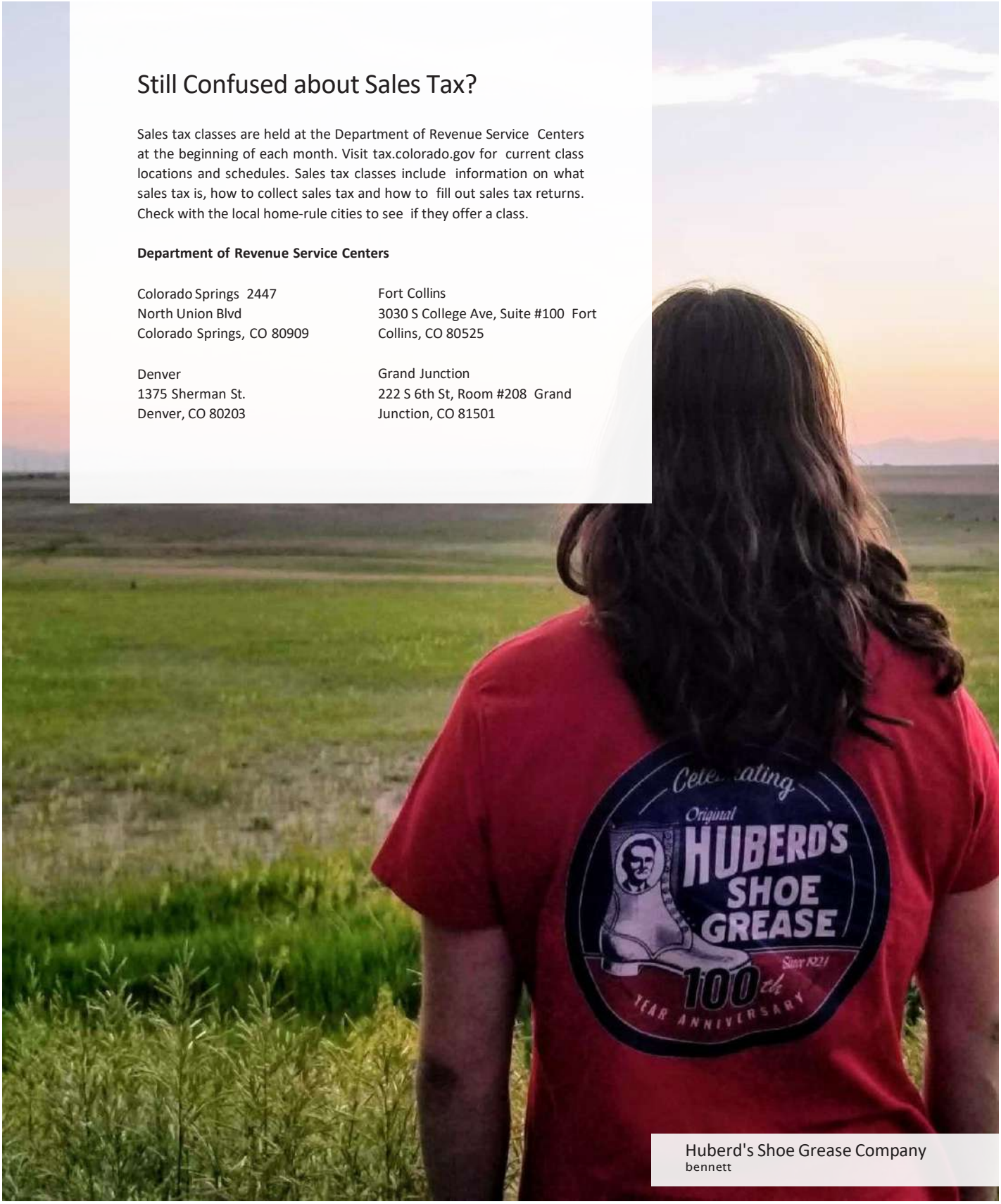
Department of Revenue Service Centers

Colorado Springs 2447
North Union Blvd
Colorado Springs, CO 80909

Denver
1375 Sherman St.
Denver, CO 80203

Fort Collins
3030 S College Ave, Suite #100 Fort Collins, CO 80525

Grand Junction
222 S 6th St, Room #208 Grand Junction, CO 81501



Huberd's Shoe Grease Company
bennett

EMPLOYER RESPONSIBILITIES

EMPLOYEES VS. INDEPENDENT CONTRACTORS

As your business grows, you may start asking yourself if you should hire full- or part-time employees or subcontractors to perform specific jobs on an as-needed basis. If you hire contract labor, your paperwork is much easier. However, just calling someone contract labor doesn't make them so. If you incorrectly classify those working for you, you may end up paying substantial penalties and back taxes to the IRS and the State of Colorado.

Most individuals who work for you will be considered either common law employees or independent contractors. Unfortunately, there are many state and federal laws that are used to define an employment relationship and to determine whether an individual who performs services for you is an "employee" or an "independent contractor." Publication 15-A, "Employer's Supplemental Tax Guide," has more information on determining whether an individual is an independent contractor or an employee.

COMMON LAW EMPLOYEES

Common law employees perform services subject to the control of an employer regarding what, where, when and how something must be done. The actual working relationship between an individual and a business is more important than the title when determining if someone is a common law employee. It does not matter that the employer gives the employee substantial discretion and freedom to act, so long as the employer has the legal right to control both the method and results of service. You will file a W-2 at the end of the year to report wage and tax withholdings.

INDEPENDENT CONTRACTORS

Persons who follow a trade, business or profession such as lawyers, accountants or construction contractors who offer their services to the general public are usually considered independent contractors. The key characteristic of an independent contractor is the worker's "independence." An independent contractor relationship is a business- to-business relationship; it is NOT a business-to-individual relationship.

You will need to file a 1099 with the IRS at the end of the year to report the payments made to each contractor that is not a corporation. The IRS uses a list of factors to determine whether a worker is a common law employee or an independent contractor. The Colorado Unemploy- ment Insurance Liability Unit and the Colorado Division of Workers' Compensation use nine criteria established by state law (8-40-202 and 8-70-115, C.R.S.) to determine whether a worker is a common law em- ployee or an independent contractor. As a general rule, any individual who performs services for pay for another is deemed to be an employ- ee, unless it is shown that the worker is free from control and direction in the performance of the services and is customarily engaged in an independent trade, occupation or business related to the service per- formed. The burden of proof is on the employer to show that the forego- ing two tests are met. The employer may create a rebuttable presump- tion of an independent contractor relationship with a worker.

When using an independent contractor, use a written document or contract that:

- is signed by both parties;
- clearly discloses, in larger font, boldface or underline type, that the independent contractor is not entitled to unemployment insurance or workers' compensation insurance; and
- states that the independent contractor is obligated to pay all federal and state income taxes on any money earned pursuant to the contract and provides that the person for whom the services are performed does not:
  - require the individual to work exclusively for the person for whom services are performed, except that the individual may choose to work exclusively for the said person for a finite period of time specified in the document;
  - establish a quality standard for the individual, except that such person can provide plans and specifications regarding the work but cannot oversee the actual work or instruct the individual as to how the work will be performed;
  - pay a fixed or contract rate rather than a salary or hourly rate;
  - terminate the work during the contract period unless the individual violates the terms of the contract or fails to pro- duce a result that meets the specifications of the contract;
  - provide more than minimal training for the individual employee;
  - provide tools or benefits to the individual, except that materials and equipment may be supplied;

- dictate the time or performance, except that a completion schedule and a range of mutually agreeable work hours may be established;
- pay the individual personally, but make checks payable to the trade or business name of the individual; and
- combine his/her business operations in any way with the individual's business but instead maintains such operations as separate and distinct.

The criteria stated above, along with other factors, form a basis for how the State distinguishes between employees and independent contractors. No one factor or criterion is by itself conclusive evidence that an individual worker is an employee or an independent contractor. The following is a summary of the reasoning used by the Colorado Courts in deciding unemployment insurance cases on the independent contractor vs. covered employee issue. Please note that this summary should not be considered a substitute for legal advice.

The question of control is related to general control and is not concerned with the fact that the worker can exercise his/her own judgment in performing the detail of the work. Control refers to the right to control and not to the actual control used by the company. The possibility of future control can be used in determining if an individual is free from control and direction. The power to terminate a contract for personal service at any time without liability is a strong indication of control. The right to terminate services at any time involves the right to control. This factor, in addition to the fact that the worker is required to use the material furnished by the company and meet the quality control standard of the company, is usually sufficient to establish control. Other factors that may be considered indicators of control are: the worker reports on a daily basis, the worker is provided with an outline of procedures, and the worker is obligated to keep records or uses the name of the company.

Even though the company retains no right to control the performance of the worker, the worker must be customarily engaged in an independent business related to the service performed. The worker is not customarily engaged in an independent trade, occupation, profession or business re- lated to the service performed if the worker devotes his/her whole time to performing duties for one company, is not engaged in any other work and performs the service within the usual course of business of the com- pany. A company contesting liability for unemployment compensation taxes under independent professional exception is required to prove not only that a worker is customarily established and engaged in an indepen- dent business, but also that the independent business is related to the services the worker is performing for the company and that the worker is engaged in the business venture at the same time the worker is providing services for the company.

Even though a contract is framed to suggest existence of an independent contractor and not an employer/employee relationship, that fact alone does not create an independent contractor relationship. What is done under the contract is more significant than what the contract says. A company cannot circumvent the intended protection of the Colorado Employment Security Act by means of a contract that would place in jeopardy the security of employees.

The following is a summary of some criteria used by the IRS in determin- ing whether a worker is an employee or independent contractor:

- An employee has no potential for suffering a monetary loss in connection with the work performed.
- An independent contractor can make a profit or suffer a loss in connection with the work performed.
- An employee works on the premises of the employer or on a route or location designated by the employer.
- An independent contractor may perform work at her/his own business premises.
- An employee performs services personally.
- An independent contractor may subcontract all or part of a work assignment.
- An employee may have assistants who are paid by the employer.
- An independent contractor hires, supervises and pays for his/her own assistants.

If a worker is a common law employee, the employer is responsible for state and federal income tax withholding, social security taxes (FICA), and state and federal unemployment insurance taxes. All common law employees must be covered by a workers' compensation insurance policy from the very beginning of employment. No distinction is made between different types of common law employees. Managers and supervisors are treated the same as line workers. There is no difference between full-time or part-time employees or employees hired for only a short period of time.

An independent contractor is responsible for his/her own self- employment taxes. If she/he has employees, she/he also has the obligation to comply with all employer responsibilities, including workers' compensation insurance for his/her employees. If the independent contractor does not have and maintain workers' compensation insurance, the prime contractor is responsible for providing coverage. The prime contractor may recover from the independent contractor the cost of providing workers' compensation insurance to the independent contractor's employees.

If you are not sure whether your workers are employees or independent contractors, you should contact the IRS, the Colorado Division of Workers' Compensation and the Unemployment Insurance Tax Liability Unit of the Colorado Division of Employment and Training for a determination of an actual employer/employee relationship. Potentially, a worker could be considered an employee by one agency and an independent contractor by another. Form SS-8, "Determination of Employee Work Status for Purpose of Federal Employment Taxes and Income Tax Withholding," should be filed with the IRS. You can also request an Advisory Opinion from the Colorado Department of Labor and Employment. An Advisory Opinion is available to employers seeking advice on proper classification of workers. If you would like to request an advisory opinion on whether you should classify individuals as employees or independent contractors, you can complete a request form at colorado.gov/pacific/ cdle/ensure-proper-worker-classification and include a nonrefundable payment of $100 made payable to the Colorado Department of Labor and Employment. For more information, visit colorado.gov/cdle.

SPECIAL EMPLOYMENT SITUATIONS

COMMISSION AND PIECEWORK EMPLOYEES

Commissioned delivery drivers, insurance agents, full-time commis- sioned sales agents of products for resale or for use in the buyer's busi- ness operation and individuals who do piece work with materials supplied by the employer are considered statutory employees by the IRS. The employer is not required to withhold federal income tax from payments. However, if the contract states that an individual must perform the ser- vices personally, the individual will perform the service on a continuing basis and the employer will supply the equipment, then the payments are subject to FICA. Payments to commissioned delivery drivers and sales agents are subject to unemployment insurance tax.

Because statutory employees are similar in some respects to both com- mon-law employees and independent contractors, you should contact the Division of Workers' Compensation directly regarding your workers' com- pensation liability. Order W-2s and 1099s from the IRS.

CHILDREN AND SPOUSES

If your business is a sole proprietorship, your children who work for you are not subject to FICA and Medicare taxes until age 18. If a child is paid for domestic work in the parent's home, wages are not subject to FICA and Medicare taxes until the child reaches age 21. Federal unemploy- ment insurance taxes are not required for wages paid to children under the age of 21 who work for their parents. Whether a child can be claimed as a dependent on the parent's individual tax return is not considered. All wages paid to children may still be subject to income tax withholdings; use Form W-4 and the appropriate tables to determine if income tax with- holding applies. Wages paid by a sole proprietor to a spouse are subject to income tax withholding and social security taxes (FICA), but not to fed- eral unemployment insurance taxes. All wages paid to a child or a spouse are subject to withholding taxes, FICA and state and federal unemploy- ment insurance taxes if the parent/spouse's business is a partnership or a corporation (unless each partner is parent of this child). Workers' Com- pensation Insurance must be provided for family members/employees.

CORPORATE OFFICERS

Generally, working corporate officers are considered employees by the IRS and may not be paid through a distribution of dividends only. They must be paid a "reasonable wage or salary." All wages are subject to federal and state wage withholding, FICA and unemployment insurance taxes. Corporate officers who own more than a 10% share and who have a managing interest in the business may elect to reject workers' compen- sation coverage. These rules apply to the corporate officers in both C and S Corporations.

CHURCHES & CHARITABLE ORGANIZATIONS

The employees of charitable 501(c)(3) tax-exempt organizations may be subject to special exemptions. All wages paid to a common-law employ- ee are subject to federal and state income tax withholdings. All wages are subject to social security tax unless wages are less than $100 for an entire calendar year or are paid by a church or a church-controlled or- ganization that opposes payment of social security taxes for religious reasons. All 501(c)(3) tax-exempt organizations are exempt from payment of federal unemployment tax. All employees must be covered by workers' compensation insurance regardless of 501(c) (3) status.

LEASED EMPLOYEES

An alternative to hiring your own employees is to contract workers from a temporary employment agency or an employee leasing agency. You pay the agency a fee to provide the number and type of employees you need and specify the conditions they must work under, but the individual workers remain employees of the agency. The agency is responsible for all payroll taxes, unemployment insurance and workers' compensation. However, if a leasing company defaults in payment of unemployment insurance, the client company is then responsible for payment of unemployment insurance. A temporary agency is used when workers are needed for a short period of time. Leasing agencies provide employees under contract on a long-term basis.

HOUSEHOLD EMPLOYEES

If you hire someone to work in your own home, you may have responsi- bilities as a household employer. If the employee earns more than $1,300 per year, you are responsible for social security and Medicare taxes. If the employee earns more than $1,000 during a quarter, you will also be responsible for unemployment insurance. The law does not require that you withhold federal or state income taxes for your employee. Howev- er, you may do so voluntarily if requested by your employee and she/he completes Form W-4. A W-2 must be given to the employee. Workers' Compensation Insurance must be obtained for household employees who work 40 or more hours per week or five or more days per week. For additional information regarding your responsibilities as a household employer, call the IRS and request Publication #926, "Employment Taxes for Household Employers."

SEASONAL EMPLOYEES

If you operate a seasonal business, you may file a "Request for Seasonal Determination" with the Unemployment Insurance Liability Unit of the De- partment of Labor and Employment. A business that operates year-round and also hires seasonal employees may also file. Seasonal employer status will disqualify seasonal employees from collecting unemploy- ment benefits during your off season. As a result, your unemployment experience rating will not be affected. However, if a seasonal employee is unemployed at the beginning of the next season, she/he will qualify to collect unemployment benefits at that time. To qualify as a seasonal em- ployer, your seasonal period may be no longer than 26 weeks per year; also, no more than 25% of your employees, in a seasonal occupation, may

work longer than the 26-week period. There must be at least 45 consec- utive days when you have no employees in the seasonal occupation. If your entire business operates less than 26 weeks per year, then all your employees automatically qualify as seasonal employees. For example, if you employ seasonal groundskeepers and "regular" office workers, no more than 25% of all your groundskeepers may work outside your 26- week seasonal period, and there must be a minimum 45 days when no groundskeepers are working. Your office workers may continue to work the whole year without impacting the status of your seasonal employees. The qualifications for seasonal employment are difficult to understand. If you have additional questions, please contact the Unemployment In- surance Liability Unit.

WORK OPPORTUNITY TAX CREDIT

The Work Opportunity Tax Credit (WOTC) is a Federal tax credit available to employers for hiring individuals from certain targeted groups who have consistently faced significant barriers to employment. Corporations are allowed to take a subtraction under section 39-22-304 (3)(i), C.R.S., for any portion of wages or salaries that are not deductible in the calculation of federal taxable income due to section 280C of the Internal Revenue Code. Section 280C disallows or reduces the deduction for wages or salaries for which a corporation claims certain federal credits, such as the Work Opportunity Credit. For further information, see Part 5 of the Colorado Corporate Income Tax Guide.

WOTC joins other workforce programs that incentivize workplace diversity and facilitate access to good jobs for American workers.

The Protecting Americans from Tax Hikes Act of 2015 (the PATH Act) retroactively allows eligible employers to claim the Work Opportunity Tax Credit (WOTC) for all targeted group employee categories that were in effect prior to the enactment of the PATH Act, if the individual began or begins work for the employer after December 31, 2014 and before January 1, 2021. For tax-exempt employers, the PATH Act retroactively allows them to claim the WOTC for qualified veterans who begin work for the employer after December 31, 2014 and before January 1, 2021. The PATH Act also added a new targeted group category to include qualified long-term unemployment recipients.

Employers can hire eligible employees from the following target groups for WOTC:

- Qualified IV-A Recipient
- Qualified Veteran
- Ex-Felon
- Designated Community Resident (DCR)
- Vocational Rehabilitation Referral
- Summer Youth Employee
- Supplemental Nutrition Assistance Program (SNAP) Recipient
- Supplemental Security Income (SSI) Recipient
- Long-Term Family Assistance Recipient
- Qualified Long-Term Unemployment Recipient

PRE-SCREENING AND CERTIFICATION

An employer must obtain certification that an individual is a member of the targeted group, before the employer may claim the credit. An eligible employer must file Form 8850, "Pre-Screening Notice and Certification Request for the Work Opportunity Credit," with their respective state workforce agency within 28 days after the eligible worker begins work. Employers should contact their individual state workforce agency with any specific processing questions for Forms 8850.

LIMITATIONS ON THE CREDITS

The credit is limited to the amount of the business income tax liability or social security tax owed. A taxable business may apply the credit against its business income tax liability, and the normal carry-back and carry-forward rules apply. See the instructions for Form 3800, "General Business Credit," for more details.

For qualified tax-exempt organizations, the credit is limited to the amount of employer social security tax owed on wages paid to all employees for the period the credit is claimed.

CLAIMING THE CREDIT

Qualified tax-exempt organizations will claim the credit on Form 5884-C, "Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans," as a credit against the employer's share of Social Security tax. The credit will not affect the employer's Social Security tax liability reported on the organization's employment tax return.

TAXABLE EMPLOYERS

After the required certification is secured, taxable employers claim the tax credit as a general business credit on Form 3800 against their income tax by filing the following:

- Form 5884 (with instructions)
- Form 3800 (with instructions)
- Your business's related income tax return and instructions (i.e., Forms 1040, 1041, 1120, etc.)

TAX-EXEMPT EMPLOYERS

Qualified tax-exempt organizations described in IRC Section 501(c) and exempt from taxation under IRC Section 501(a), may claim the credit for qualified veterans who begin work on or after December 31, 2014, and before January 1, 2021. After the required certification (Form 8850) is secured, tax-exempt employers claim the credit against the employer social security tax by separately filing Form 5884-C, "Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans." File Form 5884-C after filing the related employment tax return for the period that the credit is claimed. The IRS recommends that qualified tax- exempt employers do not reduce their required deposits in anticipation of any credit. The credit will not affect the employer's Social Security tax liability reported on the organization's employment tax return. For more information, visit irs.gov.

EARNED INCOME TAX CREDIT (EITC)

The EITC is a special tax benefit for working people who earn low or moderate incomes. Small business owners can benefit as it can provide

support to their employees and make the positions in their company more attractive and manageable for former welfare recipients. Low- income employees whose annual incomes are less than certain amounts may qualify to receive EITC. The dollar amounts to qualify for EITC change annually. The EITC may be available to single workers between the ages of 25 and 65 with no children in the home. It may also be available to all workers, regardless of age, if there are children in the home. Workers who have at least one qualifying child in the home may be eligible to receive a portion of credit in their regular paycheck. Income guidelines and further information on qualification can be obtained by visiting its website at irs.gov.

Advanced Earned Income Credit allows employees with at least one qualifying child to receive the credit throughout the year as part of their regular pay — AT NO ADDITIONAL COST TO THE EMPLOYER. To receive EITC advance payments, employees must simply complete Form W-5. Advance payments don't cost employers money. Employers simply subtract the advance payments they have added to their workers' paychecks from the total taxes withheld from all employees they would otherwise deposit with the IRS. Most employers with automated payroll systems can easily program advance payments into their systems.

Although employers may not be aware of the advance EITC payment option, any eligible employee who files a W-5 with an employer must be given advance payments. Employers are NOT required to make sure employees are eligible for the EITC – that is the employee's responsibility. For more information, see the IRS Employer's Tax Guide, Circular E.

PERSONNEL POLICIES, FINDING & HIRING EMPLOYEES, EMPLOYEE REGULATIONS

Once you have determined that you will need employees in your busi- ness, you must invest the proper time and resources into establishing your personnel policies and finding the right people. You must also be aware of the federal and state regulations for employees.

PERSONNEL POLICIES

While establishing written personnel policies may be time consuming, it can prevent significant aggravations and problems later. Your policy man- ual should address all the various issues you expect and don't expect to arise in the normal operations of your business — both the good and the bad. However, written policies establish rights and responsibilities for your employees AND yourself. If you establish written policies, it is important that you also follow them (e.g. written warnings, review procedures, etc.). Issues that may be addressed by personnel policies include:

Help is available!

The Unemployment Insurance Division offers educational seminars to raise awareness and educate employers about the state's unemployment insurance system. Seminars cover a variety of topics and are scheduled for two hours in length, including time for Q&A. For more information or to register for an upcoming seminar, email cdle_ui_employer_outreach@state.co.us.

The Colorado Department of Labor and Employment can also provide a written advisory opinion concerning the classification of a worker, upon request. Click on the Request an Advisory Opinion button at colorado.gov/pacific/cdle/ ensure-proper-worker-classification.

HOURS

How many hours are to be worked per day, per week? Discuss evening, weekends, holidays, peak periods, etc. Remember all employees except salaried supervisors are entitled to receive overtime. Determine how you will allow employees time off for personal needs. Establish clear procedures for paid and unpaid time off for emergencies, family illnesses, jury duty, etc. The Family and Medical Leave Act requires all employers with 50 employees or more to provide up to 12 weeks of unpaid leave for births, adoptions and health care of immediate family members in a 12-month period.

COMPENSATION

Make sure your salaries are competitive with similar local businesses. Wages are a significant cost in operating your business. However, low wages can result in higher turnover and lower productivity. Establish clear vacation policies, including length and timing of vacation. Clearly define procedures for when two or more employees wish to go on vaca- tion at the same time. Will you provide paid or unpaid vacations? Paid va- cations are an expected basic benefit by many employees.

FRINGE BENEFITS

Consider offering your employees discounts, health insurance, pension plans, profit sharing and/or educational assistance. Fringe benefits can increase worker job satisfaction and productivity. If you provide benefits, determine which employees will receive them (e.g. all employees, only full-time employees, only management, etc.). You must have clear, written, non-discriminatory policies for all fringe benefits. See the Liabilities and Insurance chapter of this book for more information about health insurance. If your business requires skilled, professional employees and/ or you desire to establish a long-term employment relationship, a pension

plan and/or health insurance may be a requirement to achieve employee loyalty and commitment. If you offer a pension plan, it must meet the requirements of ERISA (Employee Retirement Income Security Act). General information on ERISA can be obtained from the U.S. Department of Labor, Pension and Welfare Benefits Administration.

GRIEVANCES & TERMINATIONS

Expect and plan for conflicts with your employees. Plan and establish grievance procedures. Outline your policy for probationary employment, period review, promotions and raises. Clearly document the steps to be used to resolve conflicts and then follow them and document your actions in writing. Establish clear policies for such matters as layoffs, seniority rights, severance pay, etc.

NON-COMPETITION AGREEMENTS

Is your business involved in a very competitive environment or does it work on confidential research? Should key employees be required to sign legally enforceable non-competition agreements? Do you have all em- ployee and independent contractors sign non-disclosure agreements relating to confidential information? Do you clearly state that any ideas and inventions developed by employees and independent contractors working for your company are the property of your company? Your writ- ten personnel policies should be reviewed by an attorney to determine enforceability, compliance with state and federal employment laws and to ensure that they do not unduly increase your own liability. Each em- ployee should receive a copy of your personnel policies upon hiring. Ex- plain verbally any critical parts of your employment policies. Verify that each employee fully understands the document.

EMPLOYEE REGULATIONS

Once you have made your employee selection(s), you will need to familiarize yourself with the federal and state employee regulations. The Colorado Department of Labor and Employment regulates wages, hours and working conditions for employees.

MINIMUM WAGE

As of January 1, 2022, the state minimum wage is $12.56. Minimum wage must be paid to all employees and emancipated minors whether employed on an hourly, piecework, commission, time, task, training or other basis.

OVERTIME PAY

At least 1 1/2 times the employee's regular rate of pay must be paid for all hours worked over 40 in one work week. In addition, State law requires overtime pay for any work after 12 consecutive hours. For more information regarding work hours and overtime, visit the Colorado Division of Labor, Labor Standards Office website at coworkforce.com.

FEDERAL LAW

Pursuant to The Fair Labor Standards Act (FLSA), whenever both laws apply and FLSA differs with Colorado law, the law providing more protection or setting the higher standard applies.

BREAKS

Employees working in the retail and service, commercial service, food and beverage and health and medical industries are covered by the work order 22 and shall be permitted breaks and meal periods during the work- day. The law requires at least a 10-minute break every four hours (or a major fraction thereof). A half-hour meal period is required for any shift exceeding five hours.

PENALTY

Failure to comply with Colorado Minimum Wage Order 22 is a misdemeanor and may be punishable by a fine or imprisonment. For additional information and postings, visit coworkforce.com.

EMPLOYER/ PAYROLL FILING REQUIREMENTS & REGISTRATION APPLICATIONS

FORM SS-4

You must have a federal employer identification number (FEIN) when you are an employer. You will use this number to make your federal tax depos- its and when you file your employment tax returns. You can obtain your FEIN by applying online at irs.gov.

There are other times when you must have a FEIN, such as when you have formed a corporation or a partnership. Your bank may also ask for an FEIN when you open a business bank account. If you are a sole proprietor, you are not required to have a FEIN.

COLORADO SALES TAX/WAGE WITHHOLDING ACCOUNT APPLICATION FORM, CR100

The CR100 is a two-part form which may be used to open accounts. If you will have employees, this form will open your state wage withholding ac- count with the Colorado Department of Revenue.

INS FORM I-9

One form that you must keep in your employees' personnel file(s) is the Immigration and Naturalization Service's I-9 Form. This paperwork was devised to ensure that employers do not hire illegal aliens. The paper- work is not difficult and is required. The I-9 Form must be completed within three working days after employment begins. Employees must submit documentation that verifies residency to their employer. All doc- umentation unavailable on the hire date must be obtained within 21 days. The form lists a variety of different forms of identification that may be used individually or in combination to verify eligibility to work in the United States. The penalties for failing to comply with this requirement begin at
$250 for each unauthorized employee and can quickly reach $10,000 per violation. For further information regarding the I-9 Form, contact the INS.

FORM W-4

Each employee must date and sign a completed W-4, "Employee's With- holding Allowance Certificate." You should include it in every employee's personnel file as it will provide a record of his/her proper name, address and social security number. The W-4 provides you with information regard- ing the employee's marital status and the number of exemptions claimed to determine the proper federal and state income tax withholdings from your employee's payroll checks. Maintaining this form on file is not only a requirement of the IRS but may also be used as evidence in disputes that arise with the IRS or employees. The W-4 must be filed with the IRS only in special circumstances, which is explained in Publication #15, "Employer's Tax Guide." If any of your employees claim exempt status, including stu- dents, they must fill out a new W-4 every year. Regular employees should fill out a new W-4 whenever they move or there is a change in their tax status (i.e., got married or divorced, increased/decreased dependents or changed the number of their exemptions). All employers in the State of Col- orado must report a newly hired employee to the Division of Child Support Enforcement. A copy of the new employee's W-4 or a new hire report must be sent to the State Directory of New Hires in Denver within 20 days of the employee's date of hire or, at the option of the employer, on the first payroll after the 20 days have expired. This new report will be used to identify par- ents who are delinquent on child support payments. For more information on new hire reporting, contact the Colorado State Directory of New Hires online at newhire.state.co.us.

PAYROLL TAX REQUIREMENTS & FORMS

WAGE WITHHOLDING & SOCIAL SECURITY/ MEDICARE TAXES

If you have employees, you will be responsible for withholding federal income taxes and Social Security/Medicare taxes from your employees' wages. As the employer, you must pay an equal share of Social Security/ Medicare taxes. Circular E, the federal "Employer's Tax Guide," is updated annually and should be used to determine the correct tax amounts. The amount of taxes withheld will determine how often you must deposit the taxes into your bank account. Deposits may be made at a Federal Deposit Bank, using Form 8109, or you may use the Electronic Federal Tax Payment System (EFTPS). EFTPS is similar to automatic bill payment. To get more information or to enroll in EFTPS, visit eftps.gov.

Some employers are required to use EFTPS; you will be notified if this applies to you. At the end of each quarter, you must file Form 941 to report total wages paid, taxes withheld and due and taxes deposited. If you have employees, you must withhold Colorado withholding tax from all employees working in Colorado, including non-residents. Worksheet DR 1098, "Colorado Income Tax Withholding Tables," should be used to determine the proper withholding rates for your employees. The state requires that once you have collected more than $400 in state wage withholdings, you must file the total collected with the state when you file your next federal return. If, at the end of a quarter, you have still not collected $400 in wage withholdings, you must file with the state regardless of the amount due. If you annually withhold more than $50,000 in state wage withholding, you must file via Electronic Funds Transfer (EFT). If you annually withhold less than $50,000, you may elect to file via EFT or file coupon Form DR 1094 with a check or money order. You may also file and pay online at mybiz.colorado.gov.

UNEMPLOYMENT INSURANCE

Unemployment insurance is a fund established by law to provide benefits to employees who lose their jobs through no fault of their own. Several factors determine the amount of benefits that are paid every two weeks to eligible persons actively seeking employment. As an employer, you will be required to pay both state and federal unemployment insurance taxes. An employer must pay unemployment insurance tax on wages paid to all employees, including corporate officers. The federal unemployment insurance rate is 6% on the first $7,000 in wages paid to each employee every year. However, as a new employer, you should qualify for a 5.4% credit for an effective rate of 0.8%. If your federal unemployment tax liability is over $100 at the end of any quarter, you must make a deposit of the amount due. Use Form 8109 or the EFTPS system described earlier. If your liability is less than $100, the liability may be carried over and added to the next quarter. At the end of the calendar year, you must file Form 940 or 940EZ to report your total unemployment tax liability for the year. If your liability at the end of the calendar year is less than $100, you may deposit it or pay it with Form 940. Form 940 and your final unemployment tax payment are due by January 31.

All Colorado employers must also pay state unemployment insurance tax. The first $10,000 in wages paid to each employee during every calendar year is subject to state unemployment insurance tax. The current state unemployment insurance tax rate for new businesses is 1.7% plus a surcharge percentage. (NOTE: Some industries may pay a higher rate, such as construction trades.) You must file Form UITR-1, "Unemployment Insurance Tax Report," and UITR-1(a), "Unemployment Insurance Report of Workers' Wages," every quarter, regardless of the amount of unemployment tax due. At the end of each year, you will receive notice of your tax rate for the next calendar year based on your business' unemployment claims history. If you purchase an existing business, you may acquire that business' experience rating and be liable for any delinquent unemployment insurance taxes. You may receive credit for taxes paid by the previous owner on employees during the current year.

For more information on forms or optional reporting methods, contact the Department of Labor and Employment, Unemployment Insurance.

OCCUPATIONAL PRIVILEGE TAXES

Occupational privilege tax is often referred to as the "head tax" on individuals who work within the limits of certain cities. This tax is collected through employer and employee contributions. You must pay the employer a portion of the tax on yourself regardless of whether you are a sole proprietor, partnership or corporation. If your business is located within the limits of a city that requires this tax, you must set up an account through the city clerk's office. Make sure to find out about your city requirements. Contact your city clerk for more information.

EMPLOYEE W-2S

At the end of the year, you are responsible for reporting wage and tax withholding information with the W-2 forms (Wage and Tax Statement). Copies of the W-2 must be sent to your employees no later than January 31. Copy A of Form W-2 must be sent to the Social Security Administration (SSA) by February 28 with Form W-3. If you file 250 or more Form W-2s, you must file the information with the SSA via magnetic media. For your Colorado employees, you must file DR 1093, "Annual Transmittal of State W-2 Forms." If you file 250 or more Form W-2s, you must report W-2 information to the state via the Withholding Online system at mybiz.colorado.gov. The due date for W-2 submission using the "WHO" system is March 31. For more information, contact the Colorado Department of Revenue via email at who@dor.state.co.us. Additional information is available at tax.colorado.gov.

INDEPENDENT CONTRACTOR 1099S

If you have determined that your workers are independent contractors, you are not required to withhold or pay any taxes on their behalf. However, you must keep track of how much you pay them and file Form 1099 Miscellaneous for each person to whom you paid $600 or more during the year. The independent contractor must be sent her/his Form 1099s Miscellaneous by January 31. Copy A of Form 1099s must be sent to the IRS by February 28 with Form 1096 "Annual Summary and Transmittal of U.S. Information Return." If you file 250 or more Form 1099s, you must file via magnetic media. To order 1099s, visit irs.gov.

PAYROLL RECORDS AND AUDITS

It is important to keep complete and accurate employee/payroll records and to retain the records for at least five years. The IRS, Immigration and Naturalization Service, Colorado Department of Revenue and Colorado Department of Labor and Employment all have the authority to audit your records. Remember, your responsibilities begin as soon as you hire an employee.

WORKERS' COMPENSATION

All public and private employers in Colorado, with limited exceptions, must provide workers' compensation coverage for their employees if one or more full- or part-time persons are employed. A person hired to perform services for pay is presumed by law to be an employee. This includes all persons elected or appointed to public sector service and all persons appointed or hired by private employers for remuneration. There are a few exemptions to this definition.

Workers' compensation insurance coverage is paid by the employer. Employers purchase insurance coverage through a commercial insurance carrier or, if qualified, through self-insurance programs. No portion of the premium may be deducted from an employee's wages.

In Colorado, there are three ways in which an employer may obtain workers' compensation coverage:

1. Commercial Insurance
2. Self-Funding (Individual)
3. Self-Funding (Groups and/or Pools)

EMPLOYER REQUIREMENTS

- Obtain and maintain workers' compensation insurance
- Display a Notice to Employer of Injury poster at all times
- Keep a record of all lost time injuries and occupational diseases
- Report lost time injuries by filing the Employer's First Report of Injury with the insurer within 10 days (insurer sends form to Division)
- File a Supplemental Report of Accident form with the insurer upon an employee's return to work or termination from employment

WHAT YOU NEED TO KNOW

DESIGNATING A MEDICAL PROVIDER

In Colorado, the employer or insurance company has the right in the first instance to select the physician who attends to an injured employee. This becomes the designated medical provider. When selecting the designat- ed physician, it is extremely important to assure that you are furnishing the best medical care possible. Quality and appropriate medical care is important in cost containment and minimizing the effects of an injury to an employee. Be sure to check with your insurance company. They may have established preferred provider networks that can save additional medical expense.

The statute requires, with some exceptions, that a list of at least four physi- cians, corporate medical providers or a combination of both (where avail- able) be provided by the employer so as to afford the injured employee the opportunity to select a treating physician. At least one of the designated providers must be at a distinct location from the other three and have dis- tinct ownership.

If no physician is properly designated, the employee may attend the health care provider of his or her choice.

REPORTING INJURIES

All accidents should be investigated to ensure that all pertinent facts are gathered and available if the insurance company has any questions regarding the claim. Establish communication early with the insurance company. This communication should be maintained until the conclusion of the claim. The law requires an employer to notify the insurance company of an injury within 10 days, no matter how minor the injury. This is done by filing an Employer's First Report of Injury form. Filing the Employer's First Report of Injury is not necessarily an admission that you agree with the facts of the incident. It is a statement that the employee is making a claim. If the employer questions whether an injury is work related, this should be documented and filed with the first report form. Timely filing is critical because the carrier cannot pay compensation benefits or medical bills until it has knowledge of the injury and has the opportunity to evaluate liability. Failure of the employer to file this report in a timely manner may result in penalties against the employer. Notice of a fatality or an accident in which three or more employees are injured should be given immediately.

By law, the injured worker must notify the employer in writing within four working days of an injury. If the injured employee does not notify the employer within this time frame and the employer posted the proper notice, the worker still may receive benefits, but there may be a penalty for not reporting timely.

EMPLOYER'S FIRST REPORT OF INJURY

The insurer sends the Employer's First Report of Injury to the Division of Workers' Compensation. This report initiates the claim. Your insurance company should provide you with copies of this form and help you complete the form. If you do not know where to report, check with your insurer. Some insurers may have systems for filing by telephone or electronic format. Your insurer will provide you with information on how to file this report.

In most cases, the management of workers' compensation claims in an efficient manner is dependent on the insurer receiving complete, factual information on the Employer's First Report of Injury.

Wages are defined in the Workers' Compensation Act as the money (including overtime) rate at which an employee is paid at the time of injury. Wages include:

- Fringe benefits of group health insurance
- Board
- Rent
- Housing or lodging
- Gratuities reported to the IRS

No per diem payment shall be considered as wages unless it is also considered wages for federal income tax purposes. The fringe benefits are only computed into the wage replacement when the employer no longer pays the fringe benefit during any time the employee is receiving temporary disability benefits.

Average Weekly Wage

Complete the section of the Employer's First Report of Injury that deals with wages very carefully. The section for Average Weekly Wage (AWW) is used to determine compensation benefits for the employee. An Average Weekly Wage Worksheet can be obtained from your insurer to help you calculate the AWW. Examples:

- Gross monthly pay x 12 ÷ 52
  Example: $2000 x 12 ÷ 52 = $461.54
- Daily rate x number of days and partial days worked
  Example: $80 x 5 = $400
- Hourly pay rate x number of weekly hours worked
  Example: $7.50 x 40 = $300

Where an employee is paid for piecework, tonnage, commission or any basis other than mentioned above, the total amount earned in the 12 months prior to the injury is divided by the number of pay periods the injured employee was employed during this 12-month period. Where an employee is paid by the mile, calculation of mileage for AWW purposes is limited to the average number of miles per day driven in the 60 working days preceding the injury. This is multiplied by the rate per mile to arrive at a daily wage.

If one of the above methods is insufficient to determine a fair AWW due to the nature of the employment, the Division may determine a fair AWW using another method. Your insurer can help with questions regarding calculation of average weekly wage.

SAFETY & LOSS CONTROL

The Division of Workers' Compensation partners with employers to protect and promote the integrity, vitality and safety of Colorado's workforce environment through the Premium Cost Containment Program. Through this program, employers will find ways to control workforce injuries and insurance-related costs and insurers will learn about the required premium discount for certified Safety and Loss Control Programs.

An employer can become certified by applying to the Premium Cost Containment Board and documenting that there has been a qualified risk management program in force for at least one full year. Certified employers are eligible for up to a 10% reduction in workers' compensation insurance premiums.

Minimum Requirements

- Safety Policy Declaration
- Safety Coordinator/Committee
- Safety Rules
- Safety Training
- Designated Medical Provider List
- Written Claims Management Procedures

Recommendations

- Thorough documentation and recordkeeping
- Documenting essential dates
- Safety Rules must reflect the hazards employees face
- Get employee sign-offs
- Make this program your own

WORKERS' COMPENSATION FRAUD INVESTIGATIONS

If a person willfully makes a false statement or representation material to a Workers' Compensation claim for the purpose of obtaining benefits, payments, compensation or awards, such person commits a Class 5 felony, punishable as provided in §18-1-105 C.R.S.

To be convicted of Workers' Compensation fraud in Colorado, it must be proved that material false statements or representations were made.

In order for the Workers' Compensation Fraud Investigation Unit to build a prosecutable case, it must be able to prove:

1. The statements or representations made are false
2. Claim decisions were made based on false statements or representations material to the claim
3. The statements or representations were made with intent to defraud

Possible "red flags" of fraudulent behavior may include:

- A "Monday morning" injury (reported early on the first work day)
- Injury is not witnessed
- Claimant is disgruntled or has been reprimanded
- There is material misrepresentation of facts
- Claimant malingers—prolongs recovery and/or exaggerates symptoms
- Services billed seem inappropriate for type of injury

INJURED WORKER EXIT SURVEY

Insurers are required to conduct a survey of injured workers' satisfaction within 30 days after a claim is closed. The survey asks injured workers to respond to questions on courtesy, promptness of medical care and promptness of handling and resolving the claim, as well as overall satisfaction with the insurer. You can access the "Injured Worker Exit Surveys and Change of Physician Surveys" results at codwc.app.box.com/v/ dowc-data-reporting.

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

The Occupational Safety and Health Administration (OSHA) is charged with the responsibility to:

- Develop mandatory job safety and health standards with "separate but dependent responsibilities and rights" for employers and employees
- Encourage and assist employers and employees to reduce workplace hazards and to implement/improve safety and health programs
- Establish training programs to increase the number of effective occupational safety and health programs and qualified personnel
- Conduct safety and health inspections at employer worksites
- Enforce OSHA standards and issue citations and fines as appropriate to ensure the safety and health of employees.

OSHA safety and health standards fall into four major categories: general industry, maritime, construction and agriculture. Standards are published in the Code of Federal Regulations (CFR), Title 29, Part 1900-1999. Business owners should consult the CFR, which is available at many public libraries and OSHA. Employers may ask OSHA for a variance from a standard or regulation if they can demonstrate that their workplace conditions and practices are at least as effective as those required by OSHA.

With the exception of some exempt industries, employers of 11 or more employees must maintain updated records of occupational injuries. Employers with 10 or fewer employees are exempt unless selected by the Bureau of Labor Statistics or OSHA. Small employers who are selected to maintain records will be notified in advance and supplied the necessary forms and instruction.

Recordkeeping-exempt employers must still comply with all other OSHA Standards, including the display of the OSHA poster, reporting within eight hours an accident that results in one or more fatalities or the hospitalization of three or more employees.

OSHA has the authority to enforce safety and health standards and to conduct unannounced workplace inspections. "Upon presenting the appropriate credentials to the owner, operator or agent in charge" of a business, an OSHA compliance officer is authorized to enter during regular working hours without delay, to inspect all areas where work is performed. Inspections must take place at "reasonable times and within reasonable limits." The inspection may include private interviews with the owner, operator and/or any employee. After the compliance officer completes his report, the area director determines what citations, if any, will be issued, and what penalties, if any, will be proposed.

Colorado State University (CSU) offers free OSHA consultation services. Program staff are experienced professional safety and industrial hygiene consultants trained to identify safety and health hazards in your workplace. They offer recommendations to reduce or eliminate hazards. Their purpose is to help businesses meet the OSHA job regulation standards and develop an ongoing, effective safety and health program. They will provide confidential, comprehensive written reports containing their findings and recommendations. Follow-up services are available as necessary. CSU consultants do not issue citation penalties for OSHA violations. Because the program is funded by OSHA, consultants are required to notify OSHA only in instances of refusal to correct serious violations within a reasonable amount of time. The primary aim is to assist responsible small employers in establishing safe and healthful working environments. For more information, contact Colorado State University, Occupational Health and Safety Section. OSHA continuously strives to provide positive programs to help businesses comply with regulations and tries to avoid issuing citations and fines. Employers are encouraged to contact OSHA directly for the most up-to-date information regarding consultation services and voluntary compliance programs.

EMPLOYEE "RIGHT TO KNOW" LAWS

OSHA also enforces employee "Right to Know" laws which apply to all businesses with employees such as contractors, manufacturers or industrial processors who routinely work with hazardous chemicals. The law is intended to make sure that all hazardous and toxic chemicals that are produced, imported or used in the workplace are properly evaluated. If they pose a hazard to employees, employees must be notified through a "Hazard Communication Program." The goal of the law is to reduce the growing number of injuries, illnesses and deaths caused by exposure to hazardous chemicals in the workplace.

HAZARD COMMUNICATION PROGRAMS

If you are not sure if your business is covered by the law or to obtain spe- cific information on the requirements for developing a "Hazard Commu- nications Program," you should contact the U.S. Department of Labor, Occupational Safety and Health Administration.

FINDING THE RIGHT PERSON

Once you have established your employment policies and procedures, you must clearly define the type of employee(s) you are seeking and their specific job responsibilities. Determine the lowest level of education, ex- perience and skills you can accept. Be certain you know what skills are necessary to do the job. How much training are you willing to provide? Each employment situation is unique. What may work for one business or even one specific job opportunity may not work for the next situation. Advertising in the local paper and/online, registering with a trade organi- zation or hiring an employment agency are all viable options in different situations. The Colorado Department of Labor and Employment admin- isters more than 30 local Workforce Centers. They help match the right employee with the right employer. Federal and state civil rights laws prohibit discrimination in employment based upon race/color, creed/re- ligion, national origin/ancestry, sex, age and disability. Also prohibited is discrimination based on marriage to a co-worker (companies with 26 or more employees). Colorado law and the Americans with Disabilities Act (ADA) prohibit discrimination based on physical or mental disabilities. The Employer Responsibilities chapter contains additional information about state disability discrimination laws and the ADA.

Your written application and interview are important tools in selecting the best applicant for the job. The Colorado Civil Rights Division has staff to answer questions about all aspects of fair employment laws. It also publishes an informative brochure titled "Preventing Job Discrimination," which is a useful guide to avoiding discriminatory questions during the hiring process. Contact the Division via e-mail at ccrd@dora.state.co.us. Within the limits established by law, your goal is to find out as much as possible about each applicant including education, professional back- ground, work habits and skills, their interest in your position and their short- and long-term goals. Ask questions about the applicant's previous job and why they left. If you're looking for someone who can work alone, does the applicant have the proper aptitude? If you're looking for a "team player," will the applicant complement the other members of the team? Evaluate the applicant's responses, written and verbal. Are they evasive or contradictory? Do they have the necessary skills for the job? Are they prepared to give you the commitment you desire regarding such issues a overtime, weekend work, travel, etc.? After the interview is over, encour- age the applicant to keep in contact with you. Never commit yourself to a specific applicant until all applicants have been interviewed. Verify all information and references on the application. Request information in writing if you desire a written response. Now make your selection! Re- member, the right employee will make you money. The wrong employee will cost you money, time, materials and even customers.

EMPLOYER POSTING REQUIREMENTS

There are numerous state and federal posting requirements for employers. Some may only apply under certain circumstances, but several are required in all situations. Posters may be obtained free from the following agencies or may be purchased in combinations from many office supply companies.

Anti-Discrimination Colorado Division of Civil Rights 1560
Broadway, Suite 1050
Denver, CO 80202
dora.state.co.us/civil-rights

Polygraph Protection Act, Federal Minimum Wage, Family & Medical Leave Act, U.S. Dept. of Labor Wage-Hour Division
1999 Broadway, Suite 710
Denver, CO 80202
dol.gov/elaws

State Minimum Wage
Colorado Division of Labor Labor Standards Unit
colorado.gov/cdle

Occupational Safety Occupation Safety & Health Administration (OSHA) 1391 Speer Blvd., Suite 210
Denver, CO 80204 osha.gov

Equal Employment Opportunity Equal Employment Opportunity Commission (EEOC)
PO Box 12549
Cincinnati, OH 45312
eeoc.gov

Unemployment Insurance Division of Employment and Training
colorado.gov/CDLE

For Workers' Compensation Posters , contact your workers' compensa-

tion insurance carrier. You should prepare and post the following notice in 1/2 inch letters:

"If injured on the job, written notice must be given to your employer within four working days of the accident, pursuant to section 8-43-102(1) CRS."

Employers are also required to post or notify workers in writing regarding when and where they will be paid.

BOOKKEEPING

BASIC RECORDKEEPING

It is imperative that you establish a recordkeeping system before the doors of your business open. Accurate books and records are essential for business planning and useful to management in making informed decisions. Don't wait until it's too late and get help if you need it.

The recordkeeping needs of your business must be analyzed to determine the best bookkeeping system. All systems should provide the following information:

- Detailed operating statements
- Comparison of current results to budgets and prior periods
- Financial statements
- Information for tax returns and reports to regulatory agencies
- Sufficient control to protect assets and detect errors

Each business has special needs that must be considered when establishing a bookkeeping system. Factors you should take into account include the legal structure of your business, your industry, the number of employees you have, the number of product lines or services and the number of locations your business operates.

The first step in setting up a bookkeeping system is the selection of the tax year or year end. The term "tax year" refers to the annual accounting period. The selection of a tax year is sometimes dictated by your legal structure. For instance, a C Corporation has no specific restrictions. However, S Corporations, sole proprietors and partnerships must usually follow a calendar year. Be sure to consult an expert before making a decision, since tax laws are subject to change.

The second step is to select the method of accounting. The most common are the cash method and the accrual method. The cash method recognizes income and expenses when the cash is received or disbursed. It provides the most flexible means for deferring taxable income into future tax years. The accrual method recognizes income and expenses based on when income is earned or an obligation to pay a debt is incurred. It generally provides better matching of revenue and expenditures.

The method of accounting that will be best for you will be determined by your business operations. While these are the two most common methods of accounting, there are specialized methods that may be used in certain industries. You may want to consult a tax advisor to determine the best method for your business. Once a method of accounting is adopted on the initial tax return, it can be changed only with the permission of the IRS. Permission is usually granted if switching from the cash method to the accrual method, and routinely denied for the reverse, although recent developments have facilitated the accrual and cash change.

The proper accounting method and maintenance of your records will help:

- Correctly measure the profitability, growth and changes in your business
- Keep track of transactions with other businesses
- Supply present or future lenders with accurate financial information
- Support taxable income calculations
- Evaluate cash flows
- Provide reports on inventory turnover, return on capital, etc.
- Provide comparison with industry averages and regulatory reporting

There are two basic mistakes that many business owners make when setting up their bookkeeping. The first occurs when the owner doesn't understand the importance of proper records and ignores the need to establish a recordkeeping system. Such business owners tend to use the "shoebox method" as they allow receipts, invoices and bills to accumu- late in boxes or piles. The second mistake is overkill. The owner invests in an expensive array of hardware and software to maintain his/her re- cords which ends up being too complicated to use. This should not imply that computers are ineffective tools in a bookkeeping system. Rather, it is important to invest in a system that can be easily operated and that meets the needs of your business.

MONITOR YOUR CASH FLOW

Cash is absolutely critical to the growth and well-being of your business. You must plan and prepare for all future events and market changes. The most important aspect of planning and bookkeeping is effective cash flow management. Failure to properly plan cash flow is a leading cause of business failure. Understanding your cash flow is important for five reasons:

1. You will need cash to pay your fixed costs, such as rent, utilities, credit payments, etc.
2. Most businesses have seasonal cycles. For example, a retail business will probably have increased sales around Christmas; however, this will require a build-up in inventory in the fall when sales and cash flow may be slower. It is important to set aside funds for these changes in revenue and inventory.
3. It is important to save for long-term investment and capital purchases, such as a new vehicle or piece of equipment.
4. You must have cash available, or a sufficient line of credit, for all emergency situations.
5. Pay attention to the impact of necessary tax payments.

Failure to properly plan for all five will damage both the short-term and long-term potential of your business. For example, you must frequently keep inventory on-hand in anticipation of potential clients, or you must purchase supplies for a contracted project weeks or even months be- fore you receive payment for these goods. While it is important to have the necessary cash available to pay your bills, regardless of when your

clients pay you, excess cash may be an indication of "idle money" with a potential for a greater return if invested in another part of your business.

CREDIT SALES

Credit plays an important role in your cash flow — both the credit you receive from your suppliers and the credit you extend to your clients. If you do not pay your debts in a timely manner, it can reduce your access to credit in the future. Limiting your clients' ability to purchase on credit increases your short-term cash flow but may limit your customers' abil- ity to make larger purchases in the long-term. A liberal credit policy can increase your sales. However, the increase in sales must be balanced against the cost of administering a credit program, including collections and bad debts.

If you sell on credit, establish a credit policy and stick to it! It is important that your customers sign a contract or a credit application. State when interest will begin to accrue and disclose the specified interest rate and terms for balance due. Clearly disclose your right to sue or arbitrate in your home county. The contract should state that you are entitled to re- cover attorney fees and court costs.

Consider offering a discount for businesses that pay by cash or within X number of days of invoice. This may slightly reduce your revenue, but will ultimately increase your cash flow as it encourages customers to pay in a more timely manner while reducing the cost of administering your ac- counts receivable and the level of unpaid accounts.

You must register as a finance company if you extend credit to your non-business customers. Registration is completed through the Uniform Consumer Credit Code (UCCC), Colorado Office of the Attorney General. Credit sales between two businesses are considered private contractu- al agreements and are not subject to the UCCC.

It may be required of you to be in business for a period of time before you will be able to accept major credit cards. Credit cards are normally pro- cessed by banks. Contact your bank for more information on credit card policies or for a referral to a credit card processing service. Credit card processors collect a fee for processing credit card payments, usually a percentage of the sale which obviously reduces your cash flow. Take care to shop and compare the costs of these services.

PRICING AND SALES STRATEGIES

Your pricing strategy is an important part of your firm's cash flow and profitability. You must clearly understand your market, the competition and your customers to determine the proper price for your products or services. See the Marketing chapter of this book for more information. A common mistake is to simply track and focus all efforts towards in- creased sales. While this might appear to increase cash flow – be care- ful. If your customers purchase on credit, you may simply reduce inven- tory without any cash to replenish stock for the next customer. Another problem occurs when sales increase beyond your capacity to satisfy your customers in a timely fashion. As a result, your sales increase in the short term, but your customers are less likely to provide repeat business or give you positive referrals. Remember, more sales don't always equal more profit!

WHO SHOULD KEEP THE RECORDS?

There are several options:

KEEP THEM YOURSELF

This should be the choice if your business is extremely simple, has few employees, a single location, few products or services, and if it requires only a small part of your time or if you have a strong background in ac- counting principles.

BOOKKEEPER/ACCOUNTANT EMPLOYEE

If your basic bookkeeping system is simple and you require few or infre- quent financial reports, a bookkeeper may be all that you need. The more complex the needs of your business, the more likely you will require an accountant. Both bookkeepers and accountants can be hired as employ- ees or independent contractors depending upon the type and amount of assistance desired/needed.

BOOKKEEPING/ACCOUNTING SERVICES

These services usually compile receipts, canceled checks and invoices, then process the data and prepare financial statements. This type of service is used when the business is more complex and requires a more sophisticated method for maintaining records, but can be cost-effective when compared to hiring an employee.

SELLING YOUR BUSINESS

All things, good and bad, eventually come to an end. Business owners choose to close and sell their businesses for a variety of reasons, includ- ing retirement, partnership disputes, boredom, illness/death and lack of profitability. Selling your business will affect your income as well as your lifestyle. Closing and selling a business should be a planned event. Plan- ning puts you in the leadership role.

Nearly every business uses accounting practices that will reduce the owner's tax liabilities. Unfortunately, the same practices also reduce the value of the business. Income is the principal factor in determining the value of a business. Whenever possible, plans to sell a business should begin three to five years prior to the actual sale. This will permit the time required to make necessary changes in accounting practices that demonstrate a record of maximum profits. Make certain that your fi- nancial records are accurate and presentable. Remember that CPA-pre- pared financial statements are a key tool in demonstrating the value of your business. Equally important as clean financial records are clean fa- cilities and equipment. Be certain that inventory is properly stocked and current and that equipment is in working order.

Develop a comprehensive business presentation package for your business. This package is the business' resume and should include a current business plan and valuation report, business history, operational and organizational outlines, description of facilities, review of market practices, personnel overview, explanation of insurance coverage, pending legal matters and a compendium of three to five years of financial statements.

The valuation report should contain a professionally prepared appraisal, which will eliminate the guesswork of pricing your business. If you pick a price out of the air and do not have the profits, inventory and equipment to back it up, you will sell your business for less than its market value, or it will be overpriced and not sell. A professional business broker is also a resource for valuing your business based upon your industry and location.

VOCABULARY

Accounts Payable
A record of amounts owed by your business to creditors

Accounts Receivable
A record of amounts owed to your business by customers

Balance Sheet
A statement that states the balance in all accounts on specific date

Chart of Accounts
Serves as an index to the general ledger

Fixed Ledger Assets
Contains records for all real and personal property owned by the business

General Ledger
Contains balances of all accounts held by the business

Income Statement
A statement that summarizes revenue and expenses for a specific period

Journal and Cash Disbursements
A record of written checks

Payroll Register
Summarizes payroll data, including wage withholding, FICA and unemployment insurance taxes a

Purchases Journal
Includes information on materials purchased

Sales and Cash Receipts
Used to record incoming cash

503W
colorado springs

Future Fit Foods
boulder

SOURCES OF ASSISTANCE

The assistance Colorado organizations provide entrepreneurs is unlike any other state. Take advantage of the wealth of knowledge and free or affordable assistance to help you get your startup off the ground.

COLORADO OFFICE OF ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE (OEDIT)

The Colorado Office of Economic Development and International Trade (OEDIT) works with statewide partners to create a positive business climate that encourages dynamic economic development and sustainable job growth. It strives to advance the state's economy through financial and technical assistance in support of local and regional economic development activities throughout Colorado.

OEDIT assists in:

- Building a strong public-private approach on a statewide basis for economic development activities
- Monitoring economic conditions throughout the state and strengthening regional economies
- Supporting entrepreneurs and small businesses
- Increasing quality job creation by expanding and attracting businesses
- Maintaining Colorado's diverse economic base by retaining existing jobs through responsive programs and a supportive business climate
- Positioning Colorado as a global leader in key industries, such as tourism, aerospace, bioscience and renewable energy
- Assisting the state's economy, while preserving quality of life

Services offered through OEDIT include:

SMALL BUSINESS DEVELOPMENT CENTER (SBDC) NETWORK

The Colorado SBDC Network is dedicated to helping small businesses throughout Colorado achieve goals of growth expansion, innovation,

COLORADO SBDC CENTERS

Small Business Navigator
720-665-7439

Aurora-South Metro
303-326-8686

Boulder
303-442-1475

Central Mountain
719-221-0374

Denver Metro
303-620-8076

East Colorado
970-351-4274

Grand Junction
970-243-5242

Larimer County
970-204-8600

North Metro Denver
303-460-1032

Northwest Colorado
970-328-3414

Pikes Peak
719-667-3803

San Luis Valley
719-589-3682

Southeast Colorado
719-384-7411

Southern Colorado
719-549-3224

Southwest Colorado
970-247-7009

West Central
970-765-3130

increased productivity, management improvement and success. The SBDC combines information and resources from federal, state and local government with those of the education system and the private sector to meet the specialized and complex needs of the small business com- munity. Regulatory, management, financial and marketing experts work in partnership to provide entrepreneurs with crucial information that can mean the difference between success and failure. This partnership includes the State of Colorado, the U.S. Small Business Administration, Colorado's institutions of higher education, local economic development organizations and local chambers of commerce.

The Colorado SBDC operates the Small Business Navigator, which serves as the first point of contact for information regarding federal, state and local licensing requirements for starting a business. This office provides referrals to a variety of federal, state and local small business training, consulting and assistance programs. Sixteen community-based SBDC service centers provide free one-on-one consulting services in the areas of business research, marketing, new business feasibility analysis, business plan preparation, finance packaging and other small business topics. Local SBDCs offer low-cost workshops and seminars for business owners and act as information clearing houses. Individual local offices also specialize in international trade, government procure- ment, manufacturing, home-based business and technology resources. The Colorado LEADING EDGE entrepreneurial training program assists businesses in completing a comprehensive business plan. The prima- ry emphasis of the LEADING EDGE program is to provide assistance to established business owners. However, new and prospective business owners are also encouraged to participate in training programs.

OFFICE OF INTERNATIONAL TRADE

Working as advocates and supporters to small businesses and their in- ternational trade needs, the SBA's Office of International Trade (OIT) is the agency's primary entity charged with assisting small businesses with their international trade and exporting needs. OIT works in cooperation with other federal agencies, as well as public- and private-sector groups, to cultivate small business exports and to assist those businesses seeking to export. Working in tandem with the U.S. Department of Commerce's nu- merous U.S. Export Assistance Centers, SBA district offices and a variety of service-provider partners, OIT directs and coordinates the agency's on- going export initiatives in an effort to encourage small businesses going global. The SBA oversees a number of programs to support small busi- nesses entering global markets. Those programs include the State Trade Expansion Program grant provided to states, as well as lending support, such as the Export Working Capital Program that assists businesses with facilitating international sales.

COLORADO OFFICE OF FILM, TELEVISION AND MEDIA

The Colorado Office of Film, Television and Media stimulates and supports growth of all segments of the Colorado film and video industry. It actively promotes Colorado as a location for film making, commercial shoots and still photography. Learn more at coloradofilm.org.

GLOBALBUSINESSDEVELOPMENT

The Global Business Development (GBD) division supports Colorado businesses and communities by using a data-driven approach to recruit, support, and retain businesses that contribute to a robust and diversi- fied economy. It regularly hosts foreign delegations and participates in trade and investment missions around the world to strengthen global awareness of Colorado. Its services include:

- Export services and promotions
- Foreign direct investments
- Business recruitment, retention, and expansion
- Data analytics
- Advanced industries accelerator grants

GRANTS THROUGH THE COLORADO DEPARTMENT OF PUBLIC HEALTH & ENVIRONMENT (CDPHE)

RECYCLING RESOURCES ECONOMIC OPPORTUNITY (RREO) GRANTS

The Colorado Recycling Resources Economic Opportunity Act (HB 07- 1288) funds grant projects that promote economic development through the management of materials that would otherwise end up in landfills. Multiple grant opportunities are available for projects that support recycling, composting, anaerobic digestion, source reduction and the beneficial use/reuse of materials.

RREO MINI-GRANTS

Mini-grants offer a simplified application process for small-scale projects with a goal of resource recovery and waste diversion. Grant funds may be used for equipment, supplies and/or outreach materials.

BUILDING OPPORTUNITIES TO MAXIMIZE WASTE DIVERSION AND CREATE JOBS IN COLORADO

The purpose of this grant offering is to fund infrastructure projects that focus on recycling, composting, waste minimization, anaerobic digestion, repurposing or reuse for a wide variety of materials and to create jobs in the waste diversion industry. Grant funds may be used for equipment, supplies, consultants, permitting costs, engineering, program development and outreach materials. Grant funds cannot be used for research and design.

COLORADO NEXTCYCLE - BEYOND RECYCLING: DESIGN. RENEW. REVIVE.

The Colorado Department of Public Health & Environment launched Colorado NextCycle, a business incubator designed to improve the end markets for recovered commodities and organic materials in Colorado.

- DESIGN new technologies, products, and markets
- RENEW recycled materials into new products
- REVIVE local and regional circular economies

For additional information about the RREO Program, visit cdphe. colorado.gov/sustainability-programs/recycling.

MINORITY BUSINESS OFFICE

The Minority Business Office is dedicated to advancing the efforts of Colorado's minority-, women- and veteran-owned businesses. It has an established network of public, private and government resources that can be leveraged by businesses of all types and sizes. It can help you establish yourself in the marketplace, expand your knowledge of business, get in front of the right people and help expand your prospects. The MBO offers many programs and events, including the Business Foundations Technical Assistance Program to legally establish your business, Advance Colorado Procurement Expo to learn about certification and procurement and Mi- nority Business Directory to showcase your goods and services. For more information on these programs, visit oedit.colorado.gov/mbo.

SMALL BUSINESS ADMINISTRATION

Created in 1953, the U.S. Small Business Administration (SBA) continues to help small business owners and entrepreneurs pursue the American dream. SBA is the only cabinet-level federal agency fully dedicated to small business and provides counseling, capital and contracting exper- tise as the nation's only go-to resource and voice for small businesses. To achieve its mission of helping businesses to start, grow, expand, or recover, the SBA works along numerous resource partners that provide the majority of these services at no- or low-cost. Through the agency's website (sba.gov), entrepreneurs, small business owners and the public at large can easily access the help they need, including publications, sig- nature programs and services, points of contact, calendars of events, online training, numerous federal agency online services and data and information exchanges with special interest groups.

WOMEN'S BUSINESS CENTERS

Women's Business Centers (WBCs) are a part a national network of entrepreneurship centers throughout the United States and its territories designed specifically to assist women in starting and growing small businesses. WBCs seek to "level the playing field" for women entrepreneurs, who still face unique obstacles in the business world. In Colorado, the WBC is located at the Mi Casa Resource Center in Denver. The WBC promotes the growth of women-owned business creation through numerous programs, including general business training, technical assistance, access to credit, federal contracts and international trade opportunities. The programs offered by Mi Casa are based on the needs of the small business community. For more information, visit micasaresourcecenter.org.

SBA'S OFFICE OF ADVOCACY

The Office of Advocacy of the U.S. Small Business Administration is the independent voice for small business within the federal government, the watchdog of the Regulatory Flexibility Act and a source of small business statistics and research. Advocacy advances the views and concerns of small business before Congress, the White House, federal agencies, federal courts and state policymakers. Advocacy was created by Con- gress in 1976 to be the independent voice for small business within the federal government. The office is led by the Chief Counsel for Advocacy, who is appointed by the President and confirmed by the U.S. Senate. The office relies on economic research, policy analysis and small business outreach to identify issues of small business concern. Ten regional advo- cates around the country and an independent office in Washington, D.C., support the Chief Counsel's efforts.

OFFICE OF THE NATIONAL OMBUDSMAN

The SBA National Ombudsman works for small businesses to assist them with excessive federal regulatory issues. Congress established the Office of the National Ombudsman in 1996 to assist small business- es, small government entities and small nonprofits when they are subject to excessive enforcement by a federal agency. Excessive enforcement may include repetitive audits or investigations, excessive fines, penal- ties, threats, retaliation or other unfair enforcement action. As an impar- tial liaison, the office refers comments submitted by a small business to the appropriate agency for high-level fairness review, and works across the federal government to address those concerns to help small busi- nesses succeed.

SBA DISASTER ASSISTANCE PROGRAM

The SBA Disaster Assistance Program, administered by the Office of Disaster Assistance, is the primary federally-funded disaster assistance loan program for funding long-range recovery for private sector, nonagricultural disaster victims. In addition to presidential declarations, the program handles disaster loans when a declaration is made by the SBA Administrator. There are four overarching disaster loan programs:

1. Physical damage loans for both homes and personal property
2. Economic injury disaster loans that provide economic relief to small businesses and nonprofit organizations that have suffered damage to their home or personal property
3. Mitigation assistance that can cover small business operating expenses after a declared disaster
4. Military reservist loans that assist eligible small businesses with operating expenses to make up for employees on active duty leave.

Learn more about these programs at sba.gov/funding-programs/disaster-assistance.

SCORE

SCORE, a resource partner of the SBA, is an 11,000 member nonprofit volunteer organization with 300 chapters throughout the U.S. The program matches experienced volunteers with small businesses that need expert advice. Clients gain access to this knowledge base through one-on-one free mentoring sessions, workshops for individuals just starting out or those already in business and the Small Business Checkup Program for more established businesses. SCORE members have a broad range of experience in most industries and functions. SCORE clients also have access, at no charge, to all the resources of the national SCORE organization, which include 4,000 members in the online mentoring program and a wealth of resource materials, webinars and reference items focused on the small business entrepreneur.

U.S. EXPORT ASSISTANCE CENTER (USEAC)

The U.S. Export Assistance Center (USEAC) combines the trade-pro- motion and export-finance resources of the SBA Office of International Trade and the U.S. Commercial Service. Designed to improve delivery of services to small- and medium-sized businesses, USEACs work closely with other federal, state and local trade partners in your area. Contact Colorado's USEAC at trade.gov.

SURETY BOND GUARANTEE PROGRAM

This SBA program guarantees bid, performance and payment bonds for contracts up to $10 million for eligible small businesses that cannot obtain surety bonds through regular commercial channels. By law, prime contractors to the federal government must post surety bonds on federal construction projects valued at $150,000 or more. In addition, many states, counties, municipalities and private sector projects and subcontracts also require surety bonds. Contractors must apply through a surety bonding agent, since the SBA's guarantee goes to the surety company. For more information on the SBA's Surety Bond Guarantee Program Office, visit sba.gov/funding-programs/surety-bonds.

PROCUREMENT & TECHNICAL ASSISTANCE PROGRAMS

8(a)/SMALL DISADVANTAGED BUSINESS PROGRAM

The 8(a) program is a robust nine-year program created to help firms owned and controlled by socially- and economically-disadvantaged indi- viduals.

Businesses that participate in the program receive training and techni- cal assistance designed to strengthen their ability to compete effectively in the American economy. Also eligible to participate in the 8(a) program are small businesses owned by Alaska Native corporations, Community Development Corporations, Indian tribes and Native Hawaiian organiza- tions. Small business development is accomplished by providing various forms of management, technical, financial, and procurement assistance.

To qualify for this program the owner must:

- Be at least 51% owned and controlled by U.S. citizens who are socially- and economically-disadvantaged
- Have a personal net worth of $750,000 or less, adjusted gross income of $350,000 or less and assets totaling $6 million or less
- Demonstrate good character

To apply, the business owner must first register with the System for Award Management (SAM) and review the "Am I Eligible Tool" which is located on the SBA website at sba.gov/federal-contracting/contract- ing-assistance-programs/8a-business-development-program.

Once the determination has been made, the applicant can start the 8(a)/ SDB certification process at certify.sba.gov.

SBA SMALL BUSINESS INNOVATION RESEARCH (SBIR)

The U.S. Small Business Administration plays an important role as the coordinating agency for the SBIR program. It directs the 11 agencies' implementation of SBIR, reviews their progress and reports annually to Congress on its operation. SBA is also the information link to SBIR. SBA collects solicitation information from all participating agencies and pub- lishes it quarterly in a Pre-Solicitation Announcement (PSA). The PSA is a single source for the topics and anticipated release and closing dates for each agency's solicitations. For more information on the SBIR Pro- gram, please visit sbir.gov.

The Colorado Small Business Development Center Network (SBDC) has a special statewide program, TechSource: Commercialization, to assist innovative science and technology companies with SBIR propos- als. TechSource: Commercialization supports the launch and growth of Colorado science and technology ventures—startup through second stage—with specialized consulting, accelerator programs, workshops and events. Different from other accelerators and incubators, the focus is on non-dilutive capital sources for small innovative businesses (where the company does not give up ownership), including SBIR/STTR grants, federal R&D tax credits and support for technology commercialization to get to market faster (the ideal non-dilutive capital, from customers). To learn more about this program, visit sbdc-techsource.org.

HAZARDOUS MATERIALS AND WASTE MANAGEMENT DIVISION

The Hazardous Materials and Waste Management Division is one of the four environmental divisions of the Colorado Department of Public Health and Environment. The division's mission is to improve the quality of the environment and public health by continuously improving its ef- forts to ensure proper management of hazardous materials and waste. The division's primary responsibility is enforcing state and federal reg- ulations in the areas of hazardous waste management, solid waste and materials management, environmental cleanup and radiation control.

FEDERAL GOVERNMENT INFORMATION

TAXPAYER EDUCATION AND COMMUNICATION (TEC)

The mission of TEC is to educate and inform small businesses and self-employed taxpayers and representatives about their obligations by

Denver MBDA Business Center
Helping minority businesses grow and expand since 2010.

The Denver MBDA Business Center provides strategic business consulting services to minority-owned business enterprises. It helps those businesses secure opportunities and access to resources, generate employment, promote long-term economic growth and stimulate expansion.

Find out more and request consulting at denvermbdacenter.com.

MINORITY BUSINESS DEVELOPMENT AGENCY
BUSINESSCENTER

developing educational products and services focused on customer needs and by providing top quality pre-filing service to help tax payers understand and comply with the tax laws. TEC has many resources to assist small business owners with their tax obligations. A list and description of items available can be found at irs.gov.

LOCAL ECONOMIC DEVELOPMENT PROGRAMS

BUSINESS INCUBATORS

Business incubators provide facility and management assistance for emerging growth companies. They offer new and existing companies affordable office, manufacturing or kitchen space, resource libraries, shared services and office equipment, meeting rooms and access to professional administrative services. The objectives of these centers are to stimulate small business growth, assist with the beginning stages of start-up, direct new businesses toward realistic and achievable goals and support cultural and neighborhood revitalization. Each center provides services to a very specific clientele. Business incubators are helping build healthy, lasting businesses and they are doing it for low cost and with a good return on investment to supporters. For more information and to check on space availability, contact the incubator administrator in your area.

ECONOMIC DEVELOPMENT OFFICES

Economic development offices (EDOs) provide a variety of different services to the businesses in their areas, including permitting assistance, relocation, demographics, site location information, counseling and support services. A few offices administer small loan programs. Some are agencies of local city or county governments. Some are independent, nonprofit organizations that receive funding from local governments and/or chambers of commerce. Contact the Small Business Hotline at 720-665-7439 for the EDO nearest you.

CHAMBERS OF COMMERCE

Chambers of commerce provide a number of opportunities for business owners. Your local chamber is where you can meet and network with other business owners from your community. Some chambers provide additional services including counseling, training programs and guest speakers on useful business topics. Contact the Small Business Hotline at 720-665-7439 for the phone number of the chamber of commerce in your community.

JOB TRAINING PROGRAMS

COLORADO COMMUNITY COLLEGES & OCCUPATIONAL EDUCATION SYSTEM

Colorado offers a wide variety of education and training programs for youth and adults through the Colorado Community College and Occupa- tional Education System. The system provides training in more than 400 specific occupations ranging from basic entry level skills to highly-tech- nical positions. It also provides industry-specific training programs to entry-level employees and helps current employees upgrade skills. Addi- tional information is available through the Small Business Development Centers and the community colleges listed below:

Aims Community College (Greeley) aims.edu

Colorado Northwestern Community College (Rangely)
ww.cncc.edu

Front Range Community College (Westminster)
frontrange.edu

Mesa State College Area Vocational Technical School (Grand Junction)
coloradomesa.edu

Northeastern Junior College (Sterling) njc.edu

Otero Junior College (La Junta)
ojc.edu

COLORADO DEPARTMENT OF LABOR AND EMPLOYMENT

The Colorado Department of Labor and Employment (CDLE) operates a statewide network of Workforce Centers (WCs), providing a number of free employer services, including:

SCREENING AND REFERRAL

Employers may list their job openings with a local WC and obtain assistance with screening and referral of qualified applicants. Interviewers will match experience and capabilities with the job requirements specified by the employer. Employers make the actual hiring decisions.

MASS RECRUITMENT

Employers may take advantage of mass hiring services while expanding their businesses or newly locating in Colorado.

AFFIRMATIVE ACTION HIRING

Employers may list an Affirmative Action Job Order with a WC to assist in meeting affirmative action hiring goals.

EMPLOYER ROUNDTABLE SEMINARS

Workshops are available to employers on a regular basis on topics such as unemployment insurance, workers' compensation, equal employment opportunity, etc. NOTE: Services not available at all service centers.

LAYOFF ASSISTANCE

WC staff can assist employers who are about to lay-off some or all of their employees with developing information packages, job search workshops and retraining referrals.

AMERICA'S JOB BANK

Employers who wish to recruit nationally may have their requests posted at WCs throughout the United States and via the internet. For location and phone number of the Workforce Center in your area, visit americasjobbank.com.

SPECIALIZED ASSISTANCE PROGRAMS

CONNECT2DOT

The Connect2DOT program is an innovative partnership between the Colorado Department of Transportation (CDOT) and the Colorado Small Business Development Center Network (SBDC) designed to help small businesses in the transportation industry become more competitive and successful in contracting with CDOT and other local transportation agencies.

The program provides free, unlimited consulting and business training, as well as online resources and events tailored to construction contractors and professional services consultants in the highway, bridge and infrastructure industry. If you're just starting your business and want to explore opportunities with CDOT, or if you're an experienced subcontractor looking to grow and expand your business, Connect2DOT has the expertise and resources to help.

The program provides assistance with Disadvantaged Businesses Enterprise (DBE) and Emerging Small Business (ESB) certification, finding government contracting opportunities, business planning, pre-qualification, marketing, finance and bonding, certified payrolls, estimating and bidding, proposal writing, contract compliance and more. For more information, visit connect2dot.org.

SBDC TECHSOURCE

The Colorado SBDC Technology Program (SBDC TechSource) is a multi-faceted program maximizing the economic potential of Colorado companies through direct assistance to technology ventures as well as assistance in utilizing new technology available to business owners.

The program is broken down into two distinct subprograms – Cyber: CYA and Commercialization.

The Cyber: CYA (Cover Your Assets) program is built to assist small- and medium-sized businesses by focusing on topics for all levels of business and their needs from cloud computing, security measures using social media, to securing technology to meeting compliance standards in government contracting.

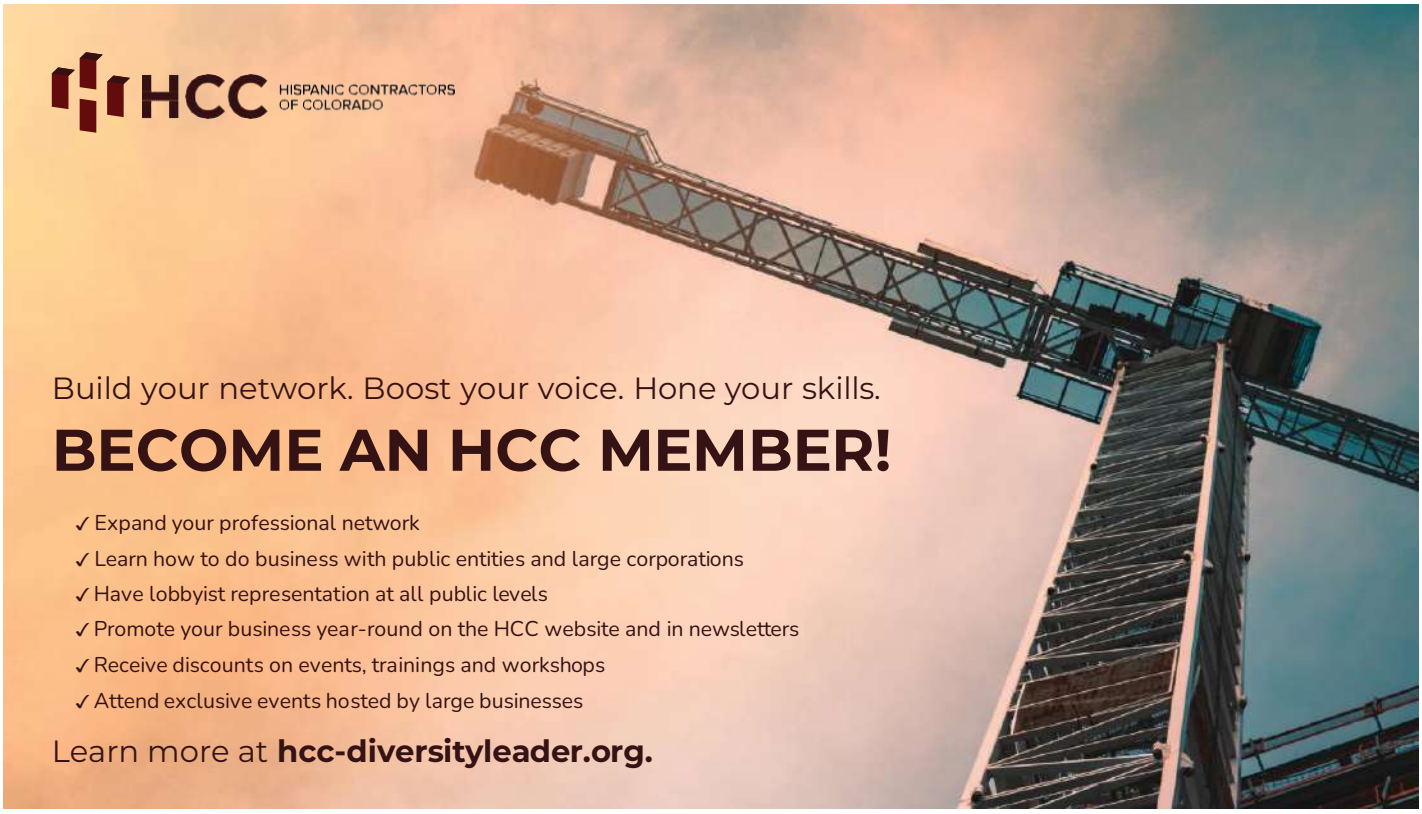
TechSource: Commercialization is designed to maximize the economic potential of Colorado science and technology companies—especially those in the advanced industries. Subject matter expertise is provided through consulting, workshops and events to provide tangible help for small innovative businesses and entrepreneurs.

HCC - DIVERSITY LEADER

Founded in 1990, Hispanic Contractors of Colorado (HCC) is a 501(c)6 non-profit corporation and professional trade association. Its member- ship is compromised of general contractors, subcontractors, engineer- ing/design firms, professional services companies, non-profit members in the construction industry and public entities. The organization collab- orates with other trade associations, including ABC, AGC, CABPES, CCA, COMTO, IECRM, NECA, NUCA and SMACNA. HCC's goal is to help small, diverse contractors understand how to do business with public entities and large corporations. Learn more at hcc-diversityleader.org.

DENVER MINORITY BUSINESS DEVELOPMENT AGENCY (MBDA) CENTER

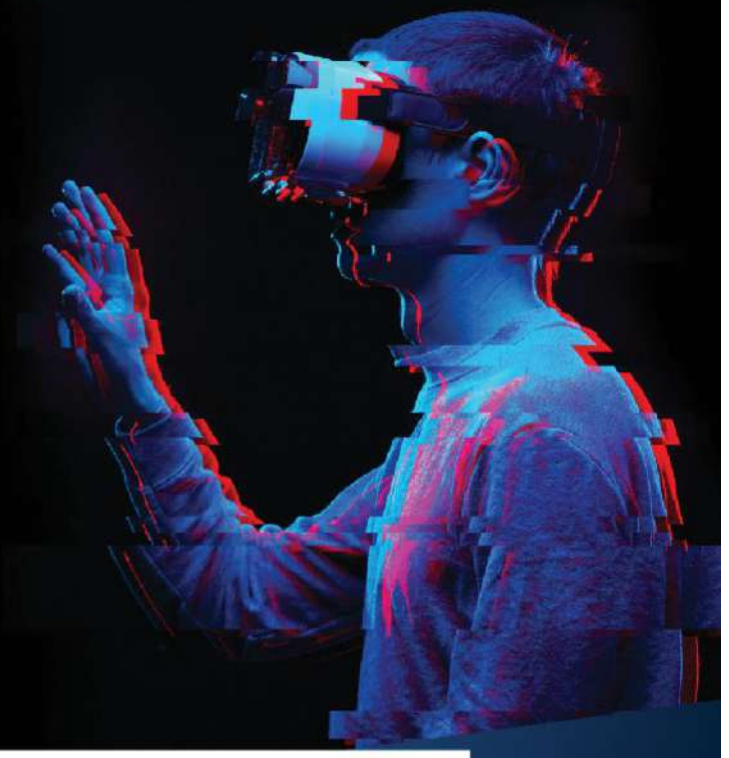
The Minority Business Development Agency (MBDA) is the only federal agency created specifically to foster the establishment and growth of minority-owned businesses in America. The Denver MBDA Business Center provides strategic business consulting services to minori- ty-owned business enterprises (MBEs) with $500,000 or more in annual revenue. It helps those businesses secure opportunities and access to resources, generate employment, promote long-term economic growth and stimulate expansion. The MBDA assists MBEs in financing, planning, management, marketing and government and corporate contract oppor- tunities. Learn more at denvermbdacenter.com.



Colorado SBDC TECHSOURCE COMMERCIALIZATION

TechSource: Commercialization supports the launch and growth of science and technology ventures specialized consulting, accelerator programs and training. The program's focus is on non-dilutive capital sources, including SBIR/STTR grants, federal R&D tax credits and support for technology commercialization to get to market faster.

- No-cost, customized consulting
- In-person and live stream workshops
- Special events and conferences
- Accelerator programs



SBDC-TECHSOURCE.ORG

Colorado SBDC TECHSOURCE

Cyber SOAR (Cover Your Assets) assists small- to medium-sized businesses with cybersecurity and risk management education, including cloud computing, security measures using social media, meeting compliance standards in government contracting and more.

- No-cost, customized consulting
- Low-cost workshops and conferences
- On-demand webinar library
- Risk assessments

A GUIDE TO CHOOSING YOUR ADVISORS

Small businesses generally don't have the necessary capital to hire full- time experts to work within their organizations. In the beginning, you will probably not have all of the necessary expertise, either. Therefore, you may need to hire external professional services, such as marketing and management consultants, accountants, attorneys, engineers, graphic designers, technical consultants and others.

ADVISOR SELECTION

Some advisors, especially accountants and attorneys, are widely used by businesses of all sizes because of licensing and legal requirements. No business can function without maintaining financial records, filing required reports, paying income and other taxes, or having complete financial records for use in dealing with banks, suppliers, investors, etc., who need to know the financial position of your business. You may also need legal advice concerning the legal structure of your business, contractual arrangements with suppliers and distributors, leases, litigation protection, etc.

While the services of attorneys and accountants may seem obvious, it does not diminish the need to select individual advisors carefully. You should choose your legal, accounting or other business advisors with great care, including checking for adequate credentials and references. Engineers, technical specialists and management consultants, as well as anyone else who provides specific specialized advice, should be carefully screened as well. The expertise that advisors bring to you should be verified also. If you decide you need an advisor, the following is a guide for selecting an advisor and to using his/her services.

DEFINE WHAT TYPE/KIND OF ADVICE YOU THINK YOU NEED

Advice may include general (legal, accounting, etc.) or specific (sales contract, audit, marketing analysis, technical consultation, etc.). By writing out your thoughts, you will be able to shorten your search time and reduce your costs.

LIST POTENTIAL ADVISORS

- Seek referrals from business associates and friends
- Check with your industry association or local chamber of commerce for a list of preferred advisors
  Ask your current advisors (lawyer, accountant, banker, etc.) about other professionals they work with
- Ask professional associations (CPA Society, Bar Association, etc.)

SCREENYOUR LISTTO DETERMINE

- If they have expertise with similar businesses
- How long they have been in their business
- What professional certification(s) they have
- What references they can provide
- What fees they charge and how they are determined
- How much time will they need to handle your project
- When they will be available to do your work

VERIFY YOUR POTENTIAL ADVISORS' CREDENTIALS

Conduct personal interviews. Make your decision based on the following:

- Are they knowledgeable about your needs?
- Do they have the necessary professional credentials?
- Can they provide references?
- Have they demonstrated an ability to work within an organization without interrupting ongoing business or alienating employees?
- What rapport and trust have you developed with the potential advisor during your interviews, phone conversations and reference verifications?

GATHER PROPOSALS FROM PROSPECTIVE ADVISORS

Potential advisors should submit a written proposal which outlines:

- The objective and scope of the assignment
- The nature and form of the final report, as well as an outline for completing the project, including progress reports
- A synopsis of what the advisor will do, what you and your busi- ness will do and provide and what work will be completed jointly
- The anticipated cost of the project (fees and expenses) and the terms of payment
- The conditions under which you and/or the advisor may cancel your agreement, including any liabilities or restrictions incurred by each party

REVIEW THE PROPOSAL

With the advisor, review and resolve any outstanding questions or ambiguities before agreeing to proceed or signing any contract.

COOPERATE WITH YOUR ADVISOR AS WORK PROCEEDS

- Inform your regular staff about details of the project in order to reduce anxieties and to ensure cooperation
- Be available to review progress and answer any roadblocks as the project progresses
- Don't try to short-circuit the work or change the agreed upon work schedule; however, do insist upon timely completion of the project

REVIEW THE FINISHED PROJECT

Ask yourself if you got what you wanted and requested. Remember, this is a service you are paying for. You are allowed to be particular.

WOULD YOU HIRE THIS ADVISOR AGAIN?

Obviously, some types of advisory work can be evaluated more easily and readily than others. An accountant dealing with financial statements and audits or other detailed work may require a longer period of time to evaluate than someone working on a short-term project, such as a lease or purchase contract. However, all advisory work can be and should be evaluated over time. Some projects may initially appear successful but fail in the long run. If you would choose to hire an advisor a second time, you have had a successful experience. If you would not re-hire the advisor, evaluate the situation to determine what went wrong and try to prevent the situation in the future.

Choosing and using professional advisors is critical to businesses of all types and sizes. A good working relationship with your advisor(s) can help determine the long-term chances of reaching your business goals. Experienced business advisors can assist you with contacts at banks and other financial institutions. An effective ongoing working relationship with your advisors can give you, the entrepreneur, a wealth of knowledge, experience, insight and contacts that can greatly enhance your success.

Melaxation Boxes
denver

BUSINESS PLAN

An effective business plan serves at least four useful purposes. It:

1. Helps entrepreneurs focus their ideas and determine whether a business idea is feasible
2. Creates a track for management to follow in the early stages of the business
3. Creates benchmarks against which the entrepreneur and management can measure progress
4. Provides a vehicle for attracting capital to help finance the business

A well-written business plan is an important document for any business seeking financing. However, a thorough business plan is an essential tool for all businesses, regardless of financial needs. Most lenders will not even discuss financing without a business plan. The business plan brings together all the goals, plans, strategies and resources of a busi- ness. In addition, if you write a comprehensive business plan prior to the commencement of operations, it may save you from significant financial and professional losses in an unprofitable business. Both the federal and state government provide assistance in helping you create your busi- ness plan and in locating financing opportunities. Refer to the Sources of Assistance and Financing Options chapters of this book.

PLANNING HINTS

A sound business plan requires an investment of substantial time and resources. You may require the assistance of qualified professionals to complete your plan. Refer to the Choosing Advisors and Sources of Assistance of this book.

FORMAT AND APPROACH

- Provide a table of contents and tab each section.
- Type the plan on 8.5" x 11" paper.
- Use charts, graphs and other visual aids, as well as color, to add interest and improve comprehension.
- Indicate on the cover and the title page that all information is proprietary and confidential.
- As you complete sections of the plan, ask impartial third parties to review them and give their perspective on the quality, clarity and thoroughness of the plan.
- There are local SBDCs listed in the Sources of Government Assistance that provide free one-on-one consulting in many areas, including business plans.
- Finally, if you intend to use your plan to attract capital, honestly ask yourself whether you would invest in the business based on reading the plan; if you can't honestly answer yes, then the plan needs more work.

OUTLINE

There are no hard and fast rules in formatting your business plan. The length and content often vary depending on such factors as the company's maturity, the nature and complexity of the business and the market it serves. The following outline is effective and comparatively easy to develop.

THE EXECUTIVE SUMMARY

This section is a summary of the key elements of your plan. The executive summary is sometimes all the potential investor or lender will read, so it must capture his/her attention. An effective summary will properly posi- tion your company and help to distinguish your concept from the com- petition. It should be concise, persuasive and no more than two to three pages in length. If the executive summary fails to move your potential in- vestor into the depths of your plan, it has failed to do its job. The Executive Summary should include:

- A description of your business and its target markets, what differentiates your company's product or service and your company's strategy for success
- A description of your management team, including their skills, experience and weaknesses
- A summary of key financial projections over the next three years
- A summary of funding requirements, when the funds will be needed, where the funding will come from and how it will be spent

THE BUSINESS

The purpose of this section is to explain in detail who you are, what you do, what your goals are and how you plan to get there. This section should include:

- A general description of your business, including: a history of the business, the concept of the company, form of legal structure and business organization, products and services offered, customers sought and the competitive advantages you offer
- A list of the products and services your company provides, including an outline of your competitive advantages, distribution methods and unique product qualities
- An analysis of your major competitors and product/service cycles, including who they are, their strengths and weaknesses and how your company compares
- Your target market and competitive strategy – an overall description of the market for your products/services detailing your market success factors, customer demographics, psychographics (lifestyle traits), present and future markets,

how you will sell to each market segment, special characteristics of your products/ services and of the overall general market and current and future competitive strategies

- Your marketing plan, including a description of the marketing goals, how the company expects to achieve those goals – promotion, pricing and distribution plans, use of the Internet and associated expenses
- Your management and personnel, including a description of the principals of the company, their backgrounds and experience and the company structure
- The physical geography of your business, including a description of each location and facility, whether you lease or own, previous or planned renovations, what zoning restrictions or permits are required, and transportation access for customers and shipping

FINANCIAL DATA

The purpose of the financial plan is to provide the reader with vital finan- cial information about your business. The financial plan should include projections for two to five years minimum. Projections, as realistic as possible, are vital for the success of a new business. If you have not had experience in preparing financial information, you may need to obtain professional assistance with this section of your business plan. This sec- tion should include:

- Projected start-up costs that include the cost of equipment, inventory and real estate, as well as operating expenses until the business is profitable
- A description of the type of loan/financing you desire, including the amount, length of the loan, desired terms, how you will use the money, how you are going to pay it back and available collateral
- A list of your capital equipment, including equipment used to man- ufacture or deliver your product or service (not the equipment or merchandise you sell directly to a customer), such as manufac- turing machinery and delivery fleets; and permanent fixtures (i.e. special lighting, air conditioning, office equipment, computers, etc.); if financing will be used to purchase some of this equipment, list it separately from the equipment you already own
- A balance sheet provides a snapshot of what you own and what you owe at a particular point in time. It contains the same categories of information, regardless of the type of business. Assets should be ranked in a decreasing order of liquidity, while liabilities should be listed in decreasing order beginning with the most immediate due. A balance sheet is in balance when Total Assets = Total Liabilities + Total Equity.
- A breakeven analysis allows you to demonstrate when your business will reach its breakeven point – when sales will reach a level to cover expenses. A breakeven analysis can tell you quickly if your costs are too high or if the price of your product or service is too low. A basic breakeven formula is:

  BE = FC/(P-VC)

  BE = Breakeven: The point where total costs equal total revenue FC = Fixed Costs: Costs that remain constant over time such as rent insurance, interest, salaries, etc.
  P = Price: Money received for a product or service
  VC = Variable Costs per unit: The per unit costs that vary directly with sales volume such as manufacturing labor, materials, sales costs, etc.

- Financial projections demonstrate what your business will look like at a certain future period of time. Projections should be prepared on a month-by-month basis for the first year and by quarters for the second and third years. They should be organized in a summary type financial format and should cover your company's sales revenues, costs and income (Income Statement) and cash flows (Statements of Cash Flows).
- A deviation analysis recalculates your financial projections from the aforementioned based on changes in your income, cash flow, etc. Typically, this analysis is performed for two situations. First, based on a 50% increase in your projections; and second, based on a 50% decrease.
- Historical financial reports should be included for an existing business, such as balance sheets, income statements and tax returns for the past three years if available.

SUPPORTING DOCUMENTS

You may include personal resumes and financial statements, credit re- ports, letters of reference, letters of intent, copies of leases, legal docu- ments and anything else relevant to your plan.

Luchal's Gourmet Catering
colorado springs

MARKETING

Marketing emphasizes the customers' needs and wants. A comprehen- sive marketing plan starts with describing your marketplace. Your busi- ness should be driven by the customer. The marketing plan should fit your product development, pricing, promotion and distribution around the customers' needs.

A typical problem in an entrepreneurial business is that the marketing is focused on a product. When it does not monitor change, then it fails to adapt to the real needs and desires of clients. Take, for example, the typewriter sales business. Entrepreneurs who did not monitor the innovation of personal computers were put out of business when they failed to monitor the real needs and desires of customers. All of your company's policies should be aimed at satisfying your customers' needs and desires. Everyone in the company has a marketing job!

A second problem commonly made in entrepreneurial companies is that they focus on increasing sales rather than increasing profit. Profitable sales volume is better than maximum sales volume. Regular sales analy- sis will uncover your most profitable market segments and product lines.

MARKET RESEARCH

Knowing if there is a demand for your business may be hard to assess. Small business success is based upon the ability to cultivate and devel- op a loyal customer base. You must focus your efforts on identifying, sat- isfying and following up on the customer's needs. To reduce the risk of starting a new business, you can do market research. Although research cannot guarantee success in your business, it can improve your chanc- es by estimating sales potential and avoiding losses caused by lack of responsiveness to market demand.

BEFORE YOU START

Before investing your time and money in a market research study, there are a number of things you should consider to help you determine what your customers want:

- Who will purchase the product or service?
- Who makes the buying decisions?
- What is the current demand?
- What other products or services currently satisfy that demand?
- How many companies provide those products or services?
- When is the product purchased?
- Why is it seasonal?
- Where is the product purchased?
- Where is the buying decision made?
- How does the potential customer buy the product now?
- Will that customer buy the product again?
- How are purchases financed or serviced?

THE MARKETING MIX

The five key variables to successful marketing – called the marketing mix – are people, products, services, price, promotion and distribution. In marketing textbooks, these are called the five Ps of Marketing.

PEOPLE

Your customers and prospects drive the marketing plan. You should analyze these people before you do anything else in your business.

PRODUCTS AND SERVICES

Effective product strategies can vary greatly. They include concentrat- ing on a narrow, specialized product line or providing a large selection of products. Your strategy may be to provide a high level of customer ser- vice or low cost products with minimal service. Different products and services will meet the needs of different customers.

PRICE

Determining the price level and pricing policies are a major factor affecting total revenue. Higher prices mean lower sales volume, whereas lower prices may reduce profitability. While a small business can frequently command higher prices because of the personalized services it offers, many customers will still shop based on price alone.

CREDIT CARDS

Your customers will frequently desire to make their purchases using major credit cards. Credit card processing is usually done through a commercial bank. Banks collect a fee, usually a small percentage of the sale, for processing credit card receipts. Chambers of commerce and professional trade associations (see partial listing below) offer assistance to their members in establishing credit card processing accounts. As a new business, you should be aware that many banks have a standing policy requiring businesses to be in operation for one or more years before opening credit card processing accounts.

PROMOTION

This marketing area includes advertising, sales, public relations, publicity, events and other promotional tools. Since every employee is part of the

marketing process, keeping a focus on customer service is a necessity to grow sales. High quality sales will also aid sales growth. This includes consultative selling techniques.

PRODUCT DISTRIBUTION

You must identify the best method for product distribution. Manufactur- ers can distribute their own products or utilize established distributors or manufacturer's agents. Small retailers must give careful consideration to cost and traffic flow when determining site location. Advertising and rent are usually reciprocal. In other words, low cost rent usually means low traf- fic. As a result, you must spend more on advertising to build traffic.

PRODUCT BAR CODES

The Universal Product Code (UPC) is a system for uniquely identifying the thousands of different suppliers and millions of different items that are warehoused, sold, delivered and billed throughout retail and commercial channels of distribution. It provides an accurate, efficient and economical means of controlling the flow of goods through the use of an all-numeric product identification system. UPC initially came into being to serve the grocery industry and facilitate the automatic capture of product identification at supermarket checkout stands by means of laser scanners. Successful implementation of the UPC system with its many benefits has resulted in its adoption by mass merchandise, department and specialty stores, as well as industrial and commercial sectors of the economy.

MADE YOU LOOK.

Website design and rehauls. Print and digital graphic design. Marketing and branding.

Receive 25% off your project when you mention this ad.

GOLD STRIPE CONSULTING

The UPC consists of three parts: a unique six digit identification number assigned to your company, a five digit product number which you assign to each of your products and a single twelfth digit check number. A unique number should be assigned to each product and each product size. For example, two different flavors of fruit jam in two different sizes will re- quire four product numbers. Duplicating UPC numbers will create chaos for you and your retailers! The Uniform Code Council (UCC) is the central management and information center for manufacturers, distributors and retailers participating in the UPC system. This organization is NOT a government agency; it is a private trade council that develops standard product and shipping container codes, controls and issues company identification codes, provides detailed information and coordinates the efforts of all participants. While membership in the UCC is voluntary, you must join to obtain a UPC identification number for your business. Small businesses that desire to sell their products to large retailers should give serious consideration to joining the Uniform Code Council. For more in- formation, visit gs1us.org.

You will utilize the 5 Ps of marketing when you develop a marketing plan. Before you start the plan, however, you must do market research.

WHAT YOU MUST KNOW TO DO YOUR OWN MARKET ANALYSIS

Know your product. What need will it satisfy? How does it compare to the competition? Is it priced fairly? Your marketing strategy should work to disclose customers' problems and areas of dissatisfaction that can be easily remedied. This process will help identify opportunities for new products and services.

Try to determine the quality and quantity of your market segment. For example, in the retail business, it would be helpful to know the average income of the people in your selling area to predict spending levels and to estimate how many people are potential customers. Use the following resources to help you:

Census Bureau

Statistical information on population, age, education and income demographics
census.gov

Colorado Department of Labor & Employment

Industry and labor market statistics colorado.gov/cdle

Department of Local Affairs State Data Center

Useful demographic information
demography.dola.colorado.gov

Determine the proper location for your business. Gather information about traffic patterns (vehicular and pedestrian) to assess sales po- tential. The Colorado Department of Transportation (CDOT), Division of Transportation Planning (dot.state.co.us), has information on vehicular movement on state highways. Some local governments have similar information for city and county roads. In addition, you should observe pedestrian movement during business hours to estimate the amount of walk-in traffic your business might receive.

Market research should identify trends that may affect your sales and profitability. Population shifts, legal developments and local economic conditions must be monitored to identify problems and opportunities. Competitors' activities should be monitored. Check Yellow Pages online to locate your major competitors. What strategies are they using successfully or unsuccessfully? Are you prepared to take advantage of a competitor leaving the market or respond to a new competitor entering the market? Do comparison price shopping so you can be competitive and but still profitable.

CONDUCTING A MARKET STUDY

If you want to hire someone to conduct your research, private firms offer full or partial services and will perform an extensive market study including design, administration and analysis. Fees will vary depending upon the study. Refer to the Choosing Advisors chapter of this book.

If you want to do your own research, the following list of contacts and agencies can serve as a general guide to sources offering market research information at little or no cost. In addition, refer to the Sources of Assistance chapter of this book.

U.S. Department of Commerce/Census Bureau

The U.S. Department of Commerce/Census Bureau offers statistical profiles of an area and general social and economic demographics such as population composition, age, income, education and industry of employed persons. Learn more at census.gov.

Colorado Department of Labor and Employment/Labor Market Information

This department's Labor Market Information Section provides demo- graphic breakdowns and publishes a "Colorado Labor Market Informa- tion Directory" and an "Annual Planning Information Report" covering state and local labor market areas. Learn more at colmigateway.com.

Trade Associations

Trade associations may be useful to help you find out the number of similar merchants in your market area. Members who are currently in the market may also assist you with information to get started. You can find listings in the reference section of the public library in the "Encyclopedia of Associations." While at the library, ask the reference librarian how to access this publication online.

Public Libraries

The Denver Public Library's Business Reference Center is the most extensive in the state. The library provides access and assistance to help you research more than one million publications by federal, state and local government agencies and also has a business periodicals index. The larger suburban branches in the Denver metro area tend to possess better business collections than smaller branches. Inter-library loans to share resources are also available statewide. Learn more at denverlibrary.org.

Universities and Colleges

Business school departments may offer student market studies for no charge, yet professors may charge a modest fee. Also, extensive library collections may be available for public use. For additional sources of mar- keting assistance, refer to the Sources of Assistance chapter of this book.

DEVELOP A MARKETING PLAN

A marketing plan is one of the most important aspects of any small business. It will assist you in evaluating your company's marketing needs and give a concise direction to your marketing efforts. Above all, if developed properly, the plan should help you increase your market share in a cost-effective, timely and productive manner. Marketing plans only work when you implement them – putting them in writing is the first step.

STEPS TO A SUCCESSFUL MARKETING PLAN

Determine the philosophy of your company. Define whom the company serves and what those customers need and want today. Evaluate the company's internal and external purpose.

ESTABLISH MARKETING GOALS

Include short- and long-term goals. Most companies have a num- ber of marketing goals that need to be addressed. When de- termining these goals, it is important to prioritize them in or- der of need and availability of funds. Consider the following:

- Are you selling as much to your existing clients as you could?
- Are there new products and services that your existing clients would like that no one else can offer?
- Are there new markets that would like your existing products and services?
- How do you compare to the competition in pricing? Quality?
- Is your image consistent with your message?
- What are the best promotional techniques to reach each market segment?

ESTABLISHING A MARKETING BUDGET

A budget should be created for a minimum of 12 months. The key to a successful budget is realism. You should project sales by product for that period of time and marketing expenses, such as sales salaries, sales training, advertising, promotional materials, etc.

CREATE A TIMELINE

Your budget will drive your timeline. Most small companies must look at phasing in projects based upon cash flow constraints. You should also promote your business at a time that is convenient for your audience. Your market research should help answer these questions.

DEVELOP AN EFFECTIVE TEAM

Most small businesses need more people to work the plan than they can afford. Hire employees and consultants to meet your highest priority needs within your budget. Then, prioritize the tasks and provide rewards to motivate the team to help you build the company further.

FOLLOW THE PLAN & TRACK THE RESULTS

Once your budget and timeline is put together, track actual results against your projections. Then evaluate what is working and what needs to be changed. Monthly and weekly monitoring is critical. Sales people should be measured daily for results (e.g. closed sales, new leads, qualified leads, etc.). Most small companies change 20-50% of their marketing plan every quarter.

DEVELOP NEXT YEAR'S MARKETING PLAN

As you monitor results, new goals and strategies will evolve. Keep track of these so that next year's plan is easier to develop.

THE ADVERTISING COMPONENT

While advertising is a key component in a marketing strategy, advertising alone is not marketing. It is important to develop a clear message before committing and spending advertising dollars. An effective advertising campaign can quickly provide a return on your investment, while a poorly planned advertising campaign may drain profits from your business. The basic premise of an advertising plan requires analysis of four key questions before you make your advertising decisions:

WHAT DO YOU WANT YOUR ADVERTISING TO ACCOMPLISH?

The first step in developing your advertising strategy is to specify your advertising goals. Be precise. Your goals should include increasing awareness of your business, attracting customers away from the com- petition, increasing the likelihood of keeping your current customers, de- veloping customer loyalty and increasing the immediate sales and leads. While all of the above goals are important, you should prioritize your spe- cific goals and focus on one or maybe two goals at a time.

WHO IS YOUR AUDIENCE?

Once you have determined your advertising goals, select the target audience for your message. Your market research should have already identified your customers and potential customers. Advertising that tries to reach everyone rarely succeeds. Picture the people you must reach to achieve your advertising goals. Use the following as a guide for targeting and evaluating your customers:

- Demographics such as gender, age, income, location of residence, occupation, marital status, etc.
- Behaviors, such as awareness of your business, loyalties, hobbies and recreational activities, lifestyles, etc.
- The wants and needs of your customers and the decision as to whether your product and services can fulfill those needs

WHAT SHOULD YOUR ADVERTISING SAY?

Once you know who your target audience is and what they are looking for, you can decide what your advertising will say. Communicate a message that will be important and speak clearly to your customers. It should explain the important benefits your products and services offer.

WHERE SHOULD YOU PLACE YOUR ADVERTISING?

Many advertising media work well to reach a diverse range of target customers. No single medium is inherently good or bad. A good medium for one product may be a poor choice for another. Guide your advertising place- ment by a simple principle - go where your target audience will have the greatest likelihood of seeing and hearing your message. As you consider media choices, make your selection based upon which one(s) fits your ad- vertising goal, reaches your target customer effectively and is within your advertising budget. The following is a brief summary of the advantages and disadvantages of some of the most commonly-used advertising media:

TELEVISION

Television reaches a great number of people in a short time. Small busi- nesses usually use spot ads. A spot ad is placed on one station in one market. Cable TV is placed on a local cable channel. Advantages of

television include the ability to convey your message with sight, sound and motion. The disadvantages of television include its higher cost, lim- ited length of exposure, the clutter of many other ads and the ability to fast- forward through ads in many cases. It also may require multiple ex- posures to achieve message retention.

RADIO

Radio also has the ability to quickly reach a large number of consumers. The major advantage of radio lies in its ability to effectively target nar- rowly defined segments of consumers. The vast array of radio program- ming formats lets an advertiser gear ads to almost any target audience. It is also relatively inexpensive. The disadvantages of radio are that the message is limited to audio-only, there may be a lot of ad clutter and ex- posure to the message is short and fleeting.

NEWSPAPERS

Newspapers have the advantage of reaching a specified geographic area. Other advantages include ad size, placement and short deadlines that al- low for quick responses to changing market conditions. Disadvantages include potentially expensive ad space and ad clutter. Newspapers are generally read once then discarded, thus requiring multiple insertions.

MAGAZINES

Magazines provide a means to reach a highly-targeted audience. Specific groups can be reached by using magazines of particular interest to the audience. This is true of both consumer and business magazines. Magazines frequently have a well-defined geographic, demographic or lifestyle focus. Magazines have a relatively long life; they are often reviewed by a single reader and are passed along to others. The disadvantages of magazines include long lead times, limited flexibility on ad placement and the high cost of production.

BILLBOARDS

Outdoor advertising is typically used to reinforce or remind consumers of the advertising message rather than original communication. The advantages include long life and high visibility and frequency of viewing. The primary disadvantage of billboards is the length of viewing time. The target audience is frequently moving so the message must be simple, direct and easily understood.

DIRECT MAIL

Direct mailers use specific ranges of mailing addresses, normally by zip code, that place the advertisement directly into the hands of your target audience. With proper focus of the mailing list, there is low waste and greater flexibility on the message presentation. Disadvantages are the relatively high cost per contact, the accuracy of mailing lists and the audience confusion with junk mail.

SOCIAL MEDIA

Social media is a form of marketing in which people can create, share and exchange information and ideas on online platforms and communities such as Facebook, Twitter, Instagram, Pinterest and YouTube. Social media platforms are highly interactive and differentiate from traditional marketing channels in quality, reach, frequency, usability, immediacy and permanence. This allows the user to connect with his or her audience and creates an exchange where business owners can promote both their goods or services as well as their company values, product updates, staff activities and more. A complete marketing strategy should include one or more social media platforms in order to round out your online presence. Carefully consider all social media platforms before choosing which one(s) are the best fit for your business.

Selecting the right advertising format or combination of formats is a crucial part of a successful marketing plan. Carefully consider how to best reach your target audience.

EVALUATING YOUR MARKETING EFFORTS

After you have completed the research, developed your plan and creat- ed your marketing tools, you need to monitor the effectiveness of your hard work.

CUSTOMER REACTIONS

Sales are the best monitor of your success. However, sometimes you need to look beyond that. Are you getting repeat customers? Do they tend to comment on your product or services? Are you listening to what they say?

TRACKING TOOLS

Translate your sales figures into percentages and tabulate your customer responses. Specific things to track include total units/jobs performed, total number of customers, the number of repeat customers and customer database (including addresses, age, income range and how they heard about you).

DON'T CHANGE TOO QUICKLY

A common mistake is changing a successful advertising message after it has run for a period of time. Remember that you will get tired of a message long before your customers will. It may take time for your message to sink in, let alone wear out.

IF IT ISN'T WORKING...FIX IT

Be smart when fixing a problem. Modify your marketing in stages so current customers aren't confused.

SPECIAL MARKETING TOOLS

AGRICULTURAL & FOOD PRODUCTS

The Markets Division of the Colorado Department of Agriculture assists business owners who sell Colorado food and agricultural products in lo- cal, regional, national and international markets. The Division offers as- sistance in the areas of promotion, research, exporting, business start- ups and expansion. Representatives are available to meet with you on an individual basis to help you develop or enhance your marketing program. The Markets Division sponsors and co-sponsors several marketing relat- ed workshops and seminars each year. It also publishes numerous direc- tories and resource materials to help you market your products success- fully. This division's services are available to any company that grows or processes a food or agricultural product in Colorado. Non-food products may also qualify if 50% of their ingredients, by weight, are Colorado agri- cultural goods. Visit ag.colorado.gov for more information.

EXPORTING COLORADO PRODUCTS

The International Trade Office (ITO), part of the Colorado Office of Economic Development and International Trade (OEDIT), provides two critical functions: assisting Colorado companies in exporting their products and services to international markets, and attracting foreign investment into the state. Specialists offer export counseling in several areas, including sales and marketing, foreign contacts and shipping and documentation. Staff members are also available to speak at seminars concerning Colorado export-related topics. Through participation in international trade shows and missions, Colorado companies are given opportunities to expand their businesses overseas, while foreign companies are encouraged to invest in Colorado. With representatives in Japan, Europe and Mexico, ITO facilitates both Colorado's inward investment, as well as export promotion. For more information, visit choosecolorado.com.

THE WORLD TRADE CENTER

The World Trade Center offers classes, seminars and workshops on international trade in partnership with Metropolitan State College of Denver. For more information, visit wtcdenver.org.

SELLING TO THE GOVERNMENT

The State of Colorado has a long list of programs and responsibilities including highways, hospitals, colleges and universities, parks, prisons, courts, museums, libraries, law enforcement and administrative functions. If you have goods or services to sell, government procurement may be a part of your marketing strategy. Open, competitive bidding is the key to the state purchasing system. When choosing a vendor, the state considers the types of goods and services that can be supplied, the needs of the requesting agency, how well each vendor's goods and services meet the needs of the requesting agency, the date of delivery and the total cost. Vendors are responsible for checking the website for purchasing opportunities in their areas of business. The federal government is an even larger purchaser of goods and services. For certifications and contract opportunities, go to choosecolorado.com/ programs-initiatives/minority-business-office.

SBA'S FEDERAL PROCUREMENT ASSISTANCE

Small businesses seeking to market their goods and services to the federal government must register at the CCR site, but they no longer need to manually register at the Central Contracting Registration (CCR), Dynamic Small Business Search, and Online Representations and Certifications Application (ORCA).

Please note that if you are interested in receiving Small Business Disad- vantaged, HUB Zone or 8(a) certification, you will need to apply at sba. gov/federal-contracting/contracting-assistance-programs. Attend a free workshop in Denver or learn more about the programs before applying.

HUBZONES

This program encourages economic development in historically un- derutilized business zones – "HUBZones" – through the establishment of federal contract award preferences for small businesses located in such areas. After determining eligibility, the SBA lists qualified business- es in the CCR database. Find out more at sba.gov/federal-contracting/ contracting-assistance-programs/hubzone-program.

8(A)/SMALL DISADVANTAGED BUSINESS PROGRAM

The 8(a) program is a robust nine-year program created to help firms owned and controlled by socially- and economically-disadvantaged individuals.

Businesses that participate in the program receive training and techni- cal assistance designed to strengthen their ability to compete effectively in the American economy. Also eligible to participate in the 8(a) program are small businesses owned by Alaska Native corporations, Community Development Corporations, Indian tribes and Native Hawaiian organiza- tions. Small business development is accomplished by providing various forms of management, technical, financial, and procurement assistance.

To qualify for this program the owner must:

- Be at least 51% owned and controlled by U.S. citizens who are socially- and economically-disadvantaged

- Have a personal net worth of $750,000 or less, adjusted gross income of $350,000 or less and assets totaling $6 million or less
- Demonstrate good character

To apply, the business owner must first register with the System for Award Management (SAM) and review the "Am I Eligible Tool" which is located on the SBA website at sba.gov/federal-contracting/contract- ing-assistance-programs/8a-business-development-program.

Once the determination has been made, the applicant can start the 8(a)/ SDB certification process at certify.sba.gov.

SERVICE-DISABLED VETERAN/ VETERAN-OWNED BUSINESS

Small businesses owned by veterans that exited the military with an honorable discharge can compete for set-aside contracts at the De- partment of Veterans Affairs (VA). Through its Veterans First Contract- ing program, VA awards a large amount of contract dollars to veterans every year by offering set-aside contracting opportunities. VA also sets aside contracting opportunities for businesses owned by veterans who are service-disabled.

To become certified as a Veteran Owned Business (VOB) or Service Dis- abled Veteran Owned Business (SDVOSB), the business owner must first register in the System for Award Management (SAM) and then be verified by the Center for Verification and Evaluation at va.gov/osdbu/verifica- tion. You will have to first register with the DS Logon (VIP) Access (Single Sign On) at mobile.va.gov/login-information.

WOMEN-OWNED SMALL BUSINESS/ECONOMICALLY-DISADVANTAGED WOMEN-OWNED SMALL BUSINESS

To become a federally-recognized Women-Owned Small Business (WOSB) or Economically-Disadvantaged Women-Owned Small Busi- ness (EDWOSB), the business owner must first register in the System for Award Management (SAM). To then apply for WOSB or EDWOSB, visit beta.certify.sba.gov and click the "Am I Eligible?" button. After reviewing the eligibility requirements, select the "Get Started" button.

Note: As of July 1, 2022, beta.certify.sba.gov is still under testing and fi- nal determination. Please be aware that the process may change at any time. Review the SBA's "Women-Owned Small Business Federal Con- tracting Program" webpage at sba.gov/federal-contracting/contract- ing-assistance-programs/women-owned-small-business-federal-con- tracting-program for the latest information.

FINANCING OPTIONS

In all cases, the prospect of a profitable investment as shown by a sound business plan is a key step to seeking financing. Assistance in how to prepare a business plan is available through a number of government offices and private management and financial consultants. The Colorado SBDC Network has resources and consultants who can help create a business plan. See the Sources of Assistance chapter of this book.

Financing for your business may be obtained from private investors, lenders and other financial institutions. In Colorado, most new businesses are initially financed by personal investments from the owner, family, friends and personal business contacts. While it is not impossible, it is often more difficult for new businesses to obtain outside financing. A major source of outside financing for small businesses is from commercial banks, savings and loan institutions. Commercial finance companies, leasing companies, insurance companies and private or public stock offerings are other financing vehicles that may suit a particular small company's needs. In recent years, the number of online crowdfunding sites has multiplied rapidly and will probably continue to do so in the future. The next three sections review the different financing sources and some of the advantages, disadvantages and limitations of each resource.

As you seek financing for your business, there are questions you should ask:

- For what do I need financing?
- How much do I need?
- How much may I borrow?
- For which programs does my business qualify?
- What information do I need to provide the lender/investor?
- Do I have to pay interest? If so, will the interest rate vary over the term or will it be a fixed rate?
- Will I be required to "share" ownership in my business?
- How long will it take to acquire the money?
- What are the repayment terms?

No matter which type of loan or financing option you choose, the lender will judge your ability to repay the loan and evaluate your collateral. This is known as underwriting. The lender will ask for information to determine how you manage your business, how likely you are to default on the loan, the size of the loan compared to how much you have (your debt to tangible net worth ratio) and your company's ability to liquidate its current assets. Different lenders and programs will have different criteria for what level of underwriting is acceptable Generally, a lender with more stringent underwriting criteria will perceive a lower level of risk and will charge a lower interest rate.

Financing needs can typically be categorized into three major classifications:

1. Short-term financing
2. Intermediate and long-term financing,
3. Equity financing

SHORT-TERM FINANCING METHODS

CREDIT LINES

Under a revolving line of credit line agreement, the lender, usually a bank, supplies a business with funds intended to fill temporary shortages in cash that are brought about by timing differences between cash outlays and collections. Credit lines are typically used to finance inventories, ac- counts receivable or for project or contract-related work. You must often have a track record before you can receive a credit line, and collateral may be required. There is usually a time limit that is negotiated on the credit line and typically the line must have a zero balance no less fre- quently than once a year.

CREDIT CARDS

Some small businesses will finance their company by using credit card debt, typically in the form of personal credit cards. Credit cards can assist the small business with managing cash flow over a monthly period. The risk is that credit card interest rates are very high compared to almost all other forms of debt. If the credit card debt cannot be kept current, interest will accrue at a rapid rate and could exceed the business' ability to repay.

SHORT-TERM LOANS

These types of loan may be used for seasonal build-ups of inventory and receivables, as well as to take advantage of supplier discounts or pay lump sum expenses, such as taxes or insurance. Generally, you repay short-term loans in a lump sum at loan maturity. Short-term loans are generally made on a secured (or collateralized) basis and are for a term of a year or less.

ASSET-BASED LOANS

These are loans where the lender advances funds to the small business based on a percentage of your current assets, usually accounts receiv- able or inventory. The loan is used as a source of funds for working cap- ital needs. The lender takes a security position in the assets owned by your business.

CONTRACT FINANCING

One method of arranging financing for goods or services or pur- chase orders is to use your contract(s) as collateral for a short-term loan(s). In contract financing, funds are advanced to you as work is performed. Payments by the contracting party, the business for whom you are working, are generally made to the lender. Obviously, a major consideration for a lender is your business' ability to satisfactori- ly perform and complete the contract or purchase order and the credit worthiness of your customer.

FACTORING

This is somewhat similar to accounts receivable financing (an asset- based loan) with one notable exception. Factors actually buy your receivables and rely on their own credit and collection expertise. Essentially, your customers become their customers. Payments are made directly to the factor by your buyer. Factoring is generally used by firms unable to obtain bank financing. As a result, the cost of factoring is usually higher than other forms of short-term financing. However, factoring can offer you several advantages. Factoring relieves small companies of the expense and responsibility of maintaining a credit and collection department. The factor normally provides all of these services for a fee. Factoring also offers flexibility in the amount of borrowing. Factoring is commonly provided on a continuous contractual basis rather than on a one-time transaction. As new receivables are generated, they are sold to the factor. Therefore, as your company's sales grow, additional financing becomes available. The sale of receivables to the factor may be either with recourse or without recourse. Without recourse is the method preferred by most small businesses because it means that the factor assumes the full risk of non-payment by the company that owes the receivable.

INTERMEDIATE & LONG-TERM FINANCING METHODS

TERM LOANS

These can be used to finance your permanent working capital, purchase of new equipment, construction of buildings, business expansion, refinance existing debt and business acquisitions. Commercial lenders are the major source of term loans. Other sources include commercial finance companies, leasing companies and government agencies. The maturity of term loans varies significantly. The term of the loan is

Let's make an impact together

First Southwest Bank and First Southwest Community Fund ensure Colorado's entrepreneurs, small businesses, and not-for-profit organizations have access to the inclusive and equitable capital they need to grow and enrich our communities.

1st SouthWest Bank

First Southwest Bank is a locally owned independent community bank and 1 of 2 Community Development Financial Institution (CDFI) banks in Colorado.

2021 Impact

- Since 2016, we have provided 4,719 financial counseling hours to 7,900 customers and produced creative loan solutions helping agricultural and other businesses succeed
- #1 Colorado-Based Lender | 2021 Rural/Community Lender of the Year — *U.S. Small Business Administration*

1st SouthWest Community Fund

First Southwest Community Fund supports the dedicated entrepreneurial spirit of rural Colorado by investing in its people, culture and ideas.

2021 Impact

- Since 2015, FSWCF has lent $13MM to rural entrepreneurs and projects totaling $67MM
- FSWCF has established a variety of specialized programs aimed at supporting women-, Black-, Indigenous-, people of color-, immigrant- and veteran-owned businesses

Se habla español

Let us help you start or scale your business with a loan, grant, financial counseling, educational or other assistance.

SBA LENDER | Member FDIC | EQUAL HOUSING LENDER | CDFI | EQUAL OPPORTUNITY EMPLOYER

fswb.bank
866.641.3792 | allspeciallending@fswb.com

fswcf.org
719.587.4264 | info@fswcf.org

based largely on the useful life of the assets being financed or used to collateralize the loan. Term loans are repaid from the long-term earnings of your business. Therefore, your projected profitability and cash flow from operations are two key factors lenders consider when making term loans. Most term loans are repaid on an installment basis, and your cash flow must be sufficient to cover the payments. Generally, interest rates on long-term loans are higher than for short-term loans. Collateral and compensating balances are generally required, and the lender will often impose restrictions on your business to reduce the bank's risk.

EQUIPMENT & REAL ESTATE LOANS

These are term loans fully secured by the equipment being purchased. Commercial banks will typically loan from 60-80% of the value of the equipment being purchased. The loan is repaid monthly over the life of the equipment. Commercial banks and other financial institutions make long-term loans secured by commercial or industrial real estate. The loan is usually approved for up to 75% of the value of the real estate being financed. You will repay the loan in installments over a 10-20 year period. Commercial banks, commercial finance companies and other financial institutions will also make second mortgages on commercial and industrial real estate. The amount of the second mortgage is based upon the appraised market value of your property minus the amount of your first mortgage.

LEASING

Leasing is a significant source of intermediate-term financing for small companies. Virtually any type of fixed asset may be financed through a leasing arrangement. Leasing can be accomplished through a leasing company, commercial bank, the equipment owner or a commercial finance company. Leasing offers a great deal of flexibility as it can be used to finance even small amounts. If you are interested in leasing a fixed asset, your business will be subject to the same type of review as you do when seeking a loan. The leasing company will be particularly interested in the cash flow of your company. The value of the leased equipment and its useful life are used to determine the amount of financing available. Generally, equipment leases are for three to five years. When leasing, the total cash outlays may be greater than the total cost of an outright purchase or even a loan to finance the purchase. However, the after tax costs must be determined to compare the actual cost of each option. At the end of a lease, there are three options: purchase the equipment, renew the lease or return the equipment to the lessor.

GOVERNMENT GUARANTEED & GOVERNMENT DIRECT SOURCES OF FINANCING

At all levels of government, there are a number of finance programs (as opposed to grant programs) to assist you in making your business successful. In most cases, these government programs improve your chances of obtaining financing by providing both longer and more flexible loan terms. This may include lower than market interest rates and/or relaxed underwriting criteria. Generally, government financing is provided in two forms—guaranteed loans and in more limited instances, direct-ed financing. Government financing is almost always aimed at achieving some social objective such as creating jobs, assisting an underserved or disadvantaged location or community, supporting the environment or a similar objective. These programs will change from time to time based on market conditions. A good source of information for current programs in Colorado is oedit.colorado.gov/programs-and-funding.

Guaranteed loans are loans made through commercial lending institutions that are backed by a government agency. With guaranteed loans, the commercial lending institution disburses all loan proceeds and collects all loan payments. The government provides a guarantee to the lending institution for a portion of the principal balance of the loan. SBA loans, such as the 7(a) Program, are good examples of guaranteed loans. The first step in obtaining a government guaranteed loan is to contact a commercial lender in your area.

CROWDFUNDING

Crowdfunding is a developing financing opportunity for small businesses as well as social causes. We cannot provide a summary of all the sites available, and if we did it would probably be out of date by the time we finish typing this sentence. Generally, there are four types of crowdfunding sites—donation, rewards, investments and lending.

- Donations are focused on fundraising for personal needs or causes. GoFundMe is the best known of these, but there are many others.
- Reward-based sites ask for contributions in exchange for a reward or perk, often in the form of a product or discount. Kickstarter is a popular reward-based crowd funding site. These sites can be a source of small amounts of investment for startup companies that will offer a physical product.
- Investment sites are a growing category. They are regulated and the rules will vary based on the offering and the state. Businesses raising funds through an investment crowd funding site will need to obtain professional advice. The amount of money that can be raised through investment crowd funding can be significant.
- Lending sites are loan sites. The best known, and one that has been a successful avenue for small business startups, is Kiva. Currently businesses, or individuals, can raise up to $15,000 through Kiva with a 1% interest rate and a five-year term.

U.S. SMALL BUSINESS ADMINISTRATION FINANCE PROGRAMS

Though the SBA does offer a variety of guaranteed loan programs, the agency typically has no funds for direct lending or grants. There were some exceptions to this during the COVID-19 pandemic, but those programs have since expired.

SBA'S LOAN GUARANTY PROGRAMS

The 7(a) Loan Guaranty Program provides short- and long-term loans to eligible, credit-worthy start-up and existing small businesses that cannot

obtain financing on reasonable terms through normal lending channels. The SBA provides financial assistance through its participating lenders in the form of loan guaranties, not direct loans. SBA does not provide grants for business start-up or expansion. Loans under this program are available for most business purposes, including purchasing real estate, machinery, equipment and inventory, or for working capital. The loans cannot be used for speculative purposes. The SBA can generally guaran- tee a maximum of $5 million under the 7(a) program. The guaranty rate is 85% for loans of $150,000 or less, 75% for loans greater than $150,000, and 90% for loans made under the Export Working Capital Program. General- ly, the interest rate cannot exceed 2.75% over the prime rate as published in The Wall Street Journal, except for loans under $50,000, where the rates may be slightly higher. Maturity may be up to seven years for work- ing capital, 10 years for equipment and up to 25 years for fixed assets.

504 CERTIFIED DEVELOPMENT LOAN PROGRAM

The "504" Program provides long-term, fixed-rate financing to small businesses to acquire real estate or capital machinery and equipment to expand or modernize. Typically, at least 10% of the project is provided by the borrower, at least 50% under a commercial loan by a lender and the remainder provided by an SBA-guaranteed debenture. The maximum SBA debenture is generally $5 million. This program is delivered through Certified Development Companies (private, nonprofit corporations es- tablished to contribute to the economic development of their communi- ties or regions).

SBA EXPRESS, A 7(A) LOAN PROGRAM

This program encourages lenders to make more small loans to small businesses. Participating banks use their own documentation and procedures to approve, service and liquidate loans of up to $500,000. In return, the SBA agrees to guarantee up to 50% of the loan.

CAPLINES, A 7(A) LOAN PROGRAM

This program finances the short-term and cyclical working-capital needs of small businesses. Under CAPLines, there are five distinct short-term working-capital loans: seasonal, contract, builders, standard asset-based and small asset-based lines. For the most part, the SBA regulations governing the 7(a) Loan Guaranty Program also apply to CAPLines. The SBA generally guarantees up to a maximum of $5 million under the program.

EXPORT WORKING CAPITAL PROGRAM, A 7(A) LOAN PROGRAM

This program enables the SBA to guarantee up to 90% of a secured loan, or $5 million, whichever is less. Loan maturity may be for up to three years with annual renewals but are generally for 12 months or less. Proceeds may only be used to finance export transactions. Loans may be for single or multiple export sales. These loans can cover most costs—for inventory, production and supporting accounts receivables. Interest is paid monthly and the principal is paid as payments from items shipped overseas are collected. This program targets export-ready small businesses.

INTERNATIONAL TRADE LOAN (ITL), A 7(A) LOAN PROGRAM

This program offers long-term financing to small businesses engaged or preparing to engage in exporting, as well as to small businesses ad- versely affected by import competition. The maximum loan amount is $5 million, with the SBA providing a guaranty of up to 90% of that amount. The maximum maturity is up to 25 years for real estate and 20 years for working capital or fixed assets but may be less based on the borrower's ability to repay.

SBA EXPORT EXPRESS, A 7(A) LOAN PROGRAM

Small business exporters may now obtain loans of up to $500,000 through the lender-expedited SBA Express program. The SBA will guaranty up to 90% for loans of $350,000 or less and 75% for loans over that amount. Loan proceeds may be used for buildings, equipment, other fixed assets, foreign trade show costs, translating company literature, export transaction costs or other working capital needs. Applicants must have been in business for a least one year and must demonstrate that the loan will help the firm enter a new export market or expand in an existing export market.

MICROLOAN PROGRAM

This program provides short-term loans of up to $50,000 to small businesses and certain not-for-profit childcare centers. The purpose of the loan is to support startups and expansions. Proceeds may be used for working capital, the purchase of inventory, supplies, furniture, fixtures, machinery and/or equipment. Proceeds cannot be used to pay existing debts or to purchase real estate. Loans are made through SBA- approved nonprofit intermediaries. These intermediaries also receive SBA grants to provide technical assistance to their borrowers. For a list of micro-lenders in Colorado, contact the SBA's Colorado District Office.

COLORADO HOUSING AND FINANCE AUTHORITY (CHFA)

CHFA has been helping businesses access capital since 1982, and is a trusted resource for the business community. It collaborates with a variety of lenders to offer innovative financing to help your business reach its full potential.

COMMERCIAL REAL ESTATE LOANS

CHFA provides financing for growth and expansion. CHFA commercial real estate loans may be used to acquire real estate, expand an existing facility, and/or rehab an existing or new facility. Loan proceeds may also be used to acquire capital equipment. These loans can typically provide 85% of financing. Loans in rural areas can provide 90% financing. Property must be at least 51% owner-occupied and the business must have three or more years of operating history.

BROWNFIELDS REVOLVING LOAN FUND

CHFA Brownfields loan funds are provided in partnership with state agencies to help finance the cleanup of environmentally-contaminated commercial sites. Loan proceeds may only be used for cleanup and removal activities. Pre-cleanup assessments are activities are not allowed uses.

HISTORIC REVOLVING LOAN FUND

Historic loan funds can be used to finance the preservation of a historic building. These loans are available to not-for-profit organizations, public entities, private individuals and for-profit entities. They cannot be applied to the acquisition of a historic building, only the preservation.

CASH COLLATERAL SUPPORT PROGRAM

The Cash Collateral Support program helps small- and medium-sized businesses in Colorado access loans that they would otherwise not get because they do not have enough collateral. This credit enhancement uses small amounts of public resources to encourage private lenders to loan money to businesses. The program provides a cash deposit as collateral for a business loan or credit facility when the business cannot meet the lender's collateral requirements.

COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG) BUSINESS LOAN FUNDS

Every year, the State of Colorado receives an allocation of federal funds to use for both community and economic development efforts within the state. The Colorado Office of Economic Development and International Trade (OEDIT) receives approximately one-third of the state's annual allocation of funds to use specifically for economic development efforts statewide. Specifically, it uses this funding to aid the state's Business Loan Funds.

Currently, Colorado has 14 business loan fund regions, which have service areas covering the majority of the state's rural areas. These 14 regions are responsible for promoting and fostering economic development efforts at the local level by providing financial assistance in the form of loans and loan guarantees to businesses in their respective area. The loan program is locally driven, with each loan fund having its own local loan review committee and local board of directors. A business typically needs to create or retain one job for each $20,000 in loan funds. Colorado uses federal funds and Community Development Block Grant Funds (CDBG Funds) it receives to provide funding to aid the state's Business Loan Funds. For more information on this program, visit oedit. colorado.gov/community-development-block-grant-business-loan.

VENTURE CAPITAL AUTHORITY (VCA)

The Venture Capital Authority (VCA) supports access to venture capital for Colorado's entrepreneurs and startup businesses. The VCA is a political subdivision of the state and a Special Purpose Authority like the Public Employees' Retirement Association. The VCA is neither an agency of the state nor subject to administrative direction by any agency or department of the state. The VCA is governed by a board of directors that partners with professional fund managers to deploy its capital and OEDIT staff provides administrative support to the VCA.

The VCA is currently a partner in two active funds, and businesses interested in funding should visit the funds' websites for more information.

GREATER COLORADO VENTURE FUND

The Greater Colorado Venture Fund invests in early-stage startups located outside of the Front Range. Its goal is to inspire innovation in communities overlooked by venture funds. Find out more at greatercolorado.vc.

FIRSTMILE VENTURES

FirstMile Ventures is a seed-stage venture capital firm. It seeks founder-driven firms. It provides seed money to start the business and does not provide funding for subsequent phases of business development. Learn more at firstmilevc.com.

OPPORTUNITY ZONES

In the broadest sense, the federal Opportunity Zone (OZ) is a federal tax incentive for investors to invest in low-income urban and rural communities through the favorable treatment of reinvested capital gains and forgiveness of tax on new capital gains.

Opportunity Zones were enacted as part of the 2017 tax reform package (Tax Cuts and Jobs Act) to address uneven economic recovery and persistent lack of growth that have left many communities across the country behind. This economic and community development tax incentive program provides a new impetus for private investors to support distressed communities through private equity investments in businesses and real estate ventures. The incentive is deferral and potential elimination of certain federal capital gains taxes.

EQUITY FINANCING

This type of financing allows investors to buy into the ownership of your business. It is highly recommended to obtain legal counsel before entering into an equity financing relationship.

ADVANTAGES

Equity financing provides capital on a permanent basis with no repayment of principal or interest required. It adds to your company's net worth, thereby improving the financial stability of the business and its ability to obtain debt financing. It can also result in outside expertise being added to the management or board of your business.

DISADVANTAGES

It carries with it a higher cost of capital and is therefore more expensive. It dilutes your ownership control of the business, and profits must now be shared. Equity financing is a permanent investment and may be difficult to obtain. It can create a conflict of interest between yourself, the business founder and the outside investor(s). It will also require more detailed and timely reports.

PRIVATE INVESTORS

These include family, friends and colleagues, as well as sophisticated private investors, such as wealthy individuals or so-called "angels." This final category represents an excellent source of capital for small growing ventures. Often the size, growth rate and investment amount of a small business are too small to attract a venture capital firm. However, this may represent an excellent opportunity for the wealthy individual or successful entrepreneur looking to assist another entrepreneur. Private investors are difficult to find and require detailed business plans. Investors may be identified by contacting accountants, bankers, stock brokers, venture capitalists or entrepreneur clubs. You must determine that your goals are compatible with those of your prospective investor.

VENTURE CAPITAL FIRMS

These are the most risk-oriented investors. Most venture firms have specific investment preferences – both in terms of business stage (ranging from seed stage to buyouts and acquisitions) and industry. In addition, venture capitalists generally have a large minimum size investment requirement. They are looking for rapid growth and high returns. The most important factor a venture capitalist considers is the management team and the ability to recapture his/her investment with a substantial return within five to seven years. Venture capital is typically available to less than one-half of one percent of all new businesses.

SMALL BUSINESS INVESTMENT COMPANIES (SBICS)

These provide equity capital, long-term loans, debt-equity investments and management assistance to small businesses, particularly during their growth stages. The SBA's role consists of licensing the SBICs and supplementing their capital with U.S. government-guaranteed debentures or participating securities. SBICs are privately owned and managed, profit-motivated companies investing with the prospect of sharing in the success of the funded small businesses as they grow and prosper.

PRIVATE OR LIMITED STOCK OFFERINGS

This is a form of equity financing that may be ideal for the small company. It affords the company the opportunity to raise significant amounts of equity from outside investors without the high cost and regulatory bur- den of a full-scale public offering of stock. These sales are still subject to some state and federal regulation, and you must make sure they comply with all the provisions that exempt them from the more rigorous regis- tration process involved in a public offering. Your private offering must consist of equity, debt or a combination of the two. The private placement may be sold to wealthy individuals, venture capital firms or institutional investors, such as insurance companies, pension funds, trusts or mutual funds. Institutional investors prefer to purchase private placements in the form of debt instruments since they prefer to receive a fixed, relative- ly safe return on their investment due to their fiduciary responsibilities.

GOING PUBLIC

While not many small companies elect to go public, offering shares of stock in the company to the general public, it is certainly an option for the profitable, well-managed, growing small business. There are several reasons why you might decide to go public. It gives the business access to growth capital and can allow you to cash in your equity in the company. Through the growth in the equity base, the business can be leveraged to allow for increased borrowing capacity. Public market funds are not restricted and more attractive incentive plans can be structured. It can also enhance your reputation. However, the negative aspects of going public include the loss of control of your business and increased pressure to grow and produce greater earnings. There may be pressure to shift your business' emphasis to increase stock value over generating a profit. There will be increased documentation, reporting, regulation and higher legal and accounting expenses. The public offering process is expensive and time consuming.

Woodknots + Whimsy
colorado springs

LIABILITIES & INSURANCE

Before starting your business, you should be aware of the potential liabili- ties that may be incurred when operating a business. You should look into what types of insurance may be required or may be in your best interest to protect your investment, business property and business income. In- surance companies can put together a specialized insurance package to meet the exact needs of your business. While it often makes good busi- ness sense to purchase various forms of insurance coverage, don't buy what you don't need! Here are some general types of insurance that you may want to consider.

BASIC BUSINESS LIABILITIES

When you operate your own business, there are a number of different li- abilities that may be incurred as part of your business operations. If your business has employees, the business is liable for the timely payment of all payroll taxes. If you collect sales taxes, they must be remitted properly. If either payroll or sales taxes are not paid, the government may seize the business and sell assets to collect the taxes due. Your business may also be held liable for injuries to your employees and your customers that oc- cur at your work place or due to products you manufacture. The business may incur liabilities whenever there is a contract for the performance of services or for the purchase or sale of products. Your personal liability will be determined by the legal structure of your business and/or person- al guarantees you make on behalf of the business.

ENVIRONMENTAL LIABILITIES

Small businesses that produce hazardous waste are required to obtain proper permitting, registration and disposal under federal and state guidelines. As a business owner, you should be knowledgeable regarding the materials you use and produce as part of your business operations. If you are purchasing an existing business, the liabilities for the previous owners' operations may be transferred to you. If you are purchasing real estate that was used by a business using/producing hazardous materials, you may be held liable for any contamination as the new owner. It is important that you are aware of all regulations regarding environmental liabilities to protect your investments and the operation of your business.

POLLUTION PREVENTION

Pollution prevention is any strategy that reduces or eliminates the volume or toxicity of pollutants at the source – reducing waste before its generat- ed. Pollution prevention can take place by using less-toxic raw materials, using alternative technologies, modifying processes, and includes onsite conservation and reuse of energy, water, and materials. Pollution preven- tion is not waste treatment, off-site recycling or end-of-pipe controls. The Colorado Department of Public Health and Environment's (CDPHE) Pollu- tion Prevention (P2) Program provides free onsite assessments that can identify pollution prevention opportunities such as water conservation, energy efficiency and waste reduction. Pollution prevention strategies may reduce your emissions and waste to the point where permits or other regulatory requirements are no longer necessary.

SOLID WASTE & HAZARDOUS MATERIALS

The CDPHE Hazardous Materials and Waste Management Division regulates solid and hazardous waste. Businesses that may need to comply with waste regulations include photochemical processing stores, auto repair shops and any business that uses and disposes of batteries and fluorescent light bulbs. To determine if your business must comply with waste rules and regulations, call the Division's public assistance hotline. This service will help you ascertain if your business is required to comply with any waste regulations and answer any questions you have on hazardous and solid waste.

WATER POLLUTION & DRINKING WATER QUALITY

The CDPHE Water Quality Control Division regulates water quality in Colorado. Two types of activities are regulated by the Division that are applicable to small businesses:

1. Discharges of pollutants to waters within the state
2. Compliance with regulations for public drinking water systems

Discharges of pollutants (ranging from pumping groundwater from an ex- cavation to pouring out water used in industrial processes) may require a permit. In addition, industrial sites and construction sites may need per- mits to control pollutants washed off as storm water runoff. Public drink- ing water systems that provide drinking water to 25 or more people for more than 60 days of the year must comply with the Safe Drinking Water

Act and the Colorado Primary Drinking Water Regulations. For more information and assistance on whether or not your business needs to comply with water quality regulations, call the Water Quality Control Division.

AIR POLLUTION

The 1990 Federal Clean Air Act Amendments expanded the number and types of businesses that must comply with air quality standards. Examples of businesses that may need to comply with air quality regulations include dry cleaners, print shops, refrigeration and air conditioning services, furniture manufacturers, feedlots and cement/asphalt companies. As a business, you may be required to file for an Air Pollution Emissions Notice (APEN) and possibly obtain a permit under the "Colorado Pollution Prevention and Clean Air Act." Whether or not your business needs to file an APEN depends on the amount and type of annual air emissions produced and the location of your business. Once your APEN form is completed and submitted to the CDPHE Air Pollution Control Division, it is used to determine if your business must obtain a permit. There is a fee for filing an APEN. The Division provides technical assistance to small businesses through the Small Business Assistance Program (SBAP). The SBAP has developed "how to" documents to help businesses calculate their emissions. They also have developed some industry specific APEN forms. The SBAP can assist your business in understanding and complying with air pollution requirements. For more information, visit cdphe. colorado/gov/apens-and-air-permits.

COLORADO ENVIRONMENTAL LEADERSHIP PROGRAM

The Colorado Environmental Leadership Program (ELP) is a Colorado Department of Public Health and Environment voluntary program which recognizes Colorado entities that go beyond environmental regulations and reach towards the goal of sustainability. The ELP consists of three levels: Gold Leader, Silver Partner and Bronze Achiever with varying criteria components such as the implementation of an Environmental Management System (EMS), established goals and metrics and clean compliance records. Learn more at colorado.gov/cdphe/environmental-leadership-program.

INSURANCE PROTECTION

This list of insurance types that may apply to your business is NOT a complete list. The specific needs of your business may vary, as there is not a single, all-inclusive insurance package that will apply to everyone. Talk to your insurance agent or broker about the needs for your particular business, profession, location and facility and review the various options available.

Understand the various options available before you purchase the insurance. Once you have purchased the insurance, take the time to know what you have purchased – the coverage, the limits, the deductibles, etc. Review this information annually with your agent and determine if your needs have changed. You can also find more information about insurance for small businesses by visiting colorado.gov/pacific/dora/node/90701.

BUSINESS INTERRUPTION INSURANCE

Business Interruption Insurance (also referred to as "Specific Time Element Coverage" can pay losses of income as a result of property damage that might occur to your business from either environmental factors, natural disasters or destruction by others, until you are able to begin operating again. Coverage limits will vary and are only for the amount of actual losses. Limited coverage for a specific amount of time and a specific amount of reimbursement (for example, coverage could be purchased for a 30-, 60-, 90- or 365-day period and would reimburse you for 50% of your profits) can help pay for your ongoing business expenses.

COMPLETED OPERATIONS INSURANCE

If you are a contractor, you can become insured for events that may occur after you leave the job site. Problems which may be covered include personal injuries or damage to someone's property as a result of something worked on malfunctioning or breaking. This is called Completed Operations Liability Insurance.

COMMERCIAL AUTOMOBILE INSURANCE

Colorado law requires this coverage. Therefore, if you have any type of motor vehicle titled in the business' name, you must carry the insurance in the name of the business also.

CYBER RISK INSURANCE

With cyber risk insurance, your needs will depend on the type, size, and other characteristics of your business. If your business sends or receives electronic data, uses or stores electronic data, then your business could have an exposure to a cyber-related loss. Cyber risk coverage or a cyber insurance policy is designed to help a business mitigate covered risk exposures by providing some insurance coverage for some costs involved with a cyber-related breach or similar event. This kind of insurance can provide both first-party (business owner) and third-party (customers, vendors, suppliers) coverages. The cyber insurance policy can provide first-party insurance coverage for losses associated with data destruction, theft, hacking and extortion. There can be coverage for costs associated with recovering data and repairing computer systems. Also, there can be coverage for some legal fees and expenses associated with notifying your customers about a breach. Cyber risk coverage can be added or endorsed onto other insurance policies. Be cognizant of exclusions and limitations of cyber risk coverage and a cyber insurance policy .

ERRORS AND OMISSION/ PROFESSIONAL LIABILITY INSURANCE

This is often recommended for employees, owners and directors of the business. Errors and omissions and professional liability coverage offer protection for employees and owners of the business against lawsuits that may arise as a result of their actions—or inactions—for duties performed during the course of business.

FLOOD INSURANCE

Flood insurance is generally not covered under Business Property Insurance. A separate policy, specific for flood risk, is required. Find out more about flood insurance and find agents in your area that sell flood insurance by visiting the website of the National Flood Insurance Program at floodsmart.gov. However, a business interruption insurance policy may cover loss of business continuity due to the flood or related events. Your policy will be specific about what is covered.

GENERAL BUSINESS LIABILITY

This is the broadest form of coverage that can protect you against losses when injury, damage or even death results to another person or his/her property because of business negligence. You may be responsible for obligations covering medical and disability expenses and even death and funeral compensation to the dependents of one who has been injured. Your obligations may even extend beyond the general liability for which you assume you are responsible.

Read the terms of the insurance contract carefully. Ensure that your general business liability insurance extends to any off-site premises and business locations or practices. Also know that Excess Liability coverage can be purchased.

HEALTH INSURANCE

Under the Affordable Care Act (ACA), employers with 50 or more full-time employees must either offer minimum essential health coverage that is "affordable" and provides "minimum value" to their full-time employees and their dependents, or potentially make a payment to the IRS for not doing so. This is called the "employer shared responsibility." These em- ployers (called "applicable large employers" or "ALEs") are also subject to information reporting responsibilities regarding the employee coverage.

Most employers with less than 50 full-time employees are not considered ALEs and are not subject to the employer shared responsibility to offer coverage. These employers can offer health coverage to their employees.

For smaller businesses, the ACA can help employers afford the cost of covering their employees. Businesses with fewer than 25 employees, and that provide health insurance, may qualify for a small business tax credit of up to 35% (up to 25% for non-profits) to offset the cost of health insurance. There are many more details to providing "affordable" coverage, understanding if your business is an ALE, how the reporting requirements work and how to qualify for the tax credits, so look for more information on these topics at irs.gov and healthcare.gov, as well as talking to your insurance agent or broker.

INLAND MARINE INSURANCE

This can cover specific high value items, such as a computer, or any property item which has some mobility, such as a motor truck cargo and contractor's equipment. It can also cover your property while it is away from your business premises.

PRODUCT LIABILITY INSURANCE

If you manufacture a product, product liability insurance can also cover the goods you produce. Coverage usually applies once you have given the product to someone else who will modify or alter it in some way or distribute it for wholesale or retail sale. Insurance coverage typically relates to the product itself, but may also protect you, as the manufacturer, should someone experience personal injury or property damage from the use of your product.

PROPERTY INSURANCE

This covers the property the business owns - both building and contents. It can also cover property of your customers'. You can be protected against losses in the event your business is damaged as a result of natural disaster, fire, burglary or vandalism that may destroy all or part of your property.

SURETY/FIDELITY BONDS

There are several types of surety bonds that you can purchase that cover a wide range of losses. Fidelity bonds are designed to protect a business or employer from losses due to the dishonesty of employees, partners or officers in the business. However, the amount of coverage may be limited, so you should check with your insurance agent as to the specific amount of coverage necessary. Performance bonds guarantee a business' perfor- mance because of an obligation or contractual agreement. If you default on a contract or agreement to do work, a performance bond will guarantee payment to the person who has contracted with you for the remaining work.

UNEMPLOYMENT INSURANCE & WORKERS' COMPENSATION INSURANCE

This is required by law if you have employees in your business. Refer to the Employer Responsibilities chapter of this book.

If you have questions, concerns or complaints about your insurance, insur- ance company or insurance agent/broker, please contact the Consumer Services Team of the Colorado Division of Insurance at 303-894-7490 or dora_insurance@state.co.us. Learn more at doi.colorado.gov.

Fox Haven Aesthetics
windsor

Examples of businesses that may be subject to environmental liabilities and regulation:

- Auto shop products (batteries, gasoline, oil, paint, tires)
- Bakeries, canneries, meat packing plants
- Breweries, distilleries
- Cement, asphalt, tar
- Chemical manufacturers, processors
- Dry cleaners
- Furniture manufacturers
- Explosives manufacturers
- Lumber mills, paper products producers
- Medical laboratories
- Hemp and marijuana producers
- Plastics and synthetics materials manufacturers
- Paint shops and manufacturers
- Pest control
- Print shops, publishers, copiers
- Refrigeration and air conditioning manufacturing/repair

TRADEMARKS, COPYRIGHTS & PATENTS

TRADEMARKS

WHAT IS A TRADEMARK?

A trademark or a brand is a word, name, phrase, logo or symbol used to identify your goods or services to distinguish them from those sold by other people. It serves as indication of the source of the goods or services, identifying who made the product and, through advertising, should guarantee the quality of the items with the mark on them. A trademark registration allows the holder to prevent anyone from using a brand that is likely to cause confusion with the registered mark for the same goods or services. Remember, a trademark identifies a product or service; a trade name identifies the business. A trademark will NOT prevent new businesses from registering the same name with the Secretary of State. The business owner must pursue private legal action to enforce his/her rights to the registered trade name.

HOW ARE TRADEMARK RIGHTS ESTABLISHED?

Trademarks can be registered at international, federal and state levels. If your business is only conducted within the state of Colorado's borders and not online, a state trademark registration may be appropriate. If filing only in Colorado, you may not register the trademark until you have actually used it in your business. If you intend to conduct your business in more than one state or on the internet, a federal trademark registration may be appropriate. If you intend to conduct your business internationally, you can obtain trademark registrations in the countries in which you conduct business. On the federal level, you may file based on a good faith or bona fide intention to use the mark. However, it will require additional paperwork and fees when it is placed into use in interstate commerce. Before filing, you should do a search of the USPTO database to determine whether the mark is already in use for similar goods or services. Federal registration confers the following benefits:

- Federally registered trademarks protect the mark across the United States, not just within the local area as common law trademarks do.
- All federally registered trademarks are listed on the USPTO database. This makes it easy for competing businesses to learn about your mark and avoid using it.
- Businesses show they have a registered trademark using the ® symbol, rather than the ™ symbol used for common law or state trademarks.
- Federally registered trademark holders can file lawsuits in a federal court to apply their trademark rights.
- Federally registered trademark holders can also register their marks with Customs and Border Protection to stop goods from entering into the United States.

WHAT ARE THE TERMS OF THE TRADEMARK?

Trademarks registered in Colorado are valid for ten years and may be renewed for an additional ten-year term, as long as the goods and services are still being used in the business. Trademarks registered with the federal government through the United States Patent and Trademark Office are valid for ten years. Between the fifth and sixth year, you must file an "affidavit of use" to certify that you are still using the trademark in commerce. Every ten years you may file an "affidavit of renewal" so long as the mark is still being used in interstate commerce.

WHERE DO YOU REGISTER A TRADEMARK?

Trademarks are registered with the Colorado Secretary of State (coloradosos.gov) if your mark is used only within Colorado borders. If your trademark will be used in more than one state, it may be registered with the U.S. Patent and Trademark Office at uspto.gov. The U.S. Patent and Trademark Office has a regional office in Denver, where you can find more information, receive one-on-one assistance and learn more about all forms of intellectual property. Find out more at uspto.gov/denver.

TRADE SECRETS

WHAT IS A TRADE SECRET?

A trade secret is a property right recognized by the government with re- gard to confidential information. A trade secret may be kept forever as long as the information is kept in confidence and is not available through a public source. A trade secret may apply to an idea, its description or any product or service that holds value as a result of it being held in confidence and thereby creating an advantage over those who do not have access to the secret. A trade secret represents a limited form of protection in that anyone is free to independently discover the secret or to determine the secret through analysis on any product ("reverse engi- neering").

WHERE TO REGISTER A TRADE SECRET

A trade secret is not registered with the government or with any entity. It must be kept secret by the owner. It requires the existence of an in-house trade secret program. The program must include guidelines on who may have access to the information and controls to prevent unauthorized disclosure. The proper maintenance of a trade secret program may be expensive. A trade secret lasts so long as you keep it a secret and misappropriation of a trade secret may be enforced in either state or federal court.

COPYRIGHTS

WHAT IS A COPYRIGHT?

Copyright is a form of intellectual property that protects the expression of an idea and is provided by the laws of the United States to the authors of "original works of authorship," including literary, dramatic, musical, artistic and certain other intellectual works. Copyright is available to protect computer software. This protection is available to both published and unpublished works. Section 106 of the 1976 Copyright Act generally gives the owner of a copyright the exclusive right to do and to authorize others to do the following:

- To reproduce the work in copies or phone records
- To prepare derivative works based upon the work
- To distribute the work to the public by sale or other transfer of

Rustic Nomads
aurora

ownership, or by rental, lease or lending
- To perform the work publicly
- To display the copyrighted work publicly
- In the case of sound recordings, to perform the work publicly by means of a digital audio transmission

WHERE TO REGISTER A COPYRIGHT

You can receive an application form and more information the Copyright Office – Library of Congress at copyright.gov. More information about copyright can be obtained at copyright.gov or through the Rocky Mountain Regional Office of the U.S. Patent and Trademark Office at uspto.gov/denver.

PATENTS

WHAT IS A PATENT?

A patent is a federally government-granted property right to exclude others from making, using, offering for sale or selling the invention in the United States, or importing it into the United States for a period of 20 years from the date of filing of a patent application. Patents may be issued for items which are new, useful and non-obvious.

WHAT CAN BE PATENTED?

There are three types of patents: plant, design and utility. A utility patent may be granted for any process, machine, article of manufacture, or composition of matter, or any improvement thereof that is novel, non-ob- vious and useful. A plant patent is directed to asexually reproducing dis- tinct and new variety of plants. A design patent is directed to the orna- mental features of an article of manufacture. To be ornamental means that the choice of shape or design does not provide functionality to the article. Novelty means that no one person has described the invention claimed in the application before. Non-obvious means that, given what came before, the invention must be sufficiently different from what has been. Useful means that some benefit must be derived from the item.

WHERE DO YOU APPLY FOR A PATENT?

A patent is obtained by application to the federal government through the U.S. Patent and Trademark Office. The application is a statement of the invention and how it works with any diagrams or artwork. The application must include a claims description with enough detail to allow anyone trained in the appropriate field of science to reproduce the item. There are two types of utility patent applications: provisional and non-provisional. A provisional utility patent application allows an applicant to obtain an early filing date while continuing to determine whether to pursue a non-provisional utility patent application. Only non-provisional patent applications are examined by the USPTO and can result in an issued patent. Before requesting a patent, you should search the list of existing patents to see if someone else already has patented a similar invention. The Rocky Mountain U.S. Patent and Trademark Office (RMUSPTO) and the Denver Public Library, Business and Government Documents Section have databases and lists of all existing patents. Only attorneys or agents registered with the U.S. Patent and Trademark Office may represent inventors before the office, although inventors may represent themselves. A list of registered patent attorneys and agents in Colorado can be found at uspto.gov/learning-and-resources/patent- and-trademark-practitioners/finding-patent-practitioner. Applications are filed electronically and you can obtain additional patent information from the RMUSPTO at uspto.gov/denver. Along with the written application, you must submit a description of the invention, a drawing, an oath testifying you are the original creator of your invention and an application fee (which varies depending on the type of patent).

HOW MUCH IT COSTS TO FILE A PATENT

The time and expense required to obtain a patent may be great relative to its technological complexity. The average time to obtain a patent following the submission of the application is about 24 months.

The average cost for filing a patent may range as high as $5,000 to $10,000; the majority of these fees are paid to the patent attorney who prepares the patent application. Prices vary greatly based on the complexity of the technology which is the subject of the application. Although the monopoly control of the patent has potential for large financial gains, a patent does NOT guarantee commercial potential or profits.

THE TERM OF A PATENT

Patents are granted for 20 years, except for certain ornamental designs which may be issued for a term of 15 years. The patent grants the holder the right to exclude anyone else from using the technology for the life of the patent.

ADDITIONAL INFORMATION ABOUT PATENTS

“General Information Concerning Patents” is available online at uspto. gov and in booklet form at the Denver Public Library and at the RMUSPTO. “Management Aids, #6.005, Introduction to Patents,” is available from the U.S. Small Business Administration. You can also look up RMUSPTO Educational Seminars at uspto.gov/denver.

All information within this resource book and website is for informational purposes only and is not intended to be legal, tax, business or other professional advice. It is current to the best of our knowledge as of the date of publication. You should contact an appropriate professional to discuss any issue particular to you or your business and only rely upon your own research into those issues. Use of and access to this resource book or the associated website does not createtionship between the publisher, authors, and the reader, or any other individual or entity. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAWS, THE MATERIALS AND INFORMA- TION IN THIS RESOURCE BOOK AND WEBSITE ARE DISTRIBUTED ON AN "AS IS" BASIS WITH- OUT WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITA- TION, WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE.

The Local Honey Collective
colorado springs

Banking solutions that fit your business goals.

Ent Business Advisors take the time to understand your business and match you with the right financial solutions.

- Easily manage your accounts online.
- Enjoy tailored checking account benefits.
- Achieve your goals with streamlined lending.
- Receive dedicated guidance for your business.

Ent.com/DedicatedSupport

Email us at **BankerService@Ent.com**
or call us today to get started.
(719) 574-1100 or 800-525-9623

Ent®
Business Banking

*Qualifications apply. Fees may apply for additional services, including exceeding 100 transactions per month. Minimum opening deposit of $100 required.
For important account information, visit Ent.com/Legal. Insured by NCUA | © 2022 Ent Credit Union