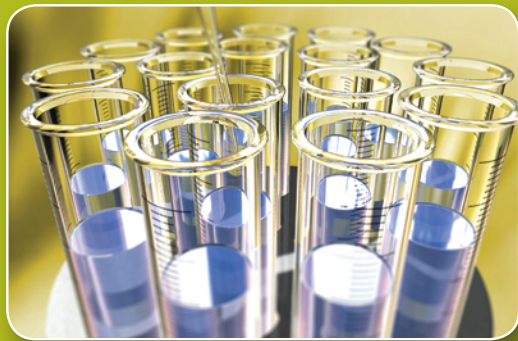


Colorado

The Colorado Business Resource Guide

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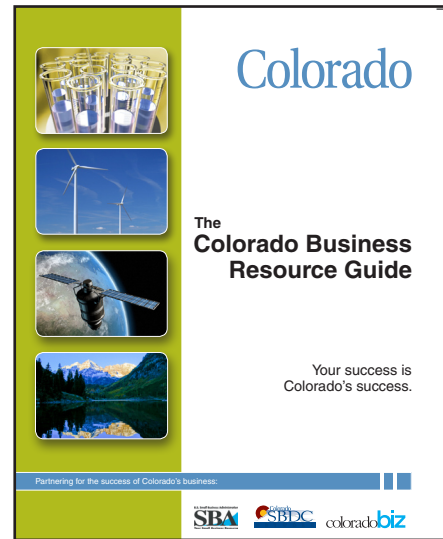
Partnering for the success of Colorado's business:



A PARTNERSHIP FOR BUSINESS SUCCESS – COLORADO STYLE!

DEAR ENTREPRENEUR,

Thank you for requesting The Colorado Business Resource Guide! This book is one of the most successful and comprehensive business start-up guides in the nation. The Colorado Business Resource Guide is made possible by a collaborative effort between federal and state business assistance agencies and the private sector. As federal and state agency budgets are reduced, this public-private partnership has become the most cost-effective way to produce this tremendous guide. Since its inception in 1998, more than 200,000 copies of The Colorado Resource Guide have been distributed to entrepreneurs across Colorado and the nation. This year's partners include: *ColoradoBiz* Magazine, Colorado District Office, Colorado Office of Economic Development and International Trade, and the Colorado Small Business Development Center Network. 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 new small business. Nearly 98% of all firms in Colorado are considered small. Over 52% of all private sector workers are employed by small businesses. Small business is big business in Colorado! Get involved and take advantage of the support, education and business information outlined in The Colorado Business Resource Guide. Make it a permanent and well-used resource. Our programs will 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 away.



BEST OF LUCK IN ALL YOUR FUTURE BUSINESS ENDEAVORS.



This publication was produced in part through a cooperative agreement with the U.S. Small Business Administration. All opinions, conclusions or recommendations expressed are those of the author(s) and do not necessarily reflect the views of the SBA. SBA's participation in this guide does not constitute or imply its endorsement of any opinions, products and/or services (SBA authorization # 04-0811-58). All SBA programs are extended to the public on a nondiscriminatory basis. For the SBA office nearest you, check the U.S. Government pages in the telephone directory, visit our website at www.sba.gov, or call the U. S. Small Business Administration's Colorado District Office at (303) 844-2607 or FAX (303) 844-6539.

THE COLORADO BUSINESS RESOURCE GUIDE

This guide is the product of a joint effort by the Colorado Office of Economic Development and International Trade (OEDIT), the Colorado Small Business Development Centers (SBDC), the U.S. Small Business Administration (SBA) and Colorado District Office. It provides general information to assist you in starting and maintaining a business in Colorado. This Guide references most city, state and federal forms needed to establish a business in Colorado. Depending on your individual requirements, you may obtain these forms on the Internet or request an individual packet:

- **The application for the Employer Identification Number, Form SS-4**

This application is for a Federal Employer Identification Number (FEIN), which must be filed by all businesses except sole proprietors. A sole proprietor is only required to file this form if he/she will have employees. A sole proprietor without employees may be asked for an FEIN by a banking institution, but it is not required. A Sole Proprietor uses his/her Social Security number for income tax purposes. There is no fee associated with processing the application or issuing an FEIN. You can apply by mail or fax.

- **Industry Specific Licensing Information**

This is included when there are state and/or federal licensing, permitting –or registration requirements for your particular business.

- **The Colorado Business Registration, Form CR100**

This is a multipurpose form used to open state sales and use tax accounts, and establish state withholding and unemployment insurance accounts.

- **The Trade Name Registration**

Is done online with the Secretary of State www.sos.state.co.us. This is used by general partnerships and sole proprietors who only need to register their trade name.

- **City Sales Tax Applications**

These are required for city sales tax licenses or business registration. For city forms, contact the appropriate city clerk.

- **Secretary of State forms**

To obtain any forms that must be files with the Secretary of State please contact the Secretary of State at (303) 894-2200, www.sos.state.co.us or your SBDC Small Business Hotline at (303) 592-5920 for assistance.

If you need applications or have further questions, please contact:

**SBDC SMALL BUSINESS
HOTLINE at**

(303) 592 – 5920

Good luck and best wishes for a prosperous future in your new business!

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?

Starting a business is risky. Understanding the risks and reducing them through careful planning improves the chances for business success. You should be fully aware of the implications of owning your own business. A new business venture will affect both you and your family. Carefully analyze your reasons for starting a business. How will it fit with your family and your lifestyle?

- ✓ 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?
- ✓ Have I decided upon the legal structure of my business, chose a business name and registered my business with the appropriate city, state and/or federal agencies? Sole proprietors, general partnerships, and unincorporated non-profit associations are registered with the Colorado Secretary of State online. Refer to the Legal Structure and Registration chapter of this Guide.
- ✓ If your business will have employees, you must open federal, state and local wage withholding and payroll tax accounts. File Form CR100 with the Colorado Department of Revenue. File Form SS-4, Application for Employer Identification Number, with the Internal Revenue Service, by mail, fax or Teletin. Obtain workers' compensation insurance from a private insurance carrier, an independent insurance agent. Refer to the Employer Responsibilities chapter of this Guide.
- ✓ 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. Refer to the Colorado Sales Tax chapter of this Guide. Starting a business is risky. Understanding the risks and reducing them through careful planning improves the chances for business success. You should be fully aware of the implications of owning your own

business. A new business venture will affect both you and your family. Carefully analyze your reasons for starting a business. How will it fit with your family and your lifestyle?

- ✓ Am I aware of the personal and business tax implications of starting my own business? Refer to the Income and Property Tax chapter of this Guide and/or contact the Internal Revenue Service at 1-800-829-1040 or www.irs.gov for more information.

- ✓ Have I defined the products or services I will provide? Is there actually a need for what I will provide in today's marketplace? Is the demand great enough to be profitable? Who are my competitors? What is my competitive advantage? Develop your marketing strategy. Refer to the Marketing chapter of this Guide.

- ✓ Are there any special licenses required for the business I am starting? If you need industry specific information, call the SBDC Small Business Hotline at (303) 592-5920 The Small Business Development Centers (SBDC) has comprehensive information on federal, state and local business licensing requirements.

- ✓ Have I found the best location for my business? The Colorado Department of Transportation, 4201 E. Arkansas Ave., West Annex, Room A-100, Denver, CO 80222, (303) 757-9488 or www.dot.state.co.us has information on traffic patterns on state highways. Some local governments have information on city and county roads. They may also have information on local population demographics. The U.S. Census Bureau, (303) 264-0220, and Colorado State Data Center, (303) 866-4147, are also useful resources for population demographics. Be sure to observe pedestrian movement during business hours to estimate walk-in potential.

- ✓ Have I checked with the city and county government authorities regarding any special business regulations, sales taxes, personal property taxes and zoning restrictions affecting my business for every location where you conduct business?
- ✓ Have I sought management advice and counseling? Assemble your team of professional advisors, i.e., accountant, attorney, insurance broker, real estate agent, etc. Your local Small Business Development Center, SCORE chapter, the Small Business Administration, trade associations and your local chamber of commerce all are good resources. Refer to the Choosing Advisors and the Sources of Assistance chapters of this Guide.
- ✓ Have I developed 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 Guide.

- ✓ Have I developed a financial plan, including profit and loss projections, cash flow analysis and capital requirements? Determine the proper pricing strategy for your product or service. Do I have enough resources to adequately support my business and myself until I begin making a profit? What type of financing will my business need? What financing options are realistic for my situation? Refer to the Business Plan and the Financing Options chapters of this Guide.
- ✓ Have I identified your liability risks? Obtain adequate insurance coverage. Protect your

The best advice for anyone starting or operating a business is to EDUCATE YOURSELF. This Guide is only a first step. It outlines the basic information you need to start you business. This following checklist can be used as a guide as you start your business.

business activities far enough in advance to cover your growth. Refer to the Liabilities and Insurance chapter of this Guide.

- ✓ Have I protected your ideas, products, symbols and logos through proper registration and maintenance? Refer to the Trademarks, Copyrights and Patents chapter of this Guide.

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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 start-



ing 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. 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 and to set everything up from square one. Factors you need to consider when forming a new venture include: legal structure, location, marketing and advertising, facilities, equipment, employees, taxes, a records 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

There are typically three avenues available when going into business: starting a new venture, buying an existing business or purchasing a franchise. It is advisable to seek professional accounting and legal help before starting any business.

existing business, you may also acquire its debts. Purchasing an existing business can be fairly complex. The following is a brief summary of some of the concerns of which you should be aware:

- 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?
- Do you know why the seller is 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? The debts? Be sure the exact terms of the sale are explained clearly, in writing, before you buy.
- Ask the seller about outstanding claims on inventory, equipment and fixtures. Whose responsibility will it be to settle these claims?
- Are there liens against the property you are buying? Check with the seller and recorder's office in the county where the business and the seller are located. Check with the Colorado Secretary of State, Uniform Commercial Code Section, 1700 Broadway, Suite 200, Denver, CO 80202, (303) 894- 2200 then press 2, or at www.sos.state.co.us 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?
- Review the business' past and current financial statements. Are they in good order? Examine any existing contracts that affect the business.
- Can you transfer the existing phone number? The phone service may require information from both you and the seller.

Tax Liabilities

If you purchase a retail business you may

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 employers 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 UILT-2 to report the change in ownership for unemployment tax purposes. For more information on payroll tax requirements see the Employer Responsibilities section of this guide.

be liable for sales 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 DR0096. 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 \$7 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 furniture, fixtures or equipment (new or used) pay state sales tax using form DR 0100A. For further information about state tax liabilities when purchasing a business, contact the Colorado Department of Revenue, (303) 238-SERV (7378). Many cities and counties also collect a sales tax. All county sales taxes and most city



sales taxes are collected by the state. “Home Rule” cities may collect sales/use taxes directly. 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 use and personal property taxes. Except when purchasing the stock of an existing corporation and continuing the operations of that corporation, you must establish all new tax accounts when buying an existing business. The previous owner’s sales tax licenses, state wage withholding, unemployment insurance accounts and federal employer identification numbers do NOT transfer to you, the new owner.

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 you depending upon the quality and stability of the franchiser. While fewer than five percent of all franchised businesses fail annually, success is not guaranteed. You should not rush into franchising before completing a thorough

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?

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 Guide.

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 franchiser 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. Many times the classified sections of your local newspaper or magazine have listings of franchise offers. Franchise fairs and conventions are another method for learning about different franchise opportunities.

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. There are, however, 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.

Before You Buy

- **Always** ask for a disclosure statement. The Federal Trade Commission, 1 (877) FTC-HELP (382-4357), 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 franchiser. The franchiser should make the names of her/his other franchisees available to you.
- Investigate the franchiser’s earnings claim. Is it 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 (not one recommended by the franchiser) attorney, CPA or business advisor who is familiar with franchise laws to examine the terms of the franchise offer before you sign 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.

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 free from the Federal Trade Commission, by calling 1-877 FTC-HELP (382-4357).

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There are several issues that you should consider when determining the legal structure of your business. First, to what extent will you be personally at financial and legal risk? Second, who will have the controlling interest 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 www.sos.state.co.us. It is the most common form of legal structure for new small businesses.

Advantages – It 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 business is unable to meet its financial obligations, creditors may pursue the personal assets of the owner. The sole proprietor is generally lim-

When you start your business, you must decide what legal structure it will have. There are several choices of business formats in Colorado including sole proprietorship, general partnership, limited partnership, corporation, limited liability company, registered limited liability partnership, registered limited liability limited partnership and limited partnership association.

ited to financing 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 business as a general partnership if both are listed as owners of the business for state sales tax and employment taxes.

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.

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 online at www.sos.state.co.us.

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 percent 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.

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.

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, and
- 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 that 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

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.

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.

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 be filed by March 15th 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 be 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 percent 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 certain qualifying trusts or certain qualifying exempt

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 yourself 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, incorporated 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 by going online at www.sos.state.co.us select business center, then under the business information column you can search business database to see if the name is being used. If it is not being used go to file a document and you are creating 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 charge card. The Secretary of State is located at 1700 Broadway, Suite 200, Denver CO 80202, and there phone number is 303-894-2200.

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.

Duration, the life of a corporation, is perpetual unless otherwise stated in the Articles of Incorporation. This means that a corporation will exist for an indefinite period of time, potentially forever, unless a specific number of years are stated. Most corporations are perpetual in duration.

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

Common Stock normally has the following characteristics:

- The right to vote for the board of directors.
- The right to receive dividends when declared by the board of directors.
- 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:

- Very limited voting rights.
- Preference over common stockholders for receiving dividends.
- A preference over common stockholders, after creditors, in the distribution of assets if the corporation is liquidated.
- 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 determined 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 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 corporation'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.



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, contact the IRS, at 600 17th Street, Denver, CO 80202- 2490, 1-800-829-1040.

Limited Liability Company

The Colorado Limited Liability Company Act was adopted in 1990. An 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

BUSINESS REGISTRATION		
	Secretary of State	Internal Revenue Service
Sole Proprietorship	●	
General Proprietorship	●	●
Limited Partnership	●	●
Corporation	●	●
Limited Liability Company	●	●
Limited Liability Partnership	●	●
Limited Partnership Association	●	●
Nonprofit Organization	●	●

This table describes business registration requirements only. If you make product, sale or have employees refer to the Sales Tax and Employer Responsibilities chapter of the guide.

www.sos.state.co.us
www.irs.gov

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.

Limited Liability Partnerships & Limited Liability Limited Partnerships

The Limited Liability Limited Partnership Act became law July 1, 1995. The intent of the law is to create a form of legal structure that is similar to S Corporations and Limited Liability Companies. Registered Limited Liability Partnerships (LLP) and Registered Limited Liability Limited Partnerships (LLLLP) 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. Filing a “Registration Statement” with the Colorado Secretary of State creates both entities. 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 Secretary of State) 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.

Limited Partnership Associations

The Colorado Limited Partnership Association Act created the new form of legal structure called the Limited Partnership Association (LPA) and became law on July 1, 1995. This new entity is 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. Under the Act, 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 very new and at this time there are few interpretive guidelines.

Nonprofit Organizations

Nonprofit is a term that refers to an organization that 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

Clubs or other less formal groups that do not intend to seek any special tax-exempt status or to exist beyond the current members normally form nonprofit associations. 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 online with the Secretary of State at www.sos.state.co.us. 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

HOW TO DO A NAME SEARCH

To search for all businesses registered in Colorado, it is necessary to do a name search with 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 by going to www.sos.state.co.us. Then Click on Business Center when the page changes the left hand column will have 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.

the Secretary of State in accordance with the Colorado Nonprofit Corporation Act and file annual reports in order to update the current name and address of its registered agent and its principal office address. Submitting the annual report also maintains the good standing of the entity with the Secretary of State. For the necessary forms to become a Nonprofit Corporation, contact the Secretary of State, 1700 Broadway, Suite 200, Denver, CO 80202, (303) 894-2200, www.sos.state.co.us.

Register to Solicit Contributions

If a nonprofit intends to solicit contributions in Colorado, it must also register for charitable solicitations with the Secretary of State before it begins raising funds, and it must renew the registration annually. This is separate from the requirement to file an annual report with the Business Division of the Secretary of State's office. Be advised that the legal definition of "solicit" is quite broad, so it is generally safe for an organization to assume that if it holds itself out as a nonprofit eligible to receive tax-deductible contributions, it is required to register. It can do so online at www.sos.state.co.us by going to the Licensing Center, Charities and Fundraisers Registration section of the web site. Contact the Secretary of State, Licensing Division, Charitable Solicitations Section, 1700 Broadway, Suite 300, Denver, CO 80290, (303) 894-894-2200 ext. 6487, charitable@sos.state.co.us.

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 Internal Revenue Service (IRS) to nonprofit organizations to determine their status for paying federal income taxes. Forming a nonprofit association or even a non-profit corporation does NOT automatically establish tax-exempt status. In addition, there are three types of tax-exempt benefits, and one does not automatically grant the other. The first step to becoming tax exempt is determining federal tax-exempt status. There are a number of ways under Internal Revenue Code 501(c) by which an organization may qualify for federal tax-exempt status. Generally, only organizations that have received federal tax-exempt status under 501(c)(3) qualify for Colorado sales tax-exempt status. 501(c)(3) status is issued only to religious, charitable, literary or educational organizations, organizations that promote national or international amateur sports competition and organizations for the prevention of cruelty to children or animals. Contributions made to 501(c)(3) organizations are tax deductible to the donor. Other organizations may become tax-exempt under other subsections of 501(c). Publication #557, "Tax-Exempt Status for Your Organization," is a useful IRS publication in determining an organization's tax-exempt status. Organizations that wish to become tax exempt under 501(c)3 must file IRS Package #1023, Application for Recognition of Exemption. Organizations that wish to qualify for all other types of 501(c) nonprofit status should refer to Publication #557 for filing requirements. It may take six months or longer for the IRS to process an application and issue a Letter of Determination estab-

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 online at www.sos.state.co.us. Registration of the trade name does not grant exclusive rights to the use of the trade 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 at www.sos.state.co.us. Under "Business Center" you will see "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, online at www.sos.state.co.us. 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. The Secretary of State will not accept paperwork from a business if another business is already using the same name under the same legal structure.

Secretary of State
1700 Broadway, Suite 200
Denver, CO 80202
(303) 894-2200
www.sos.state.co.us

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:

- a) Filing a completed form SS-4 with the IRS EIN Operation unit for your state Philadelphia, PA 19255 & you'll receive your FEIN within four weeks;
- b) Calling Tele-tin, (800) 829-4933 Monday through Friday 8am- 10pm (for your time zone) and you'll receive your FEIN immediately; or

- c) Faxing your SS-4 to FAX-TIN number (215) 516-3990. FAX-TIN is available 24 hours a Day 7 days a week. Be sure to include a cover sheet showing your FAX number and you should receive your FEIN within four business days. The form can be obtained from the IRS, 1-800-829-3676 or through their website www.irs.gov under forms.

Sole proprietorship owners with no employees may use their social security 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 www.irs.gov

Department of Revenue

Registering for a Sales tax License/Employees

If you will have sales and/or employees, you must use form CR0100, "Colorado Business Registration." The CR0100 will open your sales tax license, state wage withholding and unemployment insurance accounts. You can download the form at www.taxcolorado.com or it can be obtained from the Colorado Department of Revenue at (303) 238-3278, or from the SBDC Hotline at (303) 592-5920. Completed forms may be sent by mail to the Colorado Department of Revenue, 1375 Sherman Street, Denver, CO 80261 or delivered in person at one of the local service centers:

- Colorado Springs
4420 Austin Bluffs Pkwy.
- Denver
1375 Sherman St. Room 160
- Fort Collins
1121 W. Prospect Road, Bldg D
- Grand Junction
222 S. Sixth St., Room 208
- Pueblo
310 E. Abriendo Ave., Suite A4

Forms are also available through the Colorado Department of Revenue website located at www.taxcolorado.com or call (303) 238-3278. NOTE: Via mail, you will receive confirmation of your accounts in approximately 3-4 weeks. Local service centers will establish accounts while you wait.

lishing federal nonprofit, tax-exempt status. Contact the IRS at:
 1) 600 17th Street, Denver, CO 80202,
 2) Call 1 (800) 829-1040 or
 3) Visit their website at www.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 accompany application Form DR 715. 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 local sales taxes will be granted. A Letter of Determination from the IRS does not guarantee Colorado tax-exempt status. For additional information, contact the Colorado Department of Revenue, Taxpayer Services Division at (303) 238-7378 or visit www.taxcolorado.com.

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 1313 Sherman, Room 419, Denver, CO 80203, (303) 866-2371.

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 112 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 Guide.

Private Assistance for Nonprofits

Colorado Non-Profit Association is a statewide “trade association” for non-profits in Colorado. Colorado Non-Profit Association is a diverse group of more than 1,100 nonprofit

members. It provides information programs, publications and group purchasing services. Colorado Non-Profit Association helps charitable and philanthropic nonprofits manage their organizations and resources. It represents the nonprofit sector and serves as a bridge between the public and private sectors. There bookstore sells a number of useful publications including “How to Form Your Own Nonprofit Corporation” and “Fiscal Sponsorship: 6 Ways to Do It Right.” For more information, contact them at 455 Sherman Street #207, Denver, CO 80203, (303) 832- 5710, 1-800-333-6554. 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 leadership training for directors. CRC also publishes the “Colorado Grants Guide” and the “Colorado Funding Report.” For more information contact CRC at 655 Broadway, #300, Denver, CO 80203-0426, (303) 623- 1540, visit their website at www.crcamerica.org, or email info@crcamerica.org

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. A cooperative allows a group of separate individuals or individual businesses to join together for a common purpose such as the bulk purchase of materials, for sharing 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 single independent business. In a cooperative, each member generally has only one vote regardless of the amount of equity owned. This one-member, one-vote approach makes cooperatives very democratic. This 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 conducted. However, it does not take into account the amount of financial and/or time commitments made to the organization. In a non-cooperative 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 government requirement is the registration of a trade name with the Secretary of State online www.sos.state.co.us. However, you must also adopt and have available for members a constitution, articles of association or a written declaration of organization.

Most groups, however, organize as a corporation. Organizing as a corporation has three advantages.

- The personal liability of each member for losses suffered by the cooperative is limited to the member’s equity in the cooperative.
- The cooperative exists independently of the original organizers. 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.
- Organizing as a corporation conveys the image of a solid, long-lasting venture to members and outsiders.

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. Doing business in Colorado is NOT defined by statute but commonly refers to any business with a physical location in Colorado and/or operation that will extend beyond 30 days.

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 Guide for more information on filing requirements.

LEGAL STRUCTURE SUMMARY

When starting your own business, you must carefully choose the appropriate legal structure for your business. 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 the Secretary of State website: www.sos.state.co.us.

1) Sole Proprietor – This is a single individual who owns and operates the business. There is no legal separation between the individual and the business. She/he benefits from 100 percent of the profits and is personally responsible for 100 percent of all the debts and liabilities of the business. If you and your spouse run your business together you have the option of registering your business as a sole proprietor or a general partnership. Colorado law allows a husband and wife to register as a sole proprietor when they register their ownership under one legal name only with the Colorado Secretary of State. The law allows the second spouse full responsibility for the business.

2) Married Couples – Couples are encouraged to consult a competent tax professional to determine the exact tax implications for themselves and their business. You and your spouse may run your business together and share in the profits. Be aware, though, that your business may be considered a partnership.

3) General Partnership – This is very similar to a sole proprietorship except that there are two or more individuals or entities who own the business. A general partnership offers the means for pooling all resources and sharing control of a business. There is relatively little formality required to establish and run the business, and control remains with the partners. However, all partners remain 100 percent responsible for all the debts and liabilities of the business, regardless of any partnership agreement outlining work responsibilities and shares of profit.

4) Limited Partnership – This provides the ability to acquire additional capital while avoiding the need to borrow as the general partner(s) maintain(s) control of the day-to-day operations of your business. The general partner(s) is/are 100 percent responsible for all the debts and liabilities of the business. The limited partner's liability does not exceed his/her investment in the business. However, the limited partner may not be involved in the operations or management of the business.

5) Corporation – This is a legal entity separate from the owners of the business. There are significant formalities that must be observed to properly operate a corporation. The corporation provides a wall of liability protection between the business and the owners. It has the ability to raise capital by issuing stock. While the limited liability enjoyed by shareholders may appear attractive, most creditors will probably require a personal guarantee as collateral. The corporation must pay its own taxes in addition to the owners, and owners who work in the business are considered employees. A corporation may become an "S" Corporation through application to the IRS. This will eliminate the double taxation of a corporation, but may result in the loss of some tax deductions and reduce flexibility on the handling of business losses. It does NOT eliminate employer responsibilities for corporate officers.

6) "S" Corporation – This is not a separate form of legal structure, but rather a special tax status granted by the IRS 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."

7) Limited Liability Company – This combines the benefits of liability protection in a corporation with a more simplified tax structure like a partnership. It is similar to an S Corporation without the IRS restrictions. However, limited liability companies are a relatively new form of business structure.

8) Limited Liability Partnerships and Limited Liability Limited Partnerships – These are new forms of legal structure in Colorado since July 1, 1995. They are similar to limited liability companies with principal benefits to all owners who are members of a single licensed profession. Anyone considering the formation of a limited liability partnership or a limited liability limited partnership is strongly encouraged to use an attorney.

9) Limited Partnership Association – This is a new form of legal structure in Colorado effective July 1, 1995. This structure is different from a partnership or limited liability partnership in that the association has an indefinite life. Its existence does not terminate upon the disassociation,

death or bankruptcy of any of its partners. For more information about this structure it is strongly recommended that you contact an attorney for specific liability protection.

10) Nonprofit – This is a term that refers to an organization that uses all profits to further organizational goals instead of distributing the profits to shareholders, organizers or owners. In Colorado, an organization may choose to be an unincorporated nonprofit association or a nonprofit corporation. Establishing tax-exempt status is a second process that is

completed by filing either Package #1024, "Application for Recognition of Exemption Under Section 501(a)" or #1023, "Application for Recognition of Exemption," with the IRS.

11) Cooperative – This is a legal organization that is formed by a group of individuals and/or businesses that desire to work together for their "cooperative" benefit. It allows a group of separate individual businesses to join together for a common purpose such as the bulk purchase of materials, for sharing office space or to sell common products. 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 accountant, attorney and other professional advisors.



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. If you will be filing as an S Corporation, your business income will be taxed as a partnership and will be exempt from corporate income taxes, although a corporate income tax return must still be filed.



Working corporate officers are still treated as employees, even in an S Corporation, and must be paid a reasonable wage that is subject to all payroll taxes. At the end of your corporation’s fiscal year, you must figure its net taxable income or net loss. To do this, you subtract 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 from the IRS a summary of the current applicable federal tax laws. IRS Publication #542, “Corporations,” is a useful guide in de-

This section outlines the general income tax laws that you will encounter when you own your own business. For more specific information you should contact the Internal Revenue Service, 1-800-829-1040 or www.irs.gov and the Colorado Department of Revenue, (303) 238-FAST or (303) 238-SERV.

termining your federal tax liability.

Every corporation, including S Corporations, “doing business” in Colorado or deriving income from Colorado sources must file a corporate income tax return with Colorado. Colorado taxable income is determined by adding and/or subtracting various adjustments to your federal

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 112 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

IRS AND THE INTERNET

The IRS is on the Internet and you can download and print any of the 600 federal tax forms and instructions, approximately 90 tax publications and other tax information materials. www.irs.gov

Corporation.” At the end of the year you will file your corporate state tax on Form 0112. 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 company, limited liability partnership, limited liability partnership or a limited partnership association, you must file state and federal partnership income tax returns. The partnership business is not required to pay income tax. 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

taxable income. If your corporation is “doing business” in Colorado as well as other states, you must apportion to Colorado the share of your income derived from sources within Colorado. There are two methods that may be used to determine state corporate income tax. Contact the Colorado Department of Revenue for more information at (303) 238-FAST (3278), (303) 238-SERV (7378) or on their website at www.taxcolorado.com. 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 now required to file and pay estimated taxes



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 0106. Each partner in the partnership is then responsible for his/her own income and self-employment taxes as an individual. If you expect to owe the IRS more than \$1000 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 104-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 retirement benefits are based. IRS Publication #541, "Partnerships," is a useful 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 employer 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-Employment Tax" and Publication #587, "Business Use of Your Home." Contact the IRS directly at 1-800-829-1040 for these publications and any additional information on calculating your taxable income and federal tax payments. Colorado income tax is a flat 4.63% of your adjusted federal taxable income. 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 104-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 County Treasurer is responsible for mailing and collecting the actual property tax bill. Agricultural and natural resources are treated somewhat differently. You should contact your local county assessor regarding property taxes, personal and real estate, whenever you start a new business.

FOR YOUR INFORMATION

Businesses with more than \$200,000 of annual employment tax obligations and \$50,000 in Colorado State withholding have been required to make electronic payments since July 1, 1999. All businesses may be required to use the electronic system sometime in the future. For more information on EFTPS (Electronic Federal Tax Payment System), call the IRS at 1-800-555-4477 or 1-800-945-8400.

- For more information on federal taxes, contact the Internal Revenue Service at 1-800-829-1040 or visit its website at www.irs.gov.
- For more information on Colorado income taxes, contact the Colorado Department of Revenue at (303) 238-FAST or (303) 238-SERV.
- Property taxes are due on Real Estate and Personal Business Property.
- The Internal Revenue Service's Small Business Tax Education Program. (STEP) is a cooperative program with Small Business Development Centers and other local organizations to provide business tax education to the small business owner.
- Check into the IRS Small Business Tax Education Program in your area and take the first STEP to Making Your Taxes Less Taxing! Assistance is only a phone call away at 1-800-829-1040.

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 responsible for paying state and federal unemployment taxes (SUTA and FUTA).

ENTERPRISE ZONES

An Enterprise Zone is defined as an economically lagging area of Colorado in which special tax incentives are offered to businesses that expand or locate in the zone. More information can be found in FYI General 6 “General Information about Colorado Enterprise Zones” available from the Department of Revenue at www.taxcolorado.com or by calling (303) 238-7378. The purpose of the tax incentives is to encourage economic development in the zone. There are ten tax credits or exemptions which may be taken by businesses located within a zone, including:

1. The Investment Tax Credit for businesses located in a Colorado Enterprise Zone. A 3.0% tax credit is available for equipment used solely and exclusively in a designated enterprise zone. Request FYI Income 11 for more information.
2. New Business Facility Job Tax Credit is available for new or expanding businesses located in an enterprise zone that create new jobs. A \$500 tax credit against state income taxes is available for each employee. Request FYI Income 10 for more information.
3. New Business Facility Job Tax Credit for Agricultural Processing is available for new business facility employees for businesses which add value to agricultural commodities through manufacturing or processing. Request FYI Income 10 for more information. Businesses located in an enterprise zone in a county that has been designated as an Enhanced Rural Enterprise Zone can qualify for an additional credit of \$2,000 per new job (for a total credit of \$2,500 per new job), and an additional credit of \$500 per new agricultural processing job (for a total credit of \$3,500 per new job).
4. New Business Facility Job Tax Credit for Employer Health Insurance is also available for each new business facility employee who is insured under a qualifying employer-sponsored health insurance program. Request FYI Income 10 for more information.
5. Research and Development Tax Credit for R&D carried on in an enterprise zone. Request FYI Income 22 for more information.
6. Tax Credit for Private Contributions to Enterprise Zone Administrators may be taken by any taxpayer who makes monetary or in-kind contributions to an enterprise zone administrator for the purpose of implementing the economic development plan of the zone. Request FYI Income 23 for more information.
7. Tax Credits are available for the Rehabilitation of Vacant Commercial Buildings located in an enterprise zone. Request FYI Income 24 for more information about this credit.
8. Job Training Credit will help employers who carry out a qualified job training program for their enterprise zone employees.

Businesses may claim an income tax credit of 10 percent of their eligible training costs. Request FYI Income 31 for more information about this credit.

9. State Sales and Use Tax Exemption for Manufacturing and Mining Equipment used in an enterprise zone. This exemption is for equipment used directly in the manufacturing or mining process (including gas and oil). It applies to sales and use tax and state-collected local taxes. Request FYI Sales 10 for more information on manufacturing equipment. Request FYI Sales 69 for more information on the mining equipment exemption.
10. Local Government Tax Incentives may be negotiated by any city or county within an enterprise zone with individual taxpayers who have qualifying new business facilities: (a) an incentive payment or property tax credit equal to or not more than the amount of the increase in property tax liability over pre-enterprise zone levels; and (b) a refund of local sales taxes on purchases of equipment, machinery, machine tools, or supplies used in the taxpayer’s business in the enterprise zone. FYI’s can be found on the Department of Revenue’s website, www.taxcolorado.state.co.us/TPS_Dir/wrap.asp?incl=FYI_index_rev or by calling (303) 238-7378.

LOCAL ENTERPRISE ZONES

There are currently 16 Colorado enterprise zones, 13 of which have subzone administrators. An individual zone may include all of several counties in rural areas or small portions of a single county in urban areas. The exact boundaries of a zone and the certification of a qualified business within an enterprise zone are determined by the local administrators. Businesses should contact their local administrator listed below or the State Enterprise Zone Administrator, 1625 Broadway, Suite 2700, Denver, CO 80202, (303) 892- 3840 for more information. Check for updated phone numbers and links to local enterprise zone websites on the Office of Economic Development’s enterprise zone website, www.advancecolorado.com.

- Adams County (303) 450-5106**
- Arapahoe County (303) 762-2347**
- Denver (720) 913-1640**
- East Central Colorado (719) 348-5562**
- El Paso County (719) 520-6480**
- Greeley/Weld Counties (970) 356-4565**
- Jefferson County (303) 202-2965**
- Larimer County (970) 498-6605**
- Mesa County (970) 243-5242**
- Northeast Colorado (970) 867-9409**
- Northwest Colorado (970) 625-1723**
- Otero County (719) 383-3000**
- Pueblo County (719) 583-6541**
- San Luis Valley (719) 589-6099**
- Upper Arkansas (719) 395-2602**
- South Central (719) 845-1133**
- Southeast Colorado (719) 336-3850**
- Southwest Colorado (970) 247-9621**
- West Central Colorado (970) 249-2436**



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

You may only deduct work-related expenses when they exceed two percent 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.

NOTE: Businesses with more than \$200,000 of annual employment tax obligations have been required to make electronic payments since July 1, 1999. All businesses may be required to use the electronic system sometime in the future. For more information on the system, call the IRS Electronic Federal Tax Payment System (EFTPS) at 1-800-555-4477, 1-800-945-8400 or on the web at www.eftps.gov.

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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, "Business Registration." 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 cost \$16 for a two-year period. Apply for the sales tax license on form CR 0100, "Business Registration." 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, then there is no charge. Apply for the single event license on form DR 0589, "Special Event Application".

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".

If you sell, rent or lease tangible personal property 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. General sales tax reference guide, DR 0099, is at www.taxcolorado.com.

Local Licenses

All county and most city sales taxes are collected by the state. However, there are 63 home-rule cities in Colorado that collect their own city sales tax. Any city or county can require a business license for business conducted within its jurisdiction.

Applications & Fees

Retail and wholesale licenses are obtained by completing the Colorado Business Registration, Form CR0100. Multiple and single event licenses are obtained by completing the Sales Tax Special Events Application, Form DR0589. 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 licenses will require an additional \$50 deposit that will be refunded in after \$50 in sales taxes has been remitted to the Department of Revenue.

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 upon the taxing districts where your business is located, the type of business you are in and how the transaction is completed. To determine the amount of tax you must collect, you need to add together the various rates that apply to your business (DR 1002).

State

The 2.9% state sales tax must be collected by all businesses selling tangible, personal property located in Colorado.

Special Districts

Businesses located in the Denver Metro area are required to collect 1% for the Regional Transportation District (RTD), 0.1% for the Scientific and Cultural Facilities District (CD), and 0.1% for the Football Stadium District (FD) for a total of 1.2%. The RTD/CD/FD area includes all of Denver, Boulder, Broomfield and Jefferson Counties, the western portions of Adams and Arapahoe counties and the northeast portion of Douglas County, including Highlands Ranch and parts of Broomfield. Business located in Arapahoe, Adams, Boulder, Broomfield, Denver, Douglas and Jefferson Counties must collect the Cultural Facilities District tax. Businesses located in (RTA) Rural Transportation Authority Districts are subject to sales/use tax of 0.4% in Basalt and Newcastle, 0.7% in Carbondale, 0.7% in Glenwood Springs, 0.2% in areas of unincorporated Eagle County, in the EL Jebel area and outside the city limits of Carbondale. A sales tax rate of 0.6% applies in Gunnison County with the exception of the cities of Marble, Ohio, Pitkin and Somerset. A rate of 0.35% applies within the city limits of Gunnison. Contact the Colorado Department of Revenue at (303) 238-7378 or download Form DR 1002 (Colorado Sales tax/Use Tax Rates) at www.taxcolorado.com for more information on specific tax rates in your area.

County

Of Colorado's 64 counties, 51 have established county sales taxes. All county taxes except use tax are collected by the state.

City

There are 217 cities that have established city sales taxes. Most small cities' sales taxes are collected by the state. However, most of the larger cities (home rule cities) collect the city

portion of the sales tax directly from the vendor and require a separate reporting form.

Lodging

There are 26 counties and various cities that have established lodging taxes on hotels, motels, bed and breakfast, condominiums and camping spaces. Download “Colorado Sales Tax/Use Tax Rates” (Form DR 1002) from www.taxcolorado.com or call (303) 238-7378 for more information

Special Taxes

Other special taxes are the Local Improvement District tax, Mass Transit District tax, Public Safety Improvement (PSI) tax and Local Marketing District taxes. In addition, Douglas County has a Short-term Rental Tax and Summit County has a Multi-jurisdictional Housing Authority Tax. For more information call the department of Revenue at (303) 238-7378 or download “Colorado Sales Tax/Use Tax Rates” (Form DR 1002) at www.taxcolorado.com for more information.

Example

To determine the amount of tax you must collect, 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, 1.2% for RTD/CD/FD, 0.5% for Jefferson County, and 3.0% for Lakewood. Your total sales tax rate would be 7.1%.

Tax Charts

Publication DR 1002, “Colorado Sales Tax/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. The Department of Revenue also publishes separate rate charts that are useful tools in determining the correct amount of tax based upon the tax rates and the dollar value of the sale. On the web, you can easily find the current sales tax and special tax rates in your county and/or city at www.taxcolorado.com. By phone, call (303) 238-

SERV (7378) automated forms system or to get sales tax information over the phone.

Mobile Businesses

If your business involves sales at your client’s address or is mobile, you must collect the appropriate tax for each sales location. This will apply to many different types of businesses, including but not limited to: traveling salespersons, mobile locksmiths and interior decorators. If this situation applies to you, you will not have a principal place of business and must collect the appropriate tax for each point of sale. You should obtain a retail sales tax license to collect all state taxes and may need several city sales tax licenses from the home rule cities where you do business. However, 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 home rule cities 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, you may be required to obtain an additional city sales tax license.

Flea Markets

Flea markets that operate more than three times per year are considered to be a retail location. If you sell at a flea market more than five times a year, you must obtain a retail sales tax license. You may not use an event license.

Multiple Permanent Business Locations

If your business has multiple permanent branch locations, each branch 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 and report the appropriate tax collection under a single license. However, each machine is required to display a vending machine decal and may still be sub-

ject 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 annual 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 a “Combined Annual Retail Sales Tax Return,” DR 0100A, 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 state-collected sales tax. 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 operations 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 of \$100 or more must be made using an organization check or credit card.

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 on no more than 12 days per year with gross sales of less than \$25,000 are 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.

Sales Tax Fraud

It is illegal to use your sales tax license to obtain personal goods or assets that you will use in business tax-free. Only goods that 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 and Payment of Taxes
Filing Requirements

Once you have obtained a sales tax license, the Department of Revenue will send you preprinted “Combined Retail Sales Tax Return” form DR 0100. 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 may file monthly. All sales tax returns are due the 20th of the month following the end of the taxing period; i.e., the return

SPECIAL SITUATIONS

Mail Order and Delivery

When you have a mail order business or you sell a product contingent upon delivery to another location, by state rules you must collect the taxes you have in common with the delivery location. For example, if your business is in Durango and your delivery site is in Durango, you must collect 7.9%, the same amount you would collect if it were purchased at your business location without delivery; there is no difference in the amount of tax collected. If your business is in Durango and you deliver to Grand Junction, the only state collected taxes that the two locations have in common is the 2.9% state sales tax; therefore, you would only collect 2.9%. However, Grand Junction is a “self-collected” Home Rule city. Therefore, it is recommended that you contact the city directly regarding the collection of the city sales tax if your business will be doing the actual delivery into Grand Junction or any other “self-collected” Home Rule city. Further, if you have a branch of your business in the destination location, you must collect all the taxes that would be normally collected by the branch location. In this example, you would collect 7.65% based on the taxes collected in Grand Junction. The rule regarding branch locations and delivery applies to all locations. Finally, with the exception of auto sales, if your customer takes possession of your product at your place of business, you must collect all the sales taxes for your area, regardless of where your purchaser resides or intends to use the item. NOTE: Internet sales are the same as catalog sales for Colorado sales tax purposes.

If you sell, rent or lease tangible personal property, or rent accommodations for less than 30 days you must collect retail sales tax. For more information about sales tax responsibilities or existing sales tax accounts, contact the Colorado Department of Revenue at (303) 238-SERV (7378). You can also visit its website at www.taxcolorado.com. If you use products on which Colorado sales tax has not been paid, consumer use tax is due!

for April-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 and 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 percent penalty plus interest on the amount due. 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. For more information contact one of the Department of Revenue service centers, call (303) 238-7378 or visit www.taxcolorado.com.

Department of Revenue Service Centers

Colorado Springs

4420 Austin Bluffs Pkwy.
 (719) 594-8706

Denver

1375 Sherman St.
 (303) 238-SERV (7378)

Fort Collins

1121 W. Prospect Rd., Bldg. D.
 (970) 494-9805

Grand Junction

222 S. Sixth St., Room 208
 Across from police station
 (970) 248-7140

Pueblo

310 E. Abriendo Ave., Suite A4
 Security Service Credit Union
 (719) 542-2920

For more information concerning how and when to collect sales taxes, call (303) 238-SERV (7378) and/or your local home rule city.

Consumer Use Tax

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 piece of machinery for your business in another state, consumer use tax must be paid in Colorado. The amount of tax is based upon the primary location where an item is used and the purchase price or fair market value. The state use tax rate is 2.9 percent, the RTD/CD/FD rates total 1.2 percent and the RTA district taxes vary from one location to another. These taxes are paid to the Department of Revenue by filing a “Consumer Use Tax Return,” Form DR0252. If you use items taken from your sales inventory, you may report the cost and tax online 10 of your sales tax return. Using either method,

county and city use taxes may also be due. If the seller collects the tax, it's sales tax. If the seller does not collect the appropriate tax, the consumer (user) must pay use tax.

Internet Sales

Website Internet access, e-mail services, website hosting and domain name registration are nontaxable services in Colorado. However, if service providers sell tangible personal property to customers in Colorado, then sales tax should be charged on those items. The sale of goods through the Internet is treated the same as the sale of tangible personal property through traditional selling methods.

Seller

A website that sells tangible personal property collects tax in the same manner as a mail order business that sends catalogs to customers to place phone or mail orders. If the seller and the customer are both located in the same taxing jurisdiction, then the seller must collect that tax. For further information on taxing jurisdictions please see FYI Sales 62, "Guidelines for Determining When to Collect State-Collected Local Sales Tax," found at www.taxcolorado.com.

Purchaser

If you are in Colorado and purchase goods over the Internet, you will owe sales tax on the purchase if buying from a seller that is also located in Colorado. If you are buying from a vendor not located in Colorado, you will probably not pay sales tax to the seller, but will pay state and possibly a special district use tax directly to the state of Colorado on form DR 0252, "Consumer Use Tax Return," found at www.taxcolorado.com.

Still Confused About Sales Tax?

Sales tax classes are held in the Service Centers. At the beginning of each month check www.taxcolorado.com for current class locations and schedules. Sales tax classes include information on what is sales tax, how to collect sales tax as well as how to fill out sales tax returns. Check with the local home rule cities to see if they offer a class.

SALES TAX SUMMARY

- 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. Use the Sales Tax Special Events Application, Form DR0589, to apply for a Multiple or Single Event license.
- If you will be located in a home rule city, you must contact the city regarding local licensing requirements.
- Determine your proper sales tax rate for your business location(s). DRP 1002, Sales/Use Tax Rates, contains the individual rates for all the different sales tax jurisdictions in Colorado.

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 DR0252. The tax on items which were originally purchased for resale but are actually used by your business should be paid on your sales tax return. You may also be subject to local use taxes. Check with the city's sales/use tax (DRP 1002).

WORKSHEET

State Sales Tax	2.9%
RTD/CD/FD Special Tax	_____
County Sales Tax Rate	_____
City Sales Tax Rate	_____
Other Sales Tax Rate	_____
TOTAL	_____

Employees Vs. Independent Contractors

As your business grows you may ask, “Should I hire full or part-time employees or should I hire 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 him/her 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 are individuals

who 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 (employee, subcontractor, day laborer, etc.) 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 Unemployment 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 employee or an independent contractor. As a general rule, any individual who performs services for pay for another is deemed to be an employee, 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 performed. The burden of proof is on the employer to show that the foregoing two tests are met. The employer may create a rebuttable presumption of an independent contractor relationship with a worker.

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.

The Contract also 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 produce 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.
- 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 related 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 company. 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 independent 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 determining 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 obliga-

tion 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. Form UITA-9, "Worker Relationship Questionnaire," should be filed with the Unemployment Insurance Liability Unit, (303) 318-9055 or 1-800-480-8299. You should contact the Division of Workers' Compensation, at 633 17th Street, Denver, CO 80202, (303) 318-8700, toll free at 1-888-390-7936, or www.coworkforce.com/dwc/ directly regarding your workers' compensation liability.

Special Employment Situations Commission and Piecework Employees

Commissioned delivery drivers, insurance agents, full-time commissioned sales agents of products for resale or for use in the buyer's business 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 services personally, that the individual will perform the service on a continuing basis and that 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 common-law employees and independent contractors, you should contact the Colorado Division of Workers' Compensation directly regarding your workers' compensation liability, (303) 318-8700. To order W-2's and 1099's contact the IRS forms number at 1-800-829-3676.

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 unemployment 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 withholding applies. Wages paid by a sole proprietor to a spouse are subject to income tax withholding and social security taxes (FICA), but not to federal unemployment insurance taxes. All wages paid to a child or a spouse are subject to withholding taxes, FICA and state and federal unemployment insurance taxes if the parent/spouse's business is a partnership or a corporation, unless each partner is parent of this child. Workers' Compensation 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 ten percent share and who have a managing interest in the business may elect to reject workers' compensation coverage. These rules apply to the corporate officers in both C and S Corporations.

Churches and 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 employee 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 organization that opposes payment of social security taxes for religious reasons. 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 for 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. Please contact the Unemployment Insurance Liability Unit at (303) 318-9100, 1-800-480-8299 or www.coloradoworkforce.com

Household Employees

If you hire someone to work in your own home, you may have responsibilities as a household employer. If the employee earns over \$1,300 per year, you are responsible for social security and Medicare taxes. If the employee earns over \$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. However, you may do so voluntarily if requested by your employee and he/she completes Form W-4. Workers' Compensation Insurance must be obtained for household em-

ployees who work 40 or more hours per week or 5 or more days per week. For additional information regarding your responsibilities as a household employer, call the IRS, 1-800-829-1040, 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 Department of Labor & Employment. A business that operates year-round and also hires seasonal employees may also file. Seasonal employer status will disqualify seasonal employees from collecting unemployment 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 employer, your seasonal period may be no longer than 26 weeks per year and 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 consecutive 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 Insurance Liability Unit at (303) 318-9100 or 1-800-480-8299.

Tax Credits for Creating Jobs for Welfare Recipients

The state and federal government offer tax credits to businesses that offer employment to individuals receiving public assistance.

NOTE: The Welfare to Work Tax Credit has been extended to those employees who start work prior to January 1, 2002. Federal tax credits can and do change periodically. They may be enacted or extended as dictated by Congress and Executive Order. It is advised that you check with the IRS for any changes in credits you are interested in claiming. The State of Colorado allows employers to claim a credit of 20% of their annual costs for voluntarily providing “eligible services” for the employees who have received public assistance pursuant to the “Colorado Works Program,” 39-22- 521(1), CRS. “Eligible services” include assistance with childcare, health/dental insurance benefits, job training and transportation. The credit is limited to expenditures made on an eligible employee during the first two years of his/her employment.

For more information, contact the Colorado Department of Revenue and request FYI Income 34, “Colorado Works Program Credit,” (303) 238-SERV (7378). The Welfare-to-Work Tax Credit (WOTC) is a federal income tax credit that encourages employers to hire long-term welfare recipients who begin work prior to January 1, 2002. This “new” tax credit can reduce employer federal tax liability by as much as \$8,500 per new hire. To qualify, new employees must work at least 400 hours or 180 days and must be long-term welfare recipients (longer than 18 consecutive months). The tax credit is 35% of “qualified wages” during the first year of employment and 50% for the second year. Qualified wages are capped at \$10,000 per year but may include tax-exempt amounts under accident or health plans, as well as educational assistance and dependent assistance programs. An employer must apply for and receive certification from the state Welfare Opportunities Tax Credit (WOTC) coordinator that a new hire is a long-term AFDC or TANF recipient before the employer can claim the Welfare-to-Work

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, experience 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, registering with a trade organization or hiring an employment agency are all viable options in different situations. The Colorado Department of Labor and Employment administers more than 30 local Workforce Centers throughout Colorado. They help match the right employee with the right employer. See the Sources of Assistance chapter of this Guide for more information on the Workforce Center nearest you.

Federal and state civil rights laws prohibit discrimination in employment based upon race/color, creed/religion, national origin/ancestry, sex, age (over 40), 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 section contains additional information about state disability discrimination laws and the ADA, including the ADA Technical Assistance Information Center’s toll-free line, (800) 949-4232. They are located at 363 Sinton Road, Colorado Springs, CO 80907 and their website is www.adainformation.org

Your written application and interview are important tools in selecting the best applicant for the job. The Colorado Civil Rights Division has persons on duty daily 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 at (303) 894-2997, 1560 Broadway, #1050, Denver, CO 80202-5143, or by 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 background, 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 as overtime, weekend work, travel, etc.?

After the interview is over, encourage 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! Remember, the right employee will make you money. The wrong employee will cost you money, time, materials and even customers.

Tax Credit. Federal tax credits can and do change periodically. They may be enacted or extended as dictated by Congress and Executive Order. It is advised that you check with the IRS for any changes and credits you are interested in claiming.

To apply:

- Complete IRS Form 8850, “Pre- Screening Notice and Certification Request for Work

- Opportunity and Welfare-to-Work Tax Credits” by the date the job offer is made.
- Complete either U.S. Department of Labor ETA Form 9062, “Conditional Certification Form,” if provided to the job seeker by a participating agency or ETA Form 9061, Individual Characteristics Form,” if the job seeker has not been given a conditional certificate form.
- Mail the IRS Form 8550 and either ETA

Form 9062 or 9061 to the Colorado WOTC Coordinator within 21 days of new hire's start date. Contact the Colorado WOTC Coordinator at (303) 318-8829 or visit them at 633 17th Street, Suite 700, Denver, CO 80202. For more information and to obtain the necessary forms refer to the Welfare-to-Work website at <http://www.doleta.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; for tax year 2003, earned income & modified adjusted gross income had to be less than: \$11,230 (no qualifying children; \$12,230 if married filing jointly) \$29,666 (one qualifying child) or; \$30,666 if married filing jointly) \$33,692 (more than one qualifying child; \$34,692 if married and filing jointly). 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 contacting the IRS at 1-800-829-1040, by ordering Publication 596, "Earned Income Tax Credit" (EITC) at 1-800-829-3676, or by visiting its website at www.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. It is available for free by calling 1-800-TAX-FORM.

Personnel Policies, Finding and Hiring Employees, Employee Regulations

Once you have determined that you will need employees in your business, 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 manual should address all the various issues you expect and don't expect to arise in the normal operations of your business – 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 follow them also, e.g. written warnings, review procedures, etc. Issues that may be addressed by personnel policies include:

- **Hours:** How many hours 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 your salaries 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. How long? When? Clearly define procedures for when two or more employees wish to go on vacation at the same time. Will you provide paid or unpaid vacations? Paid vacations 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, which employee 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 Guide 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, 2300 Main Street, Suite 1100, Kansas City, MO 64108, (816) 285-1800.

- **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 employee 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? An attorney liability should review your written personnel policies to determine enforceability, compliance with state and federal employment laws, and to ensure that they do not unduly increase your own. Each employee should receive a copy of your personnel policies upon hiring. Explain 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:** Federal minimum wage is \$5.85 per hour beginning July 24, 2007 \$6.55 per hour beginning July 24, 2008 and \$7.25 per hour beginning July 24, 2009. Minimum wage must be paid all employees and emancipated minors whether employed on an hourly, piece-work, 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 forty (40) in one workweek. In addition, State law requires overtime pay for any work after (12) consecutive hours. Any additional questions regarding work hours and overtime, please call or write the Colorado Division of Labor, Labor Standards Office, 633 17th

Street, 2nd Floor Denver, CO 80202 or call (303) 318-8441, 1-888-390-7936 outside of the Denver metro area or online www.coworforce.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.

The Internal Revenue Services Small Business Tax Education Program (STEP) is a cooperative effort with the local organizations to provide business tax education to the small business owner. Check into the IRS Small Business Tax Education Program in your area and take the first STEP to making your taxes less taxing! Assistance is only a phone call away. Just call 1-800-829-1040.

- Breaks:** Employees working in the following four industries: (1) retail and service, (2) commercial service, (3) food and beverage, and (4) health and medical, are covered by the work order 22 and shall be permitted breaks and meal periods during the workday. 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, write the Colorado Division of Labor, Labor Standards Office, 633 17th Street 2nd Floor, Denver, CO 80202 or call (303) 318-8441, 1-888-390-7936 outside of the Denver metro area or visit www.coworkforce.com.

Employer/Payroll Filing Requirements and 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 deposits, and when you file your employment tax returns. You can obtain your

FEIN by: a) filing a completed SS-4 with the IRS EIN Operation center for your state and you'll receive your FEIN within four weeks; b) calling (800) 829-4933 Monday through Friday 7 AM to 10 PM for your time zone and you will receive your FEIN immediately; or c) faxing your SS-4 to FAX-TIN number for your state.

FAX-TIN is available 24 hours a day, seven days a week; be sure to include a cover sheet

showing your FAX # and you should receive your FEIN within four business days. 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.

The Colorado Business Registration Form, CR100

The CR100 is a multi-use form, which may be used to open a number of accounts. If you will have employees, this form will open your state wage withholding account with the Colorado Department of Revenue and your state unemployment insurance account with the Colorado Department of Labor and Employment. You may also use this form to obtain a state sales tax license.

INS Form I-9

One form that you must keep in your employees' personnel file(s) is the Immigration and Naturalization Services I-9 Form. This paperwork was devised to ensure that employers do not hire illegal aliens. The paperwork 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 documentation unavailable on the hire date must be obtained within twenty-one 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 at 1-800-357-2099.

Form W-4

Each employee must date and sign a completed W-4, Employee’s Withholding 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 regarding 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 students, 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, increase/decrease dependents or changed the number of their exemptions. All employers in the State of Colorado 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 parents who are delinquent on child support payments. For more information on New Hire reporting, call the Colorado State Directory of New Hires at (303) 297-2849, (800) 696-1468 outside of the Denver metro area or online at www.newhire.state.co.us.

EMPLOYERS HAVE RIGHTS AND EMPLOYEES HAVE RIGHTS, TOO. KNOW THE MINIMUMS!

For information and postings contact the State of Colorado Department of Labor and Employment Labor Standards Office (303) 318-8441

Payroll Taxes – Filing Requirements and Forms

Wage Withholding and 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, call the IRS at 1-800-555-4477 or 1-800-945-8400 or online at www.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. 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 with-

ings, 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 DR1094 with a check or money order.

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 6.2% 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. For more information and forms, contact the IRS at 1-800-829-1040 or 1-800-829-3676.

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, e.g. construction trades.) You must file Form UETR-1, Unemployment Insurance Tax Report, and UETR-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 Tax Accounting Section at (303) 318-9100 or 1-800-480-8299.

Occupational Privilege Taxes

This is often referred to as the "head taxes" 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-2's

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 employee 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-2's, you must file the information with the SSA via magnetic media. For your Colorado employees, you must file DR1093, Transmittal of State W-2's. If you file 250 or more form W-2s, you must report W-2 information to the state via magnetic media. Magnetic media includes magnetic tape and computer diskettes. For more information regarding magnetic media, contact the Colorado Department of Revenue at www.taxcolorado.state.co.us or (303) 205-8292 ext. 5252. To order W-2's call the IRS Forms number at 1-800-829-3676.

Businesses with more than \$200,000 of annual employment tax obligations have been required to make electronic payments since July 1, 1999. All businesses may be required to use the electronic system sometime in the future. For more information on EFTPS (Electronic Federal Tax Payment System), call the IRS at 1-800-555-4477 or 1-800-945-8400.

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 call the IRS Forms number at 1-800-829-3676.

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, the Immigration and Naturalization Service, the Colorado Department of Revenue and the Colorado Department of Labor & Employment all have the authority to audit your records. Remember, your responsibilities begin as soon as you hire an employee.

Workers' Compensation

Workers' Compensation is mandatory insurance that provides coverage for medical expenses and lost wages due to a job-related injury or occupational disease. The employer must pay the cost of coverage for employees. All employees must be covered beginning with the very first employee. Corporate officers and members of a Limited Liability Company who are compensated must be covered as an "S" corporation unless they own at least ten percent of the business and they formally elect in writing to reject coverage. The election to reject coverage is filed with the insurance carrier. If there are no other employees, the election

to reject coverage should be filed using Form WC43 with the Division of Workers' Compensation. According to state law, sole proprietors and partners in a partnership have the option of electing coverage for themselves, although a prime contractor may require it as a condition of a project contract. However, this election may significantly affect health insurance coverage. Carefully discuss this election with your insurance agent before making your decision. You can obtain workers' compensation insurance from an independent insurance.

Premium Cost

The cost of workers' compensation insurance coverage is based on units of \$100 of payroll. The rate per \$100 is based on the risk classification of your employees and your experience rate and is determined by your insurance carrier. At the beginning of the year and when you start your business, you will be required to estimate your payroll for the coming year. Your insurance carrier will require you to pay your premiums in advance similar to car or homeowner's insurance.

Premium Adjustments

At the end of each year, the actual payroll of your employees is determined either by audit or by completing a self-examination report. The actual cost of insurance is compared to the advanced premiums paid, and the difference will be charged or refunded to you. Some policies can be assigned a quarterly adjustment basis. This type of policy is normally limited to seasonal types of businesses, such as construction, where an annual estimate of payroll is difficult to determine. This policy will require a deposit based on a percentage of the annual premium. The deposit is held by the carrier for the life of the policy. Upon cancellation, the entire deposit is credited to your account. You are required

to report and pay premiums for actual wages paid each quarter.

Accident Reports

You must file an accident report with your insurance carrier within 10 days of a work-related accident. It is the injured employee’s responsibility to report the accident to you in writing within four days. If the employee is physically or mentally unable to provide notice, it is the responsibility of the immediate supervisor to submit written notice. Injured workers have two years to file claims for compensation with the Colorado Division of Workers’ Compensation.

Injured workers may receive medical and compensation benefits. Medical benefits include unlimited payment for all authorized medical, hospital, and surgical costs, prescriptions, medical apparatus and prosthetic devices. Compensation benefits include reimbursement of up to two-thirds of an employee’s lost average weekly wage for a specified period, a lump sum payment or both, based on the type of injury/disability.

Risk Management and Accident Prevention

Safety and accident prevention assistance is available from your insurance carrier. This service may include safety programs, cost control recommendations and a review of your accident and loss history. In addition, employers are encouraged to take part in the Colorado Division of Workers’ Compensation Premium Cost Containment Program. Employers who have had a qualifying cost containment program in place for one year may receive cost containment certification. Certification in this program can result in a reduction in premiums from up to 10 percent. As a new business, you should consider implementation of a cost containment program beginning with your very first employee. Contact the Division of Workers’ Compensation, Premium Cost Containment Program, 633 17th Street, Denver, CO 80202, (303) 318- 8700 for more information.

The Occupational Safety and Health Administration (OSHA)

The Occupational Safety and Health Administration (OSHA) is charged with the re-

sponsibility 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 available at many public libraries and/or contact OSHA directly, 1999 Broadway, Suite 1690, Denver, CO 80202-5716, (303) 844-5285. 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. Record keeping-exempt employers must still comply with all other OSHA Standards including the display of the OSHA poster, reporting within 8 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

FOR MORE INFORMATION & ASSISTANCE

For more information regarding your employer responsibilities, call the following numbers:

Federal Payroll Taxes

1-800-829-1040

Colorado Wage Withholding

(303) 238-7378

Unemployment Insurance

(303) 318-9100
or 1-800-480-8299

Workers’ Compensation

(303) 318-8700 or
1-888-390-7936

OSHA

(303) 844-5285
1-800-321-6742

Civil Rights Division

(303) 894-2997
or 1-800-262-4845

Americans With Disabilities Act - Jobs Accommodation Network

1-800-526-7234

Department of Labor and Employment - Labor Standards

(303) 318-8441

New Hire Reporting

(303) 297-2849
1-800-696-1468

(SBAP) Small Business Assistance Program- Air and Environmental Assistance

(303) 692-3175

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, 1681 Campus Delivery, Colorado State University, Fort Collins, CO 80523- 1681, (970) 491-6151 (telephone) or (970) 491-7778 (fax).

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 that 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

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.

<p>Anti-Discrimination Colorado Division of Civil Rights 1560 Broadway, Suite 1050 Denver, CO 80202 (303) 894-2997 1-800-262-4845 www.dora.state.co.us/civil-rights</p>	<p>Occupational Safety Occupation Safety & Health Administration (OSHA) 1391 Speer Blvd. Suite 210 Denver, CO 80204 (303) 844-5285 1-800-321-6742 http://www.osha.gov</p>
<p>Polygraph Protection Act, Federal Minimum Wage, Family & Medical Leave Act U.S. Dept. of Labor Wage-Hour Division 1999 Broadway Suite 2445 Denver, CO 80202 (720) 264-3250 http://www.dol.gov/elaws</p>	<p>Equal Employment Opportunity Equal Employment Opportunity Commission (EEOC) PO Box 12549 Cincinnati, OH 45312 1-800-669-3362 http://www.eeoc.gov/</p>
<p>State Minimum Wage Colorado Division of Labor Labor Standards Unit (303) 318-8441 www.coworkforce.com</p>	<p>Unemployment Insurance Division of Employment and Training (303) 318-9000 1-800-480-8299, State Wide Only www.coworkforce.com</p>

For Workers' Compensation Posters, contact your workers' compensation 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.

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.

A "Hazard Communication Program"

If you are not sure if your business is covered by the law or to obtain specific information on the requirements for developing a "Hazard Communications Program," you should contact the U.S. Department of Labor, Occupational Safety and Health Administration (OSHA), 1391 Speer Blvd, Suite 210,

EMPLOYER SUMMARY

Responsibilities

- Determine whether your workers will be employees or independent contractors.
- Establish clear personnel policies to address issues such as working hours, compensation, fringe benefits, grievances and terminations.
- File the Application for Employer Identification Number, Form SS-4, to obtain your Federal Employer Identification Number (FEIN).
- File the Colorado Business Registration Form CR100, to open your state wage withholding and separate unemployment insurance accounts. You will receive preprinted coupons and information on how to file Colorado wage withholding from the Department of Revenue. The Department of Labor and Employment will send information on how to file Colorado unemployment insurance.

You will receive preprinted forms to file unemployment insurance each quarter. These two separate packets of information should arrive approximately four to six weeks after filing the CR100.

- Submit a copy of the W-4 for all newly hired employees to the Colorado State Directory of New Hires within 20 day of hire date.
- Obtain workers' compensation insurance for your employees. Workers' compensation is obtainable from private insurance carriers. As with any other form of insurance, you should shop around for the best price and service.
- Obtain the proper employer posters. Use the chart in this chapter as a guide.
- Determine whether you are responsible for any local employer tax or registration requirements by contacting the appropriate local authorities.

- Establish the proper safety procedures and maintain the necessary records to satisfy the requirements of the Occupational Safety and Health Administration (OSHA). If you routinely work with "hazardous substances," ensure that you have implemented a hazard communication program.
- Comply with the Americans with Disabilities Act (ADA) to avoid discrimination in your employment practices regarding persons with disabilities.

**To mail in New Hire Reports:
State Directory of New Hires
P.O. Box 2920
Denver, CO 80201-2920**

**To Fax New Hire Reports:
(303) 297-2595**

Denver CO 80204, (303) 844-5285 or 1-800 321-6742.

The Americans with Disabilities Act (ADA)

The ADA extends civil rights protection to individuals with disabilities that is similar to that provided to individuals on the basis of race, sex, national origin, and religion. For small businesses, it guarantees equal opportunity for individuals with disabilities in employment and public accommodations. In the area of employment, the ADA is not an affirmative action program. Businesses must provide equal opportunity for employment to all qualified dis-

hardship on the employer. The Job Accommodation Network (JAN) has been established to assist employers find low cost solutions and resolve employment accommodation problems. Call 1-800-526-7234 or visit their website at www.jan.wvu.edu for free assistance.

Public firms of any size that operate facilities such as restaurants, hotels, theaters, convention centers, retail stores, shopping centers, dry cleaners, laundromats, pharmacies, doctors' offices, hospitals, museums, libraries, parks, amusement parks, private schools, day care centers, health spas, bowling alleys, and gas stations, may not discriminate on the basis of disability. Physical barriers must be

as actions that are easily accomplished and able to be carried out without much difficulty or expense. The courts are required to take into consideration the nature and size of a business in order to determine whether an action is readily achievable. The Architectural Access Board has established detailed guidelines for construction and remodeling. Call 1-800-USA-ABLE (1-800-872-2253) for free assistance.

The Rocky Mountain Disability and Business Technical Assistance Center, located in Colorado Springs, is one of 10 regional centers funded by the National Institute on Disability and Rehabilitation Research, a division of the U.S. Department of Education. Its mission is to provide technical assistance, materials, training and referrals on the Americans with Disabilities Act for individuals and organizations in Colorado, Montana, North Dakota, South Dakota, Utah and Wyoming. For more information contact the Rocky Mountain DBTAC at 3630 Sinton Road, Ste. 103 Colorado Springs, CO 80907, 1-800- 949-4232 (voice, TTY) or visit its website at www.ada-infonet.org

FOR FURTHER INFORMATION ON WORKERS' COMPENSATION LAWS, CONTACT THE COLORADO DIVISION OF WORKERS' COMPENSATION AT (303) 318-8700

abled individuals who can perform the essential duties of a job. Businesses may be required to make reasonable accommodations that are readily achievable and do not cause a financial

removed if removal is readily achievable. If not, alternative methods of providing services must be offered, if those methods are readily achievable. "Readily achievable" is defined

BASIC RECORD KEEPING

The record keeping 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: 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

THE RECORDKEEPING NEEDS OF YOUR BUSINESS MUST BE ANALYZED TO DETERMINE THE BEST BOOKKEEPING SYSTEM.

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

It is imperative that you establish a record keeping 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.

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. One, the owner doesn't understand the importance of proper records and ignores the need to establish a record keeping system. Such business owners tend to use the “shoebox method” as they allow receipts, invoices and bills to accumulate in boxes or piles. The second mistake is overkill. The owner invests in an expensive array of hardware and software to maintain his/her records that 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.

- First, you will need cash to pay your fixed costs, such as rent, utilities, credit payments, etc.
- Second, 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.
- Third, it is important to save for long-term investment and capital purchases such as a new vehicle or a piece of equipment.
- Fourth, you must have cash available, or a sufficient line of credit, for all emergency situations.
- Fifth, 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 before 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' ability to make long-term larger purchases. 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 recover 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, and reduces the cost of administering your accounts 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, 1525 Sherman Street, 5th Floor, Denver, CO 80203, (303) 866-4494, Fax (303) 866-5691. Credit sales between two businesses are considered private contractual agreements and are not subject to the UCCC.

Credit cards are another alternative. You may be required to be in business for a period of time before you will be able to accept major credit cards. Banks normally process credit cards. 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 Guide for more information. A common mistake is to simply track and focus all efforts towards increased sales. While this might appear to increase cash flow - be careful. If your customers purchase on credit, you may simply reduce inventory 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 accounting principles.
- **Bookkeeper/Accountant Employee:** If your basic bookkeeping system is simple and you require few or infrequent 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 employees or independent contractors depending upon the type and amount of assistance desired/or 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 an employee.

BOOKKEEPING 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 a 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.

Purchases Journal: Includes information on materials purchased.

Sales and Cash Receipts: Used to record all incoming cash.

• **A Computer:** While a computer installed with a user-friendly bookkeeping computer program can be a very important and useful tool, it does not replace self-education or the services of a bookkeeper or accountant.

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 including: retirement, partnership disputes, boredom, illness or 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. Planning 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 financial records are accurate and presentable. Remember that CPA-prepared financial statements are a key tool in demonstrating the value of your business. Equally important as clean financial records are clean facilities 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 valua-

tion 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 3 to 5 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.



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OFFICE OF ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE (OEDIT)

The mission of the Office of Economic Development and International Trade (OEDIT) is to foster a positive business climate through financial and technical assistance for local and regional economic development activities throughout Colorado.

The Office of Economic Development and International Trade works with business owners starting, expanding or relocating in/to Colorado. OEDIT offers a wide range of services to assist new and existing businesses of every size. The services focus on making Colorado the premier business climate for: quality jobs, excellent infrastructure, exceptional environment, superior education system and workforce training, reasonable taxes and regulatory climate, quality of life and entrepreneurial opportunity and success. The following programs are offered by OEDIT.

Small Business Development Centers (SBDC) Network

The SBDC network is dedicated to helping small businesses throughout Colorado achieve goals of growth expansion, innovation, increased productivity, management improvement and success. The SBDC network 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 community. 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 Colorado SBDC Business Hotline. The hotline 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, local small business training, counseling and assistance programs. Sixteen community-based SBDC service centers provide free one-on-one counseling services in the areas of business research, marketing, new business feasibility analysis, business plan preparation,



LOCAL SBDC OFFICES IN COLORADO

Small Business Hotline.....	(303) 592-5920
Boulder	(303) 442-1475
Colorado Springs	(719) 262-3844
Denver	(303) 620-8076
Fort Morgan	(970) 542-3263
Grand Junction	(970) 243-5242
Greeley/Weld	(970) 352-3661
Denver Metro SBDC Satellite at Johnson & Wales University.....	(303) 256-9786
La Junta	(719) 384-6959
Lakewood (Satellite)	(303) 233-5555 x1202
Larimer County	(970) 498-9295
Loveland (Satellite).....	(970) 667-4106
North Metro	(303) 460-1032
North West Colorado.....	(970) 453-6757
San Luis Valley	(719) 587-5151
South Metro Denver	(303) 548-5300
Southern Colorado	(719) 549-3224
Southwest Colorado	(970) 247-7009
West Central	(970) 943-3157

www.coloradoSBDC.org

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 procurement, manufacturing, home-based business and technology resources.

The Colorado Leading Edge entrepreneurial training program assists businesses in completing a comprehensive business plan. The primary 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.

The Minority Business Office (MBO)

The Minority Business Office (MBO) acts as an advocate for Colorado's Minority Business community. Services include the provision of training seminars, conferences or workshops, and the identification of procurement opportunities within both the public and private sector. The MBO collaborates with other state agencies, the private sector, and various organizations to expand economic opportunities for minority owned businesses. The MBO also works

with regional business councils throughout the state to ensure that all programs address the needs of minority business owners. <http://www.advancecolorado.com/mbo/>

International Trade Office (ITO)

The International Trade Office (ITO) has two primary functions: helping Colorado Companies export their products and services to international markets, and attracting foreign investment that provides jobs for Colorado residents. By promoting Colorado Exports and attracting foreign investment, the ITO helps to build Colorado's identity as an international business center. The ITO is open to the public and most services are rendered at no cost.

Geographic specialists help Colorado companies evaluate readiness to export, identify market opportunities and provide market intelligence, determine export regulations and provide information on shipping and tariffs. They perform customized market research and provide foreign contacts based on company needs. ITO staff organizes inbound and outbound trade missions to introduce Colorado companies to potential foreign buyers and distributors. The ITO actively promotes Colo-

rado as a place for foreign companies to invest. Whether seeking joint venture partners, looking for a business location or sourcing suppliers, the ITO provides assistance specific to the needs of foreign companies to support employment growth and retention.

The ITO has representation in Mexico, Japan, Germany, Switzerland, Argentina, the Middle East and Africa. For more information call (303) 892-3850 or visit the website www.AdvanceColorado.com.

Advance Colorado Center

The Office of Economic Development and International Trade was instrumental in creating the Advance Colorado Center. The Advance Colorado Center (ACC) is a statewide organization of leaders from our state's diverse tech-based business sectors and the community. We are dedicated to Colorado's economic success. And we believe this success is dependent on five drivers:

- Intellectual infrastructure
- Mechanisms to transfer knowledge
- A robust entrepreneurial environment
- A highly-skilled workforce
- Access to capital

Through programs, research studies, partnerships, and policy activities, the ACC mobilizes support for these drivers in order to grow and sustain a vibrant technology-based economy to benefit all Colorado citizens. Our members include:

Colorado Association for Manufacturing and Technology: Provides a collaborative forum and knowledge exchange for the some 6,000 manufacturers in Colorado. CAMT also hosts the Colorado MEP (Manufacturing Extension Partnership), part of a national network of manufacturing extension offices that provide hands-on consulting to manufacturers.

Colorado BioScience Association: CBSA provides education and networking programs for executives from biotech, medical device and biofuels industries. CBSA is also devoted to growing the state's bioscience workforce, nurturing bioscience as a share of the state's economy and pushing public policy that supports bioscience. More information about the Colorado BioScience Association can be found at www.cobioscience.com.

Colorado Technology Association (CSIA): As the largest and most influential IT membership and industry organization in Colorado, CSIA works on behalf of its member companies and industry to ensure their best interests for business success are encouraged



throughout the state. With the experience, access, knowledge and influence to effectively represent the diverse interests of the technology industry, CSIA provides programs, peer-to-peer connections, representation, advocacy and industry leverage for the IT industry in Colorado. The mission of CSIA is to foster innovation and a positive growth environment to enable the technology industry in Colorado to compete on a global basis.

Connected Organizations for a Responsible Economy (CORE): Helps grow a thriving business community that creates a prosperous regional economy meeting the needs of citizens without compromising the lifestyle of future generations. The association's members are renowned for their entrepreneurial talent in creating and operating productive businesses that integrate economic, social, and environmental concerns that successfully serve the interests of their customers, community and shareholders. To accomplish these goals, CORE is leading sustainable business toward economic vitality and competitive positioning of its members by assisting them in integrating socially and environmentally responsible business practices into profitable commercial enterprises. They achieve their mission by developing cutting-edge training and education programs, providing valuable

tools and resources, and by assisting our members develop and share best practices.

Business Development Recruitment and Retention

Assistance is provided to new and existing companies looking to expand or relocate in Colorado. Business Development Representatives

(BDRs) provide a variety of technical and financial assistance services including assistance with site selection, research on economic conditions and comparisons and coordination with local and regional economic development agencies and services. BDRs also act as liaisons with state regulatory programs.

Promotional activities are conducted nationwide to market sectors of the Colorado economy that are growing and provide high quality jobs. Marketing activities include attendance at selected trade shows, conferences, company visits, cooperative marketing with local enterprise zones and community economic development councils and industry research. Other services provided include:

ColoradoProspects.com: A business development tool hosted by OEDIT that makes information and technology for site selectors and businesses available online. The site efficiently answers the main questions that businesses have when they are doing site

selection analysis such as unique geographic characteristics and advantages, demographics, potential business synergies, industry-specific opportunities and overall business climate. Businesses and site selectors can explore Colorado’s communities in remarkable detail by using Geographic Information System (GIS) maps and query tools to analyze business and demographic data and identify infrastructure, geographical characteristics and important landmarks.

The Colorado “Data Book” at www.AdvanceColorado.com: Published annually by OEDIT and includes statistics and comparisons of key indicators to evaluate Colorado’s economic climate and to provide information of special interest to the business community.

Community Development Block Grants (CDBG): Provided to the State of Colorado by the U.S. Department of Housing & Urban Development (HUD) and, for economic purpos-

Businesses receiving loans or benefiting from infrastructure assistance are required to create (or in some cases retain) jobs and 51% or more of the jobs created (or retained) must be filled by persons whose prior year’s family income was low- to moderate- according to the local County’s published table. Local government-sponsored infrastructure projects may receive grants up to \$500,00 – local matching funds may be required. Planning and feasibility study grants generally do not exceed \$20,000, and matching funds are normally required. The business loan funds each make loans with-

LOCAL SCORE CHAPTERS

- Colorado Springs(719) 636-3074
www.coloradospringsscore.org
- Denver(303) 844-3985
www.scoredenver.org
- Longmont.....(303) 682-1071
- Steamboat Spring..... (970) 870-4549
- Pueblo(719) 542-1704
www.puebloscore.org
- SCORE..... (303) 844-2607 ex 214
www.score.gov



es, are administered by OEDIT, which uses the funds to assist rural communities with their economic development efforts in three ways:

- 1) By providing financial resources to fifteen (15) business loan funds (BLFs) that make low-interest loans to businesses.
- 2) By providing infrastructure grants to communities in support of new or expanding businesses.
- 3) By providing grants for planning and feasibility studies for projects that if deemed feasible, would create jobs for low- and moderate- income persons.

in their service areas, each has its own loan review committee and board of directors, and have the flexibility to make small loans from a few thousand dollars up to \$250,000. In some cases, loans greater than \$250,000 have been appropriate; the Governor’s Financial Review Committee reviews and approves all loans for funding. **NOTE:** The state’s CDBG program does not cover any of the metropolitan areas of Colorado (known as “entitlement” areas) because those areas receive their own allocation of CDBG funds directly from HUD. For more information on the CDBG programs, contract

OEDIT’s finance staff at (303) 892-3840 or, for loans, contact the BLF in your service area directly (see BLF listings on another page)

The Colorado First and Existing Industries Job Training Programs: These programs assist employers with customized job training. Assistance is provided to new and existing businesses to retain workers and improve their workplace skills. The goal of the Colorado First Program is to assist companies in training employees to fill newly created permanent, full-time quality jobs. The Existing Industry Program is to assist companies to remain competitive by retraining current workers in new skills and new technologies. Training has been provided to over 40,000 employees since 1986. For more information regarding the Finance and Business Development programs contact OEDIT at 1625 Broadway, Suite 2700, Denver CO 80202, (303) 892-3840.

THE SMALL BUSINESS ADMINISTRATION (SBA)

The SBA provides most business counseling and training programs through its various resource partners. The agency’s main mission is to help entrepreneurs start, grow and expand their businesses. SBA helps to build communities one small business at a time. Below is a listing of SBA’s business counseling and training programs available in Colorado.

SCORE

SCORE, Counselors to America's Small Business, is an 11,000-member volunteer program, sponsored by the U.S. Small Business Administration. There are over 150 members throughout Colorado. The program matches experienced volunteers with small businesses that need expert advice. These men and women business executives, whose collective experience spans the full range of American enterprise, share their management and technical expertise with present and prospective owners/managers of small businesses. The SCORE chapter in Denver runs four workshops entitled Starting Your Business, Expert Advice, Promoting Your Business and Writing a Business Plan. For additional information on SCORE call (303) 844-3985 x213 or online at www.scoredenver.org.

Women's Business Center

The Women's Business Center (WBC) in Colorado is located at three Mi Casa Resource Center locations in Colorado. These locations are Pueblo, Denver and Colorado Springs. The purpose of the WBC is to promote the growth of women-owned businesses through programs that address 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 call 303-573-1302 or go to www.micasadenver.org.

SBA Online (www.sba.gov)

This website provides fast and easy help on all services provided by the SBA. SBA Online services include: SBA publications, access to SBA programs and services, points of contact, calendars of local events, on-line training, access to other federal agency on-line services and data, electronic and Internet mail, information exchange by special-interest groups, and down-loadable files. SBA's home page is located at www.sba.gov.

SBA's Office of Advocacy - Office of the Regional Advocate

This advocate serves as the SBA Chief Counsel's direct link to local communities. Regional advocates monitor the impact of federal and state regulations and policies on communities within their regions. They also work with state officials to develop policy and legislation that shape an environment in which small companies can prosper and grow. Con-

COMPUTERIZED INFORMATION RESOURCES**Colorado Home Page**

Anyone with access to the Internet can obtain Colorado state information at www.colorado.gov. The Colorado home page contains useful information about services and regulatory responsibilities of all state agencies. As a small business owner and/or a general taxpayer, this resource will allow you to download federal and state publications and applications for registration purposes and updates you on Colorado's tourism. The most current edition of the complete Business Resource Guide and the licensing database is also online. These publications provide links to economic development, federal, state and local programs for assistance with questions on licensing, permitting, registration, etc.

tact SBA's Region Eight Advocate in Denver by calling (303) 844-0503. Visit their web site at www.sba.gov/adv.

Small Business Regulatory Enforcement Ombudsman

The ombudsman receives comments from small businesses about the regulatory enforcement and compliance activities of federal agencies and refers comments to the appropriate agency's Inspector General on a confidential basis. Coordinates the efforts of the 10 small business regulatory fairness boards and reports annually to the SBA Administrator and to the heads of the affected agencies on the boards' activities, findings, and recommendations. Call 1-888-REG-FAIR or visit their page on the SBA's website at www.sba.gov/ombudsman.

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 the SBA Administrator makes a declaration. There are three disaster loan programs: loans for homes and personal property, physical disaster loans to businesses of any size,

and economic injury loans to small businesses without credit available elsewhere. For more information, visit their page on the SBA's website at www.sba.gov/disaster.

U.S. Export Assistance Centers (USEAC)

USEAC combines the trade-promotion and export-finance resources of the SBA, the U.S. Department of Commerce, the Export-Import Bank and, in some locations, the Agency for International Development. 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. Colorado's USEAC is located in Denver at the World Trade Center Building, 1625 Broadway, Suite 680 or call (303) 844-6623.

SBA's Surety Bond Guarantee Program

This SBA program guarantees bid, performance and payment bonds for contracts up to \$2 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 \$100,000 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, please call (303) 844-2607 Ext. 261.

Business.gov

Business.gov is a website designed to help small businesses find, understand and comply with the federal, state and local laws and regulations that impact their operations. BusinessLaw.gov will also reduce for small business some of the hassle with regulatory BusinessLaw.gov is intergovernmental. Users can educate themselves on the state and local laws where they operate, including those dealing with hiring and managing employees, taxes and zoning. Small businesses can apply online for licenses and permits in several states. Go to www.business.gov for more information.

This website provides a one-stop electronic link to the government's business information and services. With the website, small businesses no longer have to contact dozens of agencies and departments to access applicable laws and regulations, or figure out on their own how to comply. They can download business forms and conduct a myriad of other business transactions through this website.

INFORMATION AND APPLICATIONS ARE AVAILABLE ON THE INTERNET!

Here are some informative sites:

State Home Page

www.colorado.gov

This page links you to the Secretary of State, Department of Revenue forms, demographic information, State procurement and much, much more.

SBDC Small Business Hotline

(303) 592-5920

Colorado SBDC Home Page

www.coloradosbdc.org

Advance Colorado Center

www.advancecolorado.com

SBA Home Page

www.sba.gov

U.S. Business Advisor

www.business.gov

Fed Stats – Federal

Government Statistics

www.fedstats.gov

NAICS Codes

www.census.gov/epcd/www/naics.html

Law Research

www.lectlaw.com

IRS Research

www.irs.gov

Federal Government Research

www.firstgov.gov

PROCUREMENT AND TECHNICAL ASSISTANCE PROGRAMS

Office of Certification

The Office of Certification administers the Colorado Disadvantaged Business Enterprise (DBE) Certification Program. This certification process determines the eligibility of minority and women owned businesses to participate as DBEs on projects for the Colorado Department of Transportation, Regional Transportation District and the Denver Water Board. For more information call (303) 512-4140.

Small Disadvantaged Business Program (SDB)

SBA certifies SDBs to make them eligible for special bidding benefits. Evaluation credits available to prime contractors boost subcontracting opportunities for SDBs. Under federal procurement regulations, the SBA certifies SDBs for participation in federal procurements aimed at overcoming the effects of discrimination. SBA certifies small businesses that meet specific social, economic, ownership, and control eligibility criteria. Once certified, the firm is added to an on-line registry of SDB-certified firms maintained in PRO-Net. Certified firms remain on the list for three years. Contracting officers and large business prime contractors may search this on-line registry for potential suppliers. See their page on the SBA's website at www.sba.gov/sdb/.

SBA's 8(a) Business Development Program

The 8(a) program assists the development of small firms owned and operated by individuals who are both socially and economically disadvantaged. By extending government contract preferences and other business development support, it helps these firms gain access to the economic mainstream. Typically a small business must have been in operation for at least two years before applying to this program. Contact the SBA's Colorado District Office at (303) 844-2607 for more information.

Colorado Association for Manufacturing and Technology

A state-level association providing a collaborative forum and knowledge exchange for manufacturers in Colorado. The Association sponsors public workshops, events and programs that benefit the manufacturing industry as a whole.

CAMT also hosts the Colorado MEP (Manufacturing Extension Partnership), part of a national network of manufacturing extension offices. CMEP is supported by federal dollars (NIST/Dept. of Commerce), matching funds from state governments and consulting fees from companies. CMEP provides technical assistance to manufacturers in four main areas:

- Lean Enterprise
- Quality Improvement (ISO and Six Sigma)
- Strategic Management and Policy Deployment
- Marketing and Growth Planning

FEDERAL GOVERNMENT INFORMATION

A large amount of federal information from the U.S. government is available via the Internet. Two excellent indexes to federal Internet information are the U.S. Business Advisor and Fedworld located at www.business.gov and www.fedworld.gov respectively. Both indexes can be used to locate information from a variety of federal agencies.

- The U.S. Small Business Administration's (SBA) home page is found at www.sba.gov. The SBA home page provides information on SBA financing and counseling services nationwide.
- The SBA's on-line Women's Business Center is a free, interactive training site for women on the web. You can reach this page at www.onlinewbc.org
- The IRS is located at www.irs.gov. Federal income tax forms can be downloaded from that site. You can also order the Small Business/Self-Employed Tax Calendar CD-ROM, Introduction to Federal Taxes CDROM, Virtual Small Business Workshop CD-ROM, and the Small Business Resource Guide CD-ROM by calling 1-800-829-3676.
- The Environmental Protection Agency (EPA) provides environmental information and assistance at www.epa.gov.

Taxpayer Education and Communication (TEC)

The mission of TEC is to educate and inform Small Business and Self-employed (SB/SE) taxpayers and representatives about their obligations by developing educational products and services focused on customer needs and by providing top quality pre-filing service to help taxpayers understand and comply with the tax laws. TEC has many CD-ROM's and publications to assist small business owners with their tax

obligations. A list and description of items available can be found at the IRS website, www.irs.gov.

Access Colorado Library and Information Network (ACLIN)

ACLIN is a project of the Colorado library community. It provides access to state library information resources to support education, business, health, social service and personal growth activities of Colorado residents. It is a statewide library computer network that:

- Links the automated systems and online catalogs of participating libraries in a single network.
- Includes academic, public, private and specialized (medical, legal, etc.) library participants.
- Provides free access to over 175 library catalogs that list over 11 million books, as well as 22 other information databases.

ACLIN can be accessed via the Internet at www.aclin.org. At the first prompts ([aclin.org](http://www.aclin.org) and user name) type `ac` in lower case letters, press the return key then follow the online instructions. For more information about ACLIN, contact your local public library or the Colorado Department of Education, ACLIN, 201 East Colfax Avenue, Room 309, Denver, CO 80203, (303) 866-6939.

University of Colorado Business Advancement Center

CU Business Advancement Center supports the growth of technology industries in Colorado through services to technology-based companies, organizations and industry associations. CU-BAC supports Colorado's technology economy through sponsored research including needs assessments, economic impact studies, and industry studies. Through industry directories, a cooperative newsletter, collaborations with industry associations, technology forums, meetings and events, CU-BAC fosters interaction between industry, university, government and technology professionals. These informal networks are sources of information, collaboration and personal relationships that keep our economy vibrant and competitive. For more information contact CUBAC at CU-BAC UCB 034, Boulder, CO 80309, 303-492-8395 or visit their website at www.colorado.edu/cubac/.

SBA's Small Business Innovation Research Program (SBIR)

The SBIR provides a vehicle for small

businesses to propose innovative ideas in competition for Phase I and Phase II grant awards, which represent specific R&D needs of the participating federal agencies. These awards may result in commercialization of the effort at the Phase III level. The SBA's Office of Technology administers this program. Currently, there are ten participating federal agencies with \$100 million in extramural R&D budgets. For more information on the SBIR program go to www.sba.gov/SBIR or call (202) 205-6450.

SBA's Small Business Technology Transfer Program (STTR)

STTR requires each small firm competing for an R&D project to collaborate with a nonprofit research institution. This program is a joint venture from the initial proposal to the project's completion. The SBA's Office of Technology administers the program. Currently, there are five federal agencies with extramural research and R&D budgets of \$1 billion: NASA, the National Science Foundation, and the Departments of Defense, Energy, and Health & Human Services. For more information on the STTR program go to www.sba.gov/SBIR or call (202) 205-6450.

JOB TRAINING PROGRAMS

Colorado Community Colleges and Occupational Education System

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

- **Aims Community College**, Greeley (970) 330-8008 x6251 www.aims.edu
- **Colorado Northwestern Community College**, Rangely (970) 675-2261 or 1-800-562-1105 www.cncc.edu
- **Emily Griffith Opportunity School**, Denver 720-423-4700 www.egos-school.com

- **Front Range Community College**, Westminster 303-404-5000 www.frontrange.edu
- **Mesa State College Area Vocational Technical School**, Grand Junction (970) 248-1020 www.mesastate.edu
- **Northeastern Junior College**, Sterling (970) 521-6600 or 1-800-626-4637 www.njc.edu
- **Otero Junior College**, La Junta (719) 384-6831 www.ojc.edu

A complete list of Colorado's community Colleges can be found at www.rightchoice.org.

Colorado Department of Labor and Employment (DOLE)

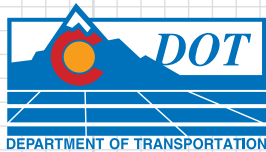
The DOLE operates a statewide network of Workforce Centers (WC's) providing a number of free employer services including:

- **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 Workforce Centers throughout the United States and via the Internet. For location and phone number of the Workforce Center in your area call 1-877-872-5627 or visit the Workforce Center website at www.americasjobbank.com/.

COLORADO DEPARTMENT OF TRANSPORTATION
CENTER FOR EQUAL OPPORTUNITY

CONNECTING COMMUNITIES

**JOIN OUR TEAM OF HIGHWAY DESIGN
AND CONSTRUCTION CONTRACTORS**



Small Businesses and Disadvantaged Businesses are encouraged to explore opportunities to become part of the CDOT contracting team, successfully connecting our communities.

For more information, visit our
Web site at www.dot.state.co.us/EEO/
or call 1-800-925-3427 or 303-757-9303.



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.

- CTEK
(303) 546-9595
- Fremont Economic Development
(719) 275-8601
- Denver - Inner City Community
Development Corporation
(303) 298-8371
- Grand Junction - Western Colorado
Business Incubator Center
(970) 243-5242
- Pueblo - Business & Technology Center
(719) 546-1133
- Manitou Springs - Business of Art Center
(719) 685-1861

Local Economic Development Offices (EDOs)

Economic development offices 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 (303) 592-5920 for the EDO nearest you.

Chambers of Commerce

Chambers of commerce provide a number of opportunities for business owners. Your local chamber of commerce 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 (303) 592-5920 for the phone number of the chamber of commerce in your community.

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

- Ask business associates and friends
- Ask your industry association or chamber of commerce
- Ask your current advisors (lawyer, accountant, banker, etc.) about other advisors
- Ask professional associations (CPA Society, Bar Association, etc.)

Screen Your List To Determine

- If they have expertise with similar businesses
- How long they have been in their business?
- What professional certification they have achieved?

Small businesses usually 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 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.



SCORE holds monthly business workshops across Colorado. Call (303) 844-3985 for a schedule of classes.

- What references they can provide?
- What fees do they charge and how are they determined?
- How much time will they need to handle your project?
- When will they 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 and 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?

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 business will do and provide, 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 to 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, answer questions, clarify information and assist with 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.

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

All advisors should be chosen with great care, including adequate credential and reference checking. List of Common Advisors:

- Accountant
- Attorney
- Banker
- Insurance Agent
- Graphics/Publishing
- Marketing and Management Consultants

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.

American AD

Borrego Springs Bank, NA

SMALL BUSINESS LENDING

Working Capital Loans \$5,000 to \$50,000

Fueling the Entrepreneurial Spirit...
Funding the
American Dream

Fred Crispen Toll Free Phone 866-644-0042
Terry Crispen Toll Free Fax 866-717-7718

www.borregospringsbank.com

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 business. 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 governments provide assistance in helping you create your business plan and in locating financing opportunities. Refer to the Sources of Assistance and Financing Options chapters of this Guide.



BUSINESS PLAN OUTLINE

There are no hard and fast rules in formatting your business plan. However, the owner of the business, with outside assistance as necessary, should write it. A business plan written by an outside consultant is someone else's 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

An effective business plan serves at least four useful purposes:

- 1) It helps entrepreneurs focus their ideas. It also helps determine whether a business idea is feasible
- 2) It creates a track for management to follow in the early stages of the business
- 3) It creates benchmarks against which the entrepreneur and management can measure progress
- 4) It provides a vehicle for attracting capital to help finance the business

will read, so it must capture his/her attention. An effective summary will properly position your company and help to distinguish your concept from the competition. It should be concise, persuasive and no more than two to three pages in length. If the executive summary fails to move your potential investor 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

A SOUND BUSINESS PLAN IS IMPORTANT TO THE SUCCESS OF ANY BUSINESS AND REQUIRES AN INVESTMENT OF SUBSTANTIAL TIME AND RESOURCES.

- 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 com-

SAMPLE BALANCE SHEET

Assets

- Current Assets
- Fixed Assets
- Other Assets
- Total Assets

Total Assets

Liabilities

- Current Liabilities
- Long-term Liabilities
- Equity

Total Liabilities & Equity

pany, 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 financial 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 section 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, the length of the loan, desired terms, how you will use the money, how you are going to pay it back,

FIND YOUR NEAREST SMALL BUSINESS DEVELOPMENT CENTER FOR A LIST OF BUSINESS CLASSES.
www.coloradoSBDC.org

available collateral and how you will pay it back if something goes wrong

- A list of your capital equipment, including equipment used to manufacture or deliver your product or service (not the equipment or merchandise you sell directly to a customer) such as manufacturing machinery and delivery fleets, permanent fixtures such as 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 cashflows (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 percent increase in your projections, and second based on a 50 percent 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 reports, letters of reference, letters of intent, copies of leases, legal documents and anything else relevant to your plan.

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 chapters of this Guide.

Suggestions on Format and Approach

- Provide a table of contents and tab each section
- Type the plan on 8 1/2" 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 your plan.
- There are sixteen Small Business Development Centers listed in the Sources of Government Assistance that provide free one-on-one counseling 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.

A typical problem in an entrepreneurial business is that the marketing is focused on a product and 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. With the customer as your guiding light then, all your company's policies should be aimed at satisfying your customers' needs and desires. Everyone in the company has a marketing job.

Marketing emphasizes the customers' needs and wants. A comprehensive marketing plan starts with describing your market place. The customer should drive your business. The marketing plan should fit your product development, pricing, promotion and distribution around the customers' needs.

your business.

- **Products and Services:** Effective product strategies can vary greatly. They include concentrating on a narrow, specialized product line or providing a large selection of products. Your strategy may be to provide a high level of customer service or low cost products with minimal service. Different

consultative selling techniques.

- **Product Distribution:** You must identify the best method for product distribution. Manufacturers 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 traffic. As a result you must spend more on advertising to build traffic.

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

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 develop a loyal customer base. You must focus your efforts on identifying, satisfying 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 chances 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?



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 analysis will uncover your most profitable market segments and product lines.

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 P's of Marketing.

- **People:** Your customers and prospects drive the marketing plan. You should analyze these people before you do anything else in

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.
- **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

- 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?

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:** They have statistical information on population, age, education and income demographics. Call them for information at (303) 264-0202 or visit their website at www.census.gov
- **Colorado Department of Labor & Employment:** They have industry and labor market statistics. Call them directly at (303) 318-8850 or visit their website at: www.coworkforce.com
- **Department of Local Affairs State Data Center:** They also have useful demographic information. Call (303) 866-4147 or visit their website at: www.dola.state.co.us/demog

Determine the proper location for your business. Gather information about traffic patterns (vehicular and pedestrian) to assess sales potential. The Colorado Department of Transportation (CDOT), Division of Transportation Planning, 4201 E. Arkansas Ave., Denver, CO 80222, (303) 757-9488 or www.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 the local Yellow Pages 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, be competitive and 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. Consult your Yellow Pages for listings and refer to the Choosing Advisors chapter of this Guide.

If you want to do your own research, the following list of contacts and agencies, though not exhaustive, will 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 Guide.

- **Chambers of Commerce** Local chambers can provide business development and real estate information and various community facts. Call the Small Business Hotline at (303) 592-5920 for the number to your municipal chamber or visit www.state.co.us/business_dir/chambers.html for a list.
- **US Department of Commerce/Census Bureau** The 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. A library is on the premises for research at 6900 W. Jefferson Ave. Suite 100, Lakewood, CO 80235-2032, (303) 264-0202 or visit their Internet address at www.census.gov
- **Colorado Department of Labor and Employment/Labor Market Information** This department's Labor Market Information Section provides demographic breakdowns and publishes a "Colorado Labor Market Information Directory" and an "Annual Plan-

ning Information Report" covering state and local labor market areas. For more information, contact the Labor Market Information Section at 1515 Arapahoe St., Tower II, Suite 300, Denver, CO 80202, (303) 318-8850 or visit their web address at www.coworkforce.com/lmi

- **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, feel free to 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 1,000,000 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. The Denver Public Library/Business Reference Center is located at 10 W. 14th Ave. Pkwy, 4th Floor, Denver, CO 80204, (720) 865-1111 or visit their website at www.denverlibrary.org
- **Universities and Colleges** Universities are a good source of information. 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 marketing assistance refer to the Sources of Assistance chapter of this Guide.

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 number of marketing goals that need to be addressed. When determining these goals, it is important to prioritize them in order of need and availability of funds. Consider the following:

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

Establishing a Marketing Budget

A budget should be created for a minimum of twelve 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 and 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 to 50 percent of their marketing plan every quarter.

Develop Next Year's Marketing Plan

As you monitor results, new goals and strategies for the coming year 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 competition, increasing the likelihood of keeping your current customers, developing customer loyalty and increasing the immediate sales and leads.

While all of the above goals are important, you should prioritize your specific 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 placement 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 advertising 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 businesses 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, limited length of exposure and the clutter of many other ads. It may require multiple exposures to achieve message retention.

- **Radio:** Radio, like television, has the ability to quickly reach a large number of consumers. The major advantage of radio lies in its ability to effectively target narrowly defined segments of consumers. The vast array of radio programming formats lets an advertiser gear ads to almost any target audience. It is also relatively inexpensive. The disadvantages of radio are: the message is limited to audio only with no visual product identification, ad clutter can be high and exposure 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 allow 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; magazines 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

CREDIT CARDS

Some of the trade associations that assist members in obtaining credit card processing include:

Association	Telephone	Website
The Colorado Retail Council	(303) 297-0657	www.coloradoretail.org
The Colorado Restaurant Assn.	(303) 830-2972	www.coloradorerestaurant.com
The Colorado Hotel & Lodging Assn.	(303) 297-8335	www.coloradolodging.com
The Rocky Mountain Food Industry Assn.	(303) 830-7001	N/A

This is NOT a complete list. The "Encyclopedia of Associations" found in many local public libraries lists almost all national and Colorado trade associations.

billboards is the length of viewing time. The target audience is frequently moving and the message must be kept simple, direct and should be 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.

"A BASIC GUIDE TO EXPORTING" IS AN EXCELLENT RESOURCE GUIDE AND MAY BE PURCHASED FROM THE U.S GOVERNMENT BOOKSTORE ONLINE AT WWW.BOOKSTORE.GPO.GOV.

- **Yellow Pages:** The Yellow Pages share many of the strengths of other advertising media while avoiding many of the weaknesses. The Yellow Pages are best used to supplement or extend the exposure of other media. They reach geographically targeted customers who will keep and regularly re-use them as a reference guide. The greatest disadvantage is ads are normally solicited only once per year. Creative flexibility is limited and there may be many ads for similar businesses.
 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 created 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, customer database including addresses, age, income range and how they heard about you.

- **Don't Change a Message 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 and Food Products

The Markets Division of the Colorado Department of Agriculture is located at 700 Kipling St., Ste. 4000, Lakewood, CO 80215-8000, (303) 239-4100 and assists business owners who sell Colorado food and agricultural products in local, regional, national and international markets. The Division offers assistance in the areas of promotion, research, exporting, business startups 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 related workshops and seminars each year. It also publishes numerous directories and resource materials to help you market your products successfully. If you have Internet access look up their website at www.ag.state.co.us/mkt/mkt.html for more information. 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 percent of their ingredients, by weight, are Colorado agricultural goods.

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 export their products and services to international markets, and attracting foreign investment into the state. Geographic 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. The ITO is located at 1625 Broadway, Suite 2700, Denver, CO 80202, (303) 892-3850.

U.S. Export Assistance Center (USEAC)

The Denver U.S. Export Assistance Center provides businesses, at one location, the trade promotion and marketing programs of the U.S. Department of the Commerce and the trade financing programs of U.S. Small Business Administration and the Export-Import Bank of the United States. At some USEAC locations, additional information is also available on the international programs sponsored by the U.S. Department of Agriculture and Agency for International Development.

Designed to streamline the delivery of export assistance programs to small and medium-sized businesses, USEACs are the federal government's response to the growing competition that American businesses face in the global market place. The USEAC provides consulting and training programs on international marketing and trade financing subjects to clients throughout the region, in addition to being able to introduce businesses to potential buyers overseas through its worldwide network of commercial offices. The Denver USEAC works closely with other federal, state, and local government agencies in Colorado, Wyoming, Utah, Arizona, Nevada and New Mexico to better meet the needs of their mutual clients. For additional information on the programs offered by the major USEAC partners, please visit their websites at www.sba.gov/oit, www.export.gov and www.exim.gov or contact the USEAC at: 1625 Broadway, Suite 680, Denver, CO 80202; or call (303) 844-6001.

The World Trade Center (Denver)

The World Trade Center, located at 1625 Broadway, Suite 680, Denver, CO 80202, (303) 592-5760, offers classes, seminars and workshops on international trade in partnership with Metropolitan State College of Denver. For more info, visit www.wtcdn.com.

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. Colorado has implemented an automated and centralized procurement information system for over 45 state agencies including all state colleges and universities. The system is called BIDS, Bid Information Distribution System. BIDS maintains a website at www.gssa.state.co.us that vendors can access 24 hours per day, seven days per week to download bid information. Vendors are responsible for checking the website for purchasing opportunities in their areas of business. The website provides basic bid information. Vendors interested in doing business with the state should contact the Division of Purchasing at (303) 866-6100.

The federal government is an even larger purchaser of goods and services. The Denver and Aurora Small Business Development Cen-

ters (SBDCs) offer one-on-one procurement counseling at no charge to Colorado businesses. A resource library and a variety of education and training programs are designed to assist businesses with:

- Electronic Data Interchange (EDI) information
- Bid and Proposal Preparation
- Procurement Information Sources
- Pre and Post Award Contractor Strategies
- Bidder's Mailing List Applications
- Cost and Price Analysis
- Contract Performance Techniques

SBA'S FEDERAL PROCUREMENT ASSISTANCE

An integrated database of small businesses that want to do business with the government has simplified the federal contracting process. PRO-Net and the Central Contractor Registration databases have been integrated into one portal for entering and searching small-business sources.

To conduct market research and confirm eligibility for SBA's procurement preference programs, users can now go to the CCR website at www.ccr.gov and click on "Dynamic Small Business Search". All of the search options and information that existed in PRO-Net can now be found at this CCR Dynamic Small Business Search site.

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 in both PRO-Net and CCR.

Please note that if you are interested in receiving Small Business Disadvantaged, HUBZone or 8(a) certification, you will need to refer separately to the SBA to complete that process.

HUBZone Empowerment Contracting Program

This program encourages economic development in historically underutilized 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 businesses in its PRO-

Net(tm) database. For more information go to www.sba.gov/hubzone.

Small Disadvantaged Business Program (SDB)

SBA certifies SDBs to make them eligible for special bidding benefits. Evaluation credits available to prime contractors boost subcontracting opportunities for SDBs. Under federal procurement regulations, the SBA certifies SDBs for participation in federal procurements aimed at overcoming the effects of discrimination. SBA certifies small businesses that meet specific social, economic, ownership, and control eligibility criteria. Once certified, the firm is added to an online registry of SDB-certified firms maintained in PRO-Net. Certified firms remain on the list for three years. Contracting officers and large business prime contractors may search this on-line registry for potential suppliers. For more information go to www.sba.gov/sdb/.

8(a) Business Development Program

The 8(a) program assists the development of small firms owned and operated by individuals who are both socially and economically disadvantaged. By extending government contract preferences and other business development support, it helps these firms gain access to the economic mainstream. Typically a small business must have been in operation for at least two years before applying to this program. Contact the SBA's Colorado District Office at (303) 844-2607 for more information.

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 checkouts by means of laser scanners. Success-

ful 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.

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 require 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 information, contact the Uniform Code Council, Inc. at 7887 Washington Village Dr., Ste. 300, Dayton, Ohio 45459, (937) 435-3870 or visit their website at www.uc-council.org.

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.

WHAT YOU NEED TO KNOW

Financing for your business may be obtained from private investors, lenders, and other financial institutions. In Colorado, as nation-wide, 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

In all cases, the prospect of a profitable investment as shown by a sound business plan is a key step to seeking financing.

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?

consultants. See the Sources of Assistance chapter of this Guide.

Financing needs may generally be categorized into three major classifications: short-term, intermediate and long-term financing as well as 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, accounts 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. Banks will generally require that you maintain a designated balance of funds in your commercial bank account.

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 receivable or inventory. The loan is used as a source of funds for working capital needs. The lender takes a security position in the assets owned by your business.

Contract Financing

One method of arranging financing for con-



outside financing. The vast majority of outside financing for small businesses comes 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. 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

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. He/she 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. In all cases, the potential for a profitable investment as reflected in a sound business plan is a key step to obtaining the financing you need. Assistance in how to prepare a business plan is available through a number of government offices and private management and financial

tracts for goods or services or purchase 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 satisfactorily perform and complete the contract or purchase order.

Factoring

This is somewhat similar to accounts receivable financing with one notable exception. Factors actually buy your receivables and rely on their own credit and collection expertise. Essentially, your customers become their customers. Your buyer makes payments directly to the factor. Firms unable to obtain bank financing generally use factoring. 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 AND 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 and government agencies. The maturity of term loans varies significantly. The term of the loan is 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 and Real Estate Loans:** These are term loans fully secured by the equipment being purchased. Commercial banks will typically loan from 60-80 percent 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 percent 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:** This has become a significant source of intermediate-term financing for small companies in recent years. 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 DIRECT SOURCES OF FINANCING

At all levels of government, there are a number of finance 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. In limited instances, some state and local governments do provide direct financing. 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. Direct loans are loans made directly to the business by the government agency. Each government finance program has its own restrictions and unique qualifications. Program restrictions include geographical location, type of business, eligible uses of loan proceeds, maximum and minimum loan amounts and required equity injection by the borrower. The first step in obtaining a government guaranteed loan is to contact a commercial lender in your area.

U.S. SMALL BUSINESS ADMINISTRATION (SBA) FINANCE PROGRAMS

Though the SBA does offer a variety of guaranteed loan programs, the agency has no funds for direct lending or grants.

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 guarantee a maximum of \$1.0 million under the 7(a) program. The guaranty rate is 85 percent for loans of \$150,000 or less; 75 percent for loans greater than \$150,000, and 90 percent for loans made under the Export Working Capital Program. Generally the interest rate cannot exceed 2.75 percent 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 7 years for working capital, 10 years for equipment and up to 25 years for fixed assets. Contact a commercial lender or the SBA's Colorado District Office at (303) 844-2607 for more information on the following programs.

• 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 percent of the project is provided by the borrower, at least 50 percent under a commercial loan by a lender, and the remainder provided by an SBA-guaranteed debenture. The maximum SBA debenture is generally \$1 million. This program is delivered through Certified Development Companies (private, nonprofit corporations established to contribute to the economic development of their communities or regions). Contact the SBA's Colorado District Office at (303) 844-2607 for more information.

• Low Documentation Loan (SBA Low-Doc), a 7(a) Loan Program

This loan



guaranty program reduces the paperwork involved in loan requests of \$150,000 or less. The SBA uses a one-page application for SBA LowDoc that relies on the strength of the applicant's character and credit history. Once an applicant satisfies all of the lender's requirements, the lender may request an SBA LowDoc guaranty from the SBA. Contact a commercial lender for more information on this loan guaranty program.

• **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 \$250,000. In return, the SBA agrees to guarantee up to 50 percent 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 \$1.0 million under the program.

• **Export Working Capital Program (EWCP),**

a 7(a) Loan Program This program enables the SBA to guarantee up to 90 percent of a secured loan, or \$1 million whichever is less. Loan maturity may be for up to three years with annual renewals. Loans may be for single or multiple export sales and may be for pre-shipment working capital, post-shipment exposure coverage or a combination of the two. Proceeds may only be used to finance export transactions. This program targets export-ready small businesses. Contact the SBA at (303) 844-2607 for more information.

• 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 adversely affected by import competition. The SBA may guarantee up to \$1.25 million for a combination of fixed-asset financing and working capital. The working capital portion cannot exceed \$750,000. Contact the SBA at (303) 844-6622 ext 18 for more information.

• SBA Export Express, a 7(a) Loan Pro-

gram Small business exporters may now obtain loans of up to \$250,000 through the lender-expedited SBA Express program, with SBA guaranteeing 75-85% of the loan amount. Loan proceeds may be used for buildings, equipment, other fixed assets, for-

eign trade show costs, translating company literature, export transaction costs, or other working capital needs. Applicants must have been in business for at 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. Contact the SBA

THERE ARE NO GOVERNMENT GRANTS FOR STARTING A NEW BUSINESS.

at (303) 844.6622 x 18 for more information.

• **MicroLoan Program** This program provides short-term loans of up to \$35,000 to small businesses for working capital or 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 non-profit 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 at (303) 844-2607.

• **USDA-Rural Development (USDA-RD)**

The USDA-RD Business and Industry Loan Program provides loan guarantees and limited direct loans for business and industrial development in rural areas of the state. Rural areas include all territory of a state that is 1) not within the outer boundary of any city having a population of 50,000 or more, and 2) not within an area that is urbanized or urbanizing. Priority is given to rural communities and towns of 25,000 or smaller. The maximum percentage of guarantee is 80 percent for loans of \$5 million or less, 70 percent for loans between \$5 million and \$10 million, and 60 percent for loans exceeding \$10 million up to \$25 million. Loan proceeds may be used for working capital, purchase of machinery and equipment or to purchase fixed assets. For more information, contact the Community & Business Programs section for Rural Development at 655 Parfet Street, Lakewood, Colorado 80215, call 720-544-2903 or visit their website at <http://www.rurdev.usda.gov/>.

• **Colorado Housing and Finance Authority (CHFA)** CHFA offers a number of loan programs to small businesses.

Direct Loan Programs

• **SBA 504** With as little as a 10% down payment business can finance commercial owner-occupied real estate. A typical loan structure includes a first mortgage from CHFA representing 50% of the total project, with the SBA providing a second mortgage for 40%. Both loans include a 20-year fixed interest rate and may be used to finance machinery for up to 10 years. By limiting down the payment requirement, firms are able to preserve cash for investment back into their businesses.

• **CHFA Direct** provides owner-occupied real estate financing for loan amounts ranging from \$50,000 to \$20,000,000 with down payments as low as 15%. It features a fully amortizing, fixed rate with loan terms up to 20 years. This program also allows financing of manufacturing equipment. Prospective businesses should apply directly to CHFA.

Business Loan Fund (BLF) Offices

Northeastern Colorado BLF	(970) 848-3150	6 Northeastern Counties
Weld/Larimer BLF	(970) 356-4565	Weld & Larimer Counties
Clear Creek County BLF	(303) 569-2133	Clear Creek & Gilpin Counties
Lincoln County BLF (Prairie Development Corp.)	(719) 348-5562	4 Eastern Plains Counties
Prowers County BLF (SECED)	(719) 336-3850	5 Southeastern Counties
Pueblo County BLF	(719) 545-8680	Pueblo County
Otero County BLF	(719) 383-0183	Otero & Las Animas Counties
Chaffee County BLF (UAADC)	(719) 395-2602	6 Central Colorado Counties
Rio Grande County BLF (SLVDRG)	(719) 589-6099	6 San Luis Valley Counties
La Plata County BLF (Region 9 EDDSC)	(970) 247-9621	5 Southwestern Counties
Montrose County BLF Region (Region 10 LEAP)	(970) 249-2436	6 Western Counties
Mesa County BLF (WCBDC)	(970) 243-5242	Mesa County
Summit County BLF (Northwest Loan Fund)	(970) 468-0295 x119	9 Northwestern Counties
El Paso County BLF (P.P.R.D.C)	(719) 471-2044	El Paso County
Huerfano County BLF (Inactive)	(719) 738-2380	Huerfano County

Manufacturing businesses with project amounts exceeding \$2 million may be eligible for special tax exempt financing.

- **Non-Profit Real Estate Program**, CHFA provides a long term, fixed interest rate combined with a low down payment requirement, creating the opportunity for non-profits to acquire real estate. Eligible 501(c)3 entities may also qualify for tax exempt financing at below market fixed rates. Prospective borrowers should apply directly to CHFA.
- **The Rural Development Loan Program (RDLP)** For existing businesses located in rural areas of the state, CHFA provides special rates and terms on its direct loan products. With down payments as low as 10%, businesses receive a fixed rate for a term of up to 20 years on commercial owner-occupied real estate.

Secondary Market Programs

- **Quality Investment Capital (QIC) Program**, a program in which CHFA purchases the guaranteed portion of SBA 7(a) loans that are originated by local banks throughout the State. By purchasing the guaranteed

portion of the loans, the borrower is able to take advantage of a long-term fixed-rate loan. The bank gains liquidity by selling the guaranteed portion of the loan, and makes fee income from a servicing fee paid to the lender (from CHFA).

- **Quality Agricultural Loan (QAL) Program**, a program in which CHFA purchases the guaranteed portion of agricultural loans guaranteed by the Farm Service Agency (“FSA”). Bankers throughout the State originate the loans, then sell the guaranteed portion to CHFA; thereby allowing the borrower to take advantage of a long-term (up to 30 years) fixed-rate loan for farm and ranch related purposes.
- **Business and Industry II (B&I II)**, a program whereby CHFA purchases the guaranteed portion of Business and Industry loans guaranteed by Rural Businesses Services (RBS). The Program is targeted to businesses in rural locations of the state and allows the borrower to take advantage of a fixed interest rate for up to 25 years.

Special Programs

- **Manufacturing Revenue Bond Program**, a program that provides favorable tax-exempt Private Activity Bond financing targeted to small manufacturers in Colorado. The program provides for the financing of real estate, machinery and equipment associated with expansion projects specific to manufacturers. Borrowers must meet all eligibility thresholds, all federal tax code requirements, and often must compete for available Volume Cap.
- **Brownfields Revolving Loan Fund**, a newly established partnership between CHFA, and the EPA, the Colorado Department of Health and Environment, and several municipalities throughout the State whereby funds are pooled by the partners and used to finance cleanup of environmentally contaminated commercial properties for future reuse or redevelopment. Financing terms include below market rates, flexible loan terms and creative loan structures. CHFA serves as the fiscal agent for the fund. For more information on CHFA’s loan programs, contact the

Colorado Housing and Finance Authority,
1981 Blake St., Denver, CO 80202, (303) 297-7329 or 1-800-877-2432.

The Colorado Office of Economic Development and International Trade (OEDIT):

OEDIT offers financial assistance to existing Colorado businesses and to businesses relocating to Colorado.

Community Development Block Grants (CDBG):

These grants are provided to the State of Colorado by the U.S. Department of Housing and Urban Development (HUD). In turn, OEDIT uses these funds to assist rural communities with their economic development efforts. Businesses receiving CDBG assistance are required to create or retain jobs for low- and moderate- income persons. In some situations, businesses may be eligible if the owner of the business is of low- to moderate- income and the business qualifies as a microenterprise. OEDIT uses these funds to further economic development in two ways: First, the CDBG Infrastructure Program in support of a specific business or businesses. Local government-sponsored projects may generally receive infrastructure grants of up to \$500,000. Local matching funds may be required. Second, OEDIT provides financial resources to 15 regional Revolving Loan Funds (BLFs), which use the funds to make loans to businesses within their service areas. The BLF programs are available locally, each with its own loan review committee and Board of Directors. The BLFs have considerable flexibility to make small loans from a few thousand dollars up to \$250,000. In some cases, loans greater than \$250,000 have been approved. For both the Infrastructure and BLF Programs, applicants can be existing or start-up businesses. OEDIT and, when appropriate, the Governor’s Financial Review Committee reviews and approves all requests for funding.

NOTE: The stat’s CDBG program does not cover any of the metropolitan areas of Colorado (known as “entitlement” areas), because those areas receive their own allocation of CDBG

SBIC LICENSEES IN COLORADO

Appian Ventures L.P. – Phillip Dignan
1700 Lincoln St., Ste. 1800
Denver, CO 80203
(303) 830-2450
E-mail: phillip@appianvc.com

Roaring Fork Capital L.P. – Eugene McColley
5350 S Roslyn ST
Greenwood Village, CO 80111
(303) 694-1300
E-mail: Ctiffany@roaringforkcapital.com

Vista Ventures Advantage L.P. – Catharine M. Merigold
1011 Walnut St., Ste. 410
Boulder, CO 80302
(303) 543-5716
E-mail: catharine@vistavc.com

funds directly from HUD. For more information on the CDBG programs, please contact OEDIT's Finance Staff at (303) 892-3840, or for loans, contact the BLF in your service area directly (see BLF listings).

Certified Capital Companies (CAPCO)

The Colorado State Legislature created the Certified Capital Companies' Program in 2001 to provide financial assistance in the formation of new businesses and the expansion of existing businesses. CAPCOs may provide a variety of funding alternatives to eligible Colorado businesses including debt, equity and debt/equity hybrid instruments. The legislation provides CAPCOs an incentive to invest in businesses located in rural parts of the state and in distressed urban communities within the state. Each individual CAPCO generally determines what type of business it will fund, the use of such funding and the amount of funding, within very broad parameters provided by the legislation. For general information on the CAPCO Program, contact OEDIT's Finance staff at (303) 892-3840. To be considered for CAPCO funding, contact each of the six CAPCOs:

- Advantage Capital Colorado Partners, I, L.P.
(303) 321-4800 ext. 228
- Enhanced Colorado Issuer, LLC
(303) 504-5337
- Murphree Colorado CAPCO, L.P.
(719) 634-7070
- Stonehenge Capital Fund Colorado, LLC
(720) 956-0235
- Waveland Colorado Ventures, LLC
(303) 794-1220
- Wilshire Colorado Partners, LLC
(303) 446-5904

Venture Capital Authority (VCA)

The Colorado State Legislature in 2004 re-directed \$50 million in premium tax credits to a new Colorado Venture Capital Program. This legislation established a Venture Capital Authority (Authority) to oversee the new program, with assistance from the Colorado Office of Economic Development and International Trade (OEDIT). The Authority will convert the premium tax credits to cash through a competitive bid process and then will use the cash

to fund selected venture capital funds. The venture capital funds will use the cash to make investments in businesses located in Colorado as follows: 25% for rural businesses; 25% for businesses located in distressed urban communities; and 50% for businesses located anywhere in the state.

For General information on the VCA Program, contact OEDIT's Finance staff at (303) 892-3840. To be considered for VCA funding, contact the Fund: Colorado Fund 1 (303) 381-2646.

EQUITY FINANCING

This type of financing allows investors to buy into the ownership of your business.

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, stockbrokers, venture capitalists or entrepreneur clubs. You must determine that your goals are compatible with those of your prospective investor.

•The Colorado Capital Alliance (CCA)

This is a not-for-profit organization created to facilitate the match between private "angel" investors looking for investment opportunities and entrepreneurs seeking capital. Investors and entrepreneurs complete applications outlining their respective needs. Entrepreneurs must have a completed business plan to apply. There is an annual participation fee of \$395 for entrepreneurs. Investors are sent investment opportunities that meet their criteria. Entrepreneurs are introduced to investors expressing further interest in their project. For more information contact CCA at PO Box 19169, Boulder, CO 80308-2169 or call (303) 499-9646.

•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.

SBA's Venture Capital Programs

•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. For more information, check out www.sba.gov/financing/investment.html.

•Angel Capital Electronic Network (ACE-Net)

This provides an Internet-based secure listing service for entrepreneurs seeking equity financing of \$250,000 to \$5 million from accredited “angel” investors. The “angels” using ACE-Net can negotiate directly with listed companies to provide equity capital funding and advice for a stake in the entrepreneur’s corporation. ACE-Net is operated as a partnership between the SBA’s Office of Advocacy and a number of nonprofit organizations nationwide. For more information, go to SBA’s home page, under Offices & Services or ace-net.sr.unh.edu/pub/

•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 burden 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 registration 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, relatively 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.



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ed@scan.org www.scan.org

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BASIC BUSINESS LIABILITIES

When you operate your own business there are a number of different liabilities 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

Before starting your business, you should be aware of the potential liabilities 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. Insurance companies can put together a specialized insurance package to meet the exact needs of your business. While it often makes good business 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.



business may also be held liable for injuries to your employees and your customers that occur 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 personal 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

Prevention means reducing pollution at its source by substituting less polluting materials or by changing the process or the equipment used so that pollution and waste by-products are reduced or avoided. The Colorado Department of Public Health and Environment

(CDPHE), Pollution Prevention (P2) Program helps businesses identify alternative production processes, changes in raw materials and alternative technologies to reduce pollution. The use of these alternative work practices may reduce your emissions and waste to the point where permits or other regulatory requirements are no longer necessary. For P2 technical information or assistance call the CDPHE, Pollution Prevention Program Office at (303) 692-2977 or on the web at www.cdphe.state.co.us/el/p2_program/.

Solid Waste and 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, but are NOT limited to, photochemical processing stores, auto repair shops plus any business that uses and disposes of batteries and florescent light bulbs. To determine if your business must comply with waste rules and regulations call the Division's public assistance hotline at (303) 692-3320. 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 and Drinking Water Quality

The CDPHE Water Quality Control Division manages water quality in Colorado. Two types of activities are regulated by the Division that are applicable to small businesses: 1) discharges of wastewater or storm water runoff, and 2) compliance with regulations for public water systems. Any discharge of pollutants (ranging from pumping ground water from an excavation to pouring out water used

in industrial processes) may require a permit. In addition, industrial sites and construction sites may need permits to control pollutants washed off into storm runoff. Public 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 at (303) 692-3500.

Air Pollution

The 1990 Federal Clean Air Act Amendments expanded the number and types of businesses that must comply with air quality standards. Businesses that may need to comply with air quality regulations include, but are NOT limited to, dry cleaners, print shops, refrigeration and air conditioning services, furniture manufacturers, feedlots and cement/asphalt companies. As a small 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 \$119.96 fee for filing an APEN. However, businesses may be subject to fines of up to \$500 for failing to file APENs and up to \$15,000 per day for failure to obtain a permit. 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 information or assistance call the SBAP at (303) 692-3175 or go to their website: www.cdphe.state.co.us/ap/sbap/index.html.

HEALTH INSURANCE

Employers are not required by federal or state law to provide health coverage to their employees. However, if you do provide health benefits, certain laws will determine the nature of the plan and how it is administered. In Colorado, group insurance policies are required to include newborn coverage, maternity, complications of pregnancy, mammography screenings and mental health benefits and other mandated benefits. When an employee is terminated or leaves the job, federal and state laws require the employer to notify the employee of his/her right to continue coverage with the group at his/her own expense. The right to continue generally extends for 18 months or until the individual is eligible for other group coverage, whichever comes first. This right to continue applies to dependents covered under the group plan as well as the employee. If the group consists of 20 or more employees, the federal COBRA laws govern continuation coverage, while groups with less than 20 employees can claim continuation rights under state insurance law. For more information on COBRA contact the U.S. Department of Labor, Pension and Welfare Benefits Administration, 2300 Main Street, Suite 1100 Kansas City, MO 64108, 816) 285-1800. You can also call their national toll-free hot line at (866) 444-3272 or visit them online at www.dol.gov/ebsa.

Small Group Health Insurance Rights

Over the past several years, Colorado has passed some tough new laws designed to provide small employers with increased coverage, premium and benefit protections. If you have 50 eligible employees or less, you have the right to purchase small group coverage in most circumstances.

- For a small employer with 2 to 50 eligible employees, coverage must be provided from any small group carrier in the state. Health carriers must issue a small group plan if you satisfy the provisions of the plan and agree to make required premium payments. This is true for all small employers regardless of occupation or the health of the group.
- If you are a self-employed business group of one who applies for and is declined coverage

under any of a carrier's small group plans, the carrier must offer you the opportunity to purchase a Standard or Basic Health Plan during your open enrollment period, which is 30 days following your birth date. Copies of the Basic and Standard Health Benefit Plans may be obtained by writing the Colorado Division of Insurance, 1560 Broadway, Suite 850, Denver, CO 80202, (303) 894-7490 in the Denver metro area, or (800) 930-3745, statewide.

- A health carrier who sells you any of its health plans must offer to cover all eligible employees regardless of their health.
- If your policy was issued or renewed after January 1st, 1997, the only factors a health carrier may use in setting premiums for your group are specified case characteristics (i.e., age, geographic location, and family composition of persons covered under your plan.) Claims experience, health status, industry and gender are all eliminated as factors.
- Health carriers cannot exclude coverage of certain conditions for individual employees through policy riders.
- Insured employees and dependents have the right to convert to a Standard or Basic Health Benefit Plan when they exhaust continuation coverage.
- Health carriers are also required to renew your coverage if you want it renewed. As long as you continue to meet participation and contribution requirements, they cannot cancel your policy unless they pull out of the Colorado market segment (i.e., individual, small or large group) entirely or you commit fraud, abuse or fail to pay your premiums.
- If you change health carriers, the new carrier must cover everyone who was covered under the old policy. Health carriers cannot "dump" high-risk eligible employees or dependents.
- The maximum period during which a health carrier can exclude coverage for a health condition that existed prior to the effective date of coverage is 6 months, or 12 months for Business Groups of 1, effective January 1, 2003.
- Health carriers are required to give every person covered under a small employer plan "credit" for any preexisting condition exclusion period already met under a prior plan if



no more than 90 days have lapsed between coverages.

- Health carriers must explain in their sales and solicitation materials how they calculate premium rates.
- Health carriers must allow qualifying employees and dependents no longer covered by a small group plan to continue coverage for up to 18 months at their own expense or until they become eligible for other group insurance, whichever occurs first. For more information on your rights as a small business or assistance with other issues concerning employee health insurance and state insurance laws, you may contact the Consumer Section of the Colorado Division of Insurance at 1560 Broadway, Suite 850, Denver, CO 80202, (303) 894-7490 in the Denver metro area or (800) 930-3745 statewide or visit their website at www.dora.state.co.us/insurance.

Health Care Cooperatives

The Health Care Cooperative Law was passed in 1994, in response to a rising number of uninsured among the employees of small employers. These groups traditionally faced high premiums and numerous pre-existing condition exclusions, causing many small employers to forego offering insurance as an employee benefit. A health care coverage cooperative is made up of two or more employers that obtain a certificate of authority from the State of Colorado to join together to buy health insurance. The cooperative contracts for coverage on behalf of its employer-members and offers a choice of insurance carriers and benefit plans to employers or employees. The cooperative may also perform administrative functions such as premium collection and distribution, enrollment, unenrollment and production of employee information materials. In most cases, a cooperative will charge members a small fee to cover administrative costs. Rather than contracting with a variety of health insurance carriers, an employer simply signs up with a cooperative and has access to all the cooperative's health plans and administrative services.

Who Can Join a Cooperative?

Any employer can join, but there are special protections for small employers. A small employer is defined as having 1 to 50 employees or being a sole proprietorship. Cooperatives are not required to accept large employers, but they must accept any small employer. Employers may join a cooperative at any time. Interested employers or employees should contact the Colorado Division of Insurance, 1560 Broadway, Suite 850, CO 80202, (303) 894-7490, for a list of certified cooperatives. To join, an employer simply has to sign up with a cooperative that provides coverage in the employer's geographic area. The cooperative probably won't collect administrative fees until premiums are collected. In most cases, coverage will be available within thirty days.

How Would I Start a Cooperative?

Interested employers should contact the Department of Health Care Policy & Financing to obtain further information on the laws and regulations that govern the formation of cooperatives. The following technical assistance documents are available to potential cooperatives: a sample application for co-op certification, a sample health plan request for applications, cooperative ground-rules handbook and cooperative infrastructure handbook.

Questions to Ask

When shopping for health coverage, it is important to make sure you are actually buying the coverage you want and can afford. Employers and employees should make a list of their needs to compare with actual policy provisions. Listed are some key questions you should ask when shopping for coverage.

- **Coverage:** Ask about the nature and extent of coverage offered by different plans. Ask that coverage provisions be shown to you in the policy contract. What does the plan cover (scope of benefits)? What is not covered by the plan (exclusions)? Does the plan cover the treatments and services my employees want covered? Are any of the following non-mandatory benefits covered and, if so, to what extent: adult preventive care, substance abuse, organ transplants, vision care, dental

USEFUL PHONE NUMBERS AND WEBSITES FOR ENVIRONMENTAL PROGRAMS

Air Pollution Emission Notice (APEN) forms

(303) 692-3150
www.cdphe.state.co.us/ap/download-forms.html

Clean Air Small Business Assistance Program

(303) 692-3100
www.cdphe.state.co.us/ap/

CDPHE Hazardous/Waste Division

(303) 692-3300
www.cdphe.state.co.us/hm/

CDPHE Water Quality Control Division

(303) 692-3500
www.cdphe.state.co.us/wq/

CDPHE Office of Pollution Prevention

(303) 692-3100
www.cdphe.state.co.us/ap/

care, prescription drugs, infertility counseling, durable medical equipment, etc.?

- **Costs/Premiums:** When comparing plans, compare benefits to find out why one plan is cheaper than another. Compare deductible and co-payment requirements. Are there limits on the amount of coverage for certain conditions or types of treatments? How much are the out-of-pocket maximums? What is the minimum amount that you must contribute (e.g., 50 percent of the premium)? Is this acceptable? Compare lifetime benefit caps on coverage.
- **Plan Types:** Compare the types of plans, including indemnity, preferred provider and HMO. How do benefit and reimbursement levels differ? How often can rates be changed?
- **Claims Payments:** What is the basis for paying claims under the policy? For example,

if it is “usual and customary rates,” find out exactly what this means. If pre-authorization is required, what is involved? Does it guarantee payment? If the plan normally pays less than what your doctor charges, who makes up the difference?

- **Plan Restrictions:** Are there restrictions on the use of providers and services under the plan? Are my employees comfortable with these restrictions? Will the list of restrictions be available to each employee and regularly updated?
- **Affordability:** What kind of coverage can I afford? How much coverage can my employees afford? How much can I lower the cost of coverage if I buy a health benefit plan with a higher deductible or higher co-payments?
- **Worst Case Scenario:** Investigate how much coverage different plans would provide under a worst case scenario (e.g., someone

requires \$100,000 in specialty care that only one very expensive hospital can provide, or needs \$200 a month in either prescription or nonprescription drugs, or has a sports injury that requires long-term physical therapy, or develops a long-term chronic disease requiring continuing care). How much would a covered employee or dependent have to pay out-of-pocket under a worst-case scenario?

- **Cost Containment:** Look at the cost containment features of different plans. Are any of the following cost containment approaches required: utilization review, separate deductible and out-of-pocket accumulations for in- and out-of-network benefits, alternate dispute resolution, managed care, etc.?
- **Customer Service:** Find out as much as you can about how the carrier performs customer service. Is this an established carrier? How long has the carrier been active in

The Business Lending Center

The Business Lending Center provides small businesses with assistance in financing, planning, consultation and the resources to help your small business grow.

The Business Lending Center specializes in:

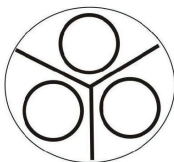
- Small business financing through SBA loans and Business Loan Funds
- Consultation through a network of Small Business Development Centers

Let us prepare a perfect package for your business needs.

Call Today!

719-545-8680

bill@scedd.com



Your #1 Source for Small Business Financing

1104 North Main Street ~ Pueblo, CO 81003

www.scedd.com



Small Business Development Center Services

- Free Confidential, one-on-one business counseling
- New business feasibility analysis
- Assistance with access to capital
- Intensive management training seminars
- Business resource libraries with access to current business data, demographics, technological information, and statistics
- Small business advocacy
- Government Procurement, international trade and technology assistance

The SBDC network combines the resources of federal, state, and local governments with those of the educational system and private sector to meet the specialized and complex needs of the small business community.

**To register for a free consultation please visit:
www.coloradosbdc.org**



the small group market? Has the company had an unusually high number of consumer complaints? What happens when you call the carrier's customer service number?

Health Care Reform

In 1996, the 104th Session of Congress passed several health insurance reform issues that concern small business owners. The following key provisions of the Health Insurance Portability and Accountability Act for small business became effective January 1, 1998.

Increased Health Insurance Deductions

As of 2006 people that are self-employed can deduct 80% of their health insurance premiums from their income.

Medical Savings Accounts (MSAs)

Businesses with less than 50 employees, self-employed workers and the uninsured will be eligible to enroll in a MSA program until the year 2002. At that time, Congress will vote on whether to expand eligibility to all citizens. Currently not all persons with a high deductible health plan (HDHP) are permitted to make tax-deductible contributions to these special medical savings accounts. If you do enroll in the allotted time period for an MSA plan you will be permitted to keep the plan even if Congress decides not to expand the eligibility. Individual contributions cannot exceed employee

income and contributions for individuals are limited from 65% to 75% of the deductible of the HDHP. Before participating, employers should review the state health insurance laws for the allowance of high deductible insurance plans.

Insurance Reforms

Federal law provides increased portability of health insurance by limiting the ability of group health plans to exclude or disqualify persons having a preexisting condition from coverage. This means that individuals who lose or leave their jobs can maintain health insurance coverage, even if they are sick by receiving 'credit' toward any preexisting conditions limits for prior coverage.

People who are denied coverage for a preexisting condition by their new employer's health plan may still receive coverage under the previous employer's plan via COBRA. In the past, a beneficiary's right to COBRA ceased when they became covered under a new plan. With this new law, their right to COBRA will not be terminated if their preexisting condition is excluded.

Employers will still be allowed to delay benefit coverage to new employees during a standard waiting or probationary period, often three months. For the purposes of determining "continuous coverage," employees would be considered continuously covered during this period.

THE FOLLOWING ARE ONLY A FEW EXAMPLES OF BUSINESSES THAT MAY BE SUBJECT TO ENVIRONMENTAL LIABILITIES AND REGULATION:

- Auto shop products, including batteries, gasoline, oil, paint and tires
- Bakeries, canneries, meat packing plants and other food processors
- Breweries and distillers
- Cement, asphalt, tar and other "paving" materials
- Chemical manufacturers and processors
- Dry cleaners
- Furniture manufacturers
- Explosives manufacturers
- Lumber mills and paper products producers
- Medical laboratories
- Plastics and synthetics materials manufacturers
- Paint shops and manufacturers
- Pest control
- Print shops, publishers, photo finishing and copiers
- Refrigeration and air conditioning manufacturing/repair.

INSURANCE PROTECTION

Other Types

- **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.
- **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.

- **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.
- **Completed Operations Insurance:** If you are a contractor, you can become insured for events that may occur after you leave the job site. Problems that may be covered include personal injuries or damage to someone's property as a result of something worked on going wrong. This is called Completed Operations Liability Insurance.
- **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.
- **Business Interruption Insurance:** (Also referred to as "Specific Time Element Coverage") This 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 percent of your profits) can help pay for your ongoing business expenses.
- **Inland Marine Insurance:** This can cover specific high value items, such as a computer, or any property item that 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.

- **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.
- **Bonding:** This is not an insurance contract. However, there are several types of surety bonds that you can purchase which cover a wide range of losses. Fidelity bonds are designed to protect a business or employer from losses due to the dishonesty of em-

ployees (such as construction workers or motor vehicle dealers) post a bond before they can be licensed or before they are awarded a state contract. Bonding is usually not mandatory. However, many private companies require that you also post a bond before beginning work. The previous are very broad classes of insurance needs you may want to consider. The particular insurance needs of your business may vary. There is not a single, all-inclusive package that will apply to everyone. To best meet the individual needs of your business, you should consult an insurance agent or broker who is qualified to go over the various options available to you. Insurance companies frequently offer small businesses packages of coverage in one policy. These package policies, which go by different names, sometimes offer cov-



ployees, 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' performance 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. State and/or local laws frequently require that certain

erage which can't be purchased separately, and usually are offered at cheaper rates than if the coverage were purchased individually. You can add specific coverage that you need or increase limits, to offer the protection levels necessary to cover your business exposure.

- **Unemployment Insurance And Workers' Compensation Insurance:** This is required by law if you have employees in your business. Refer to the Employer Responsibilities chapter of this Guide.

TRADEMARKS

What is a Trademark?

A trademark is a word, name or symbol used to identify your goods or services to distinguish them from those sold by other people. It indicates who made the product and, through advertising, should guarantee the quality of the items with the mark on them. A trademark allows the holder to prevent anyone from using a trademark that is substantially similar 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 Department of Revenue or the Secretary of State. The business owner must pursue private legal action to enforce his/her rights to the registered trade name.

Trademarks, trade secrets, copyrights and patents are all ways to protect your work. This chapter will help you determine which type of registration you need and where it can be registered.

additional paperwork and fees when it is placed into use.

What are the Terms of the Trademark?

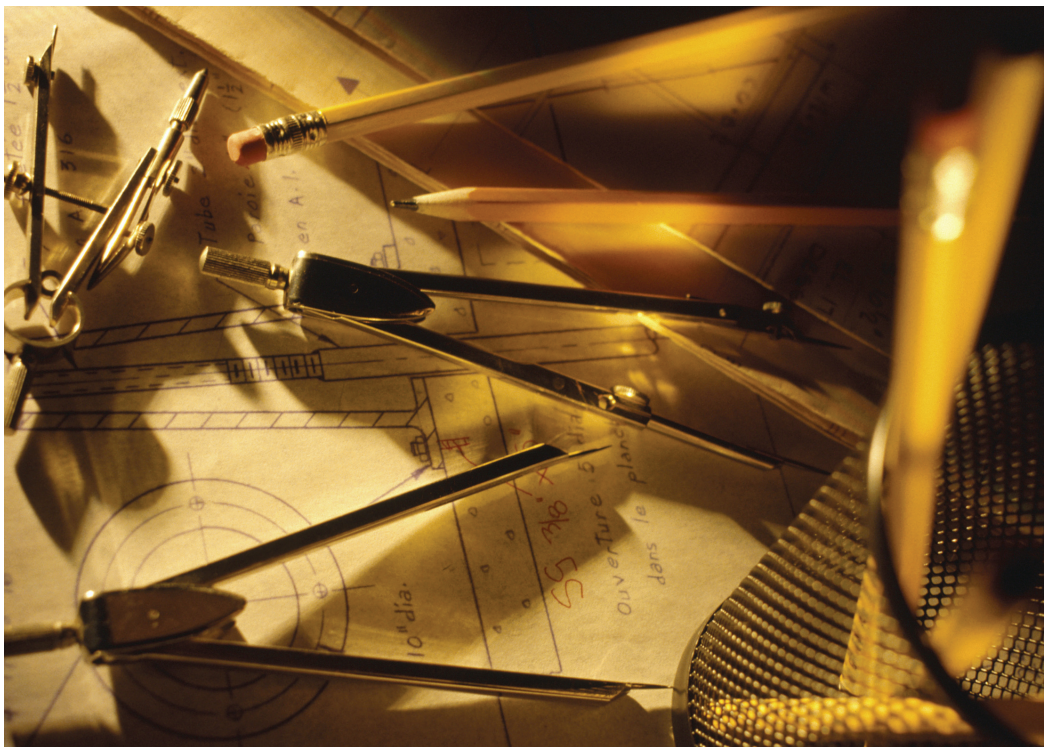
Trademarks registered in Colorado are valid for ten years and may be renewed for an additional ten-year term, as long as the goods and services are still being used in the business.

Trademarks registered with the federal government 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.”

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 in which the secret may be obtained.

Where do I Register a Trade Secret?

A trade secret is not registered with the government. 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.



COPYRIGHTS

We all have options! Business owners must determine the best method for protecting their ideas, products and inventions. These types of protection or registrations are not required but are optional!

How are Trademark Rights Established?

In Colorado, you may not register the trademark until you have actually used it in your 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

TRADE SECRETS

What is a Trade Secret?

A trade secret is a property right recognized by the government with regard to confidential

What is a Copyright?

Copyright is a form of protection 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. 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 phonorecords
- To prepare derivative works based upon the work
- To distribute copies or phonorecords of the work to the public by sale or other transfer of ownership, or by rental, lease, or lending
- To perform the work publicly, in the case of literary, musical, dramatic, and choreographic works, pantomimes, motion pictures and other audio visual works
- To display the copyrighted work publicly, in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work
- In the case of sound recordings, to perform the work publicly by means of a digital audio transmission

Where Do You Register a Copyright?

You can receive an application form and more information by contacting the Copyright Office – Library of Congress, 101 Independence Ave. S.E., Washington, DC 20559-6000, (202) 707-3000 or by visiting the U.S. Copyright Office website at www.copyright.gov.

PATENTS

What is a Patent?

A patent is a government granted property right to control a technology for a period of 20 years. It allows you exclusive rights to exclude others from making, using, offering for sale or selling the invention in the United States, or importing it into the United States. Patents may be issued for items that are new, useful and non-obvious.

What Can Be Patented?

A patent may be granted for any machine, process, and/or composition of material or design that is novel, non-obvious and useful.

A machine is defined as any piece of equipment, whether mechanical, electrical or hydraulic. A process is defined as any method or procedure for obtaining a given result. A composition of matter includes any combination of matter in the form of a chem-

ical compound, a metal alloy or a ceramic composite. A design would involve a shape or arrangement.

Novelty means that the item is one of a kind, never previously constructed or conceived. Non-obvious means that the item represents a leap forward beyond the expected progress within a field of science. 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. 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.

Before requesting a patent, you must search the list of existing patents to see if someone else already has patented a similar invention. The Denver Public Library, Business and Government Documents Section, 10 W. 14th Ave. Parkway, Denver, CO 80204, (720) 865-1111, has lists of all existing patents. Only attorneys or agents registered with the U.S. Patent and Trademark Office may represent inventors before the office. You may receive an application form by contacting The U.S. Commissioner of Patents & Trademarks at (703) 308-4357 or 1-800-786-9199 or download it online at www.uspto.gov/. 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
- An application fee (which varies depending on the type of patent)

How Much Will it Cost to File a Patent?

The time and expense required to obtain a patent may be great relative to its value. 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. Although the monopoly control of the patent has potential for large financial gains, a patent does NOT guarantee commercial potential or profits.

WHERE DO YOU REGISTER A TRADEMARK?

Trademarks are registered with the Colorado Secretary of State if your mark is used in Colorado. If your trademark will be used in more than one state, it may be registered with the United States Patent and Trademark Office.

Colorado

Colorado Secretary of State Division of Commercial Recordings
1700 Broadway, Suite 250
Denver, CO 80290
(303) 894-2200
TDD (303) 869-4867
www.sos.state.co.us

Federal Government

United States Patent and Trademark Office
1-800-786-9199
TDD (703) 305-7785
www.uspto.gov/

What is the Term of a Patent?

Patents are granted for 20 years, except for certain ornamental designs that may be issued for a term of 14 years. The patent grants the holder the right to exclude anyone else from using the technology for the life of the patent.

Where do I Get Additional Information About Patents?

- “General Information Concerning Patents” is available from the U.S. Government Bookstore by calling (866) 512-1800 or online at www.bookstore.gpo.gov.
- “Management Aids, #6.005, Introduction to Patents,” is available from the U.S. Small Business Administration by writing or calling the SBA, 721 19th Street, Suite 426, Denver, CO 80202, (303) 844-2607. Or from their website at www.sba.gov.
- United States Patent and Trademark Office General Information Seminars, Washington, DC 20231 www.uspto.gov.

AEROSPACE

OPPORTUNITIES

It is not yet well known, but the aerospace sector is a rich environment for start-ups, and six key elements play a role:

SBIR and STTR Funding

Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs comprise the largest source of high-risk, early stage, aerospace R&D funding in the U.S. The Federal Government currently awards \$2.2 billion in SBIR/STTR funding to small businesses each year – a large proportion of which is awarded by the Department of Defense. Total SBIR/STTR DOD funding to Colorado ventures was \$10.24 million for 2006.

Manufacturing Capability

Many products developed by small businesses in the aerospace sector do not require extensive manufacturing facilities – at least during the start-up and early development phase. Often, all that is needed are lab benches and testing equipment.

Supportive Environment

The aerospace start-up's client is frequently one of the prime aerospace/defense companies, NASA or the Department of Defense. Unlike many other sectors, there is often a paternal relationship on the part of the client towards the aerospace start-up that often manifests in favorable financial terms and ongoing coaching during product development. Many aerospace start-ups are begun by engineers who have a talent for business development leading to product development sponsored by a large aerospace company. Rarely is a successful aerospace start-up initiated by a non-engineer business professional, but that too appears to be changing as aerospace technologies are being applied in dual-use "terrestrial" products markets.

INDUSTRY-SPECIFIC LICENSES, CERTIFICATES

Federal Aviation Administration

- Licenses and Certificates: http://www.faa.gov/licenses_certificates/



- Aircraft Certification: http://www.faa.gov/licenses_certificates/aircraft_certification/
- Airline Certification: http://www.faa.gov/licenses_certificates/airline_certification/
- Airmen Certification: http://www.faa.gov/licenses_certificates/airmen_certification/
- Airport Certification: http://www.faa.gov/licenses_certificates/airmen_certification/
- Commercial Space Transportation: http://www.faa.gov/licenses_certificates/commercial_space_transportation/
- Medical Certification: http://www.faa.gov/licenses_certificates/medical_certification/

PROFESSIONAL ASSOCIATIONS

The following is a selection from among the many professional associations serving all aspects of the aerospace industry. (Source: http://trade.gov/td/aerospace/aerospace_associations.html)

- **Aeronautical Repair Station Association** provides regulatory clarification, interpretation and assistance to companies and organizations worldwide. In addition to both large and small repair station operators, membership is comprised of airline and aviation parts manufacturers, airlines, engineering firms and distributors. The Association promotes laws and regulations that establish reasonable aviation safety standards. It

encourages the development of regulatory guidance and interpretations that are clear, concise, consistent and applied uniformly. (<http://www.arsa.org>)

- **Aerospace Industries Association** is the trade association representing the nation's leading manufacturers of commercial, military, and business aircraft, helicopters, aircraft engines, missiles, spacecraft, and related components and equipment. (<http://www.aia-aerospace.org/>)
- **American Institute of Aeronautics and Astronautics** is a professional society for aerospace engineers and scientists. (<http://www.aiaa.org>)
- **Aviation Distributor's and Manufacturers Association** represents and provides services to further the aerospace industry marketplace. (<http://www.adma.org>)
- **Experimental Aircraft Association** represents experimental and sport pilots on local, state and federal levels. (<http://www.eaa.org>)
- **Foundation for Space Exploration** is a non-profit, philanthropic organization supporting aerospace research, education and outreach activities. (<http://www.space.org>)
- **General Aviation Manufacturers Association** is a national trade association representing manufacturers of fixed-wing aircraft, engines, avionics, and components. GAMA member companies also operate aircraft

fleets, airport fixed-based operations, pilot schools, and training facilities across the nation. General Aviation aircraft range from two-seat training aircraft to intercontinental business jets and regional airliners. (<http://www.gama.aero>)

- **Light Aircraft manufactures Association** is a nonprofit national trade association representing manufacturers of light aircraft, engines, avionics, parts/subassemblies, and suppliers and distributors to the light aircraft industry and community. (<http://www.lama.bz/>)
- **National Aeronautics Association** is an organization that represents all areas of flight. (<http://www.naa.aero/>)
- **National Agricultural Aviation Association** represents the aerial application industry. (<http://www.agaviation.org>)
- **Professional Aviation Maintenance Association** aims to promote a high degree of professionalism among aviation maintenance personnel; to foster and improve methods, skills, learning, and achievement in the field of Aviation Maintenance. (<http://www.pama.org>)
- **Satellite Industry Association** works to advance satellite interests both domestically and internationally. The association is dedicated to promoting the use of satellite technology in global communications. (<http://www.sia.org>)
- **Space Enterprise Council** is a forum for all sectors of the industry including commercial, civil, and military space-related companies. The council brings the collective power of its affiliation with the U.S. Chamber of Commerce and its diverse members into a single, unified voice that is used in advocating member interests to policymakers. (<http://www.uschamber.com/space/default>)
- **Space Foundation** is the leading non-profit organization advancing the exploration, development and use of space and space education for the benefit of all humankind. To vigorously advance and support civil, commercial and national security space endeavors and educational excellence. (<http://www.spacefoundation.org>)
- **Space Transportation Association** represents the interests of organizations and

people who are engaged in developing, building, operating, and using space transportation vehicles, systems, and services to provide reliable, economical, safe, and routine access to space for private users and government, civil, and military users. (<http://www.spacetransportation.org>)

Investment & Funding

The following is a selection from among the many resources available to assist new enterprises in obtaining start-up and growth funding and advice:

- **Colorado Small Business Development Center** (<https://www.coloradosbdc.org>)
- **Keiretsu Forum/Denver Chapter** (<http://www.k4forum.com/chapters/denver/index.html>)
- **Mountain Angel Capital** (web site in development; Google for latest information)
- **Rocky Mountain Venture Capital Association** (<http://www.rockymountainvca.com/>)
- **Rockies Venture Club** (<http://www.rockies-ventureclub.org/resources.php>)
- **Space Commerce Roundtable/Space Investment Summits** (<http://www.spacecommerce.com/roundtable>)
- **Space Angels Network** (<http://www.spaceangelsnetwork.com/>)
- **TechStars** (<http://www.techstars.org>)

University Technology Transfer

- **Colorado School of Mines Office of Technology Transfer** (http://www.mines.edu/research/ord/technology_transfer.html)
- **Eighth Continent Aerospace Business Incubator** (<http://www.8cincubator.com/>)
- **University of Colorado Technology Transfer Office** (<http://www.cu.edu/techtransfer/>)
- **Colorado State University Research Foundation Technology Transfer Office** (<http://www.csurf.org/home.html>)
- **Office of Technology Transfer at the University of Denver** (<http://www.du.edu/techtransfer/>)

BIOSCIENCE

OPPORTUNITIES

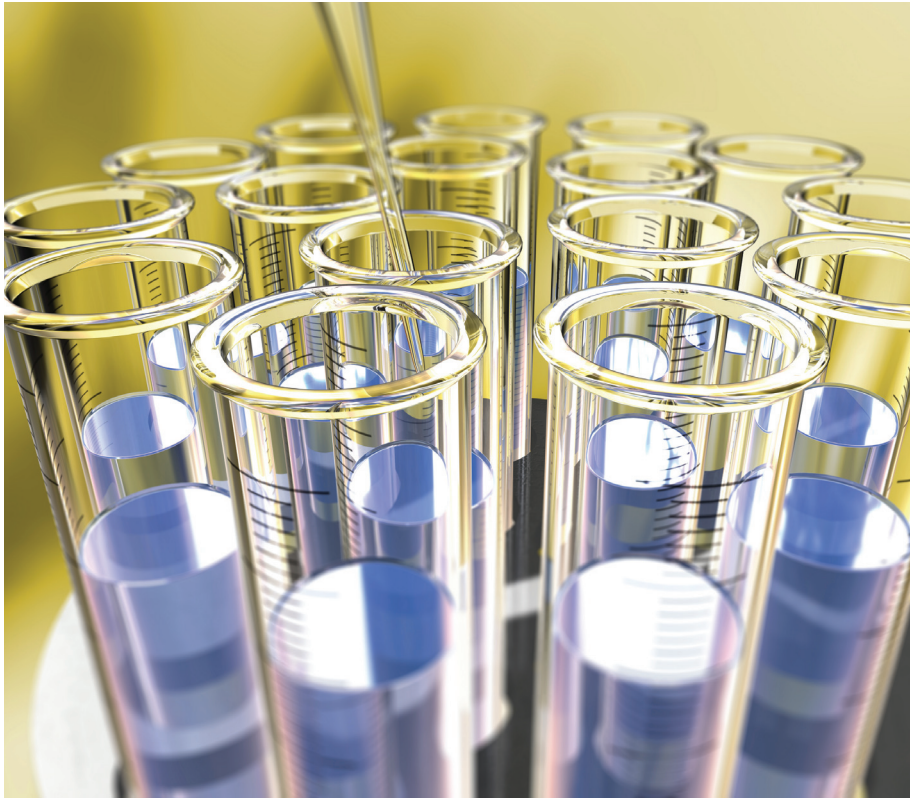
The bioscience industry in Colorado en-

compasses four sectors: biotechnology, medical devices, pharmaceuticals and agricultural technology (which includes the bio-based fuels industry subsector). As a high growth industry with high-paying jobs, the bioscience industry consists of more than 400 companies provide approximately 16,000 jobs to the Colorado economy and indirectly supports more than 20,000 additional jobs.

Bioscience provides opportunities for the creation of new companies in all its sectors, including contract work for individuals and supplier/service relationships both to larger established companies and to smaller, rapidly growing companies.

PROFESSIONAL ASSOCIATIONS

- **Colorado Bioscience Association (CBSA)** is the best source for face-to-face networking and information resources about the bioscience industry and its opportunities in Colorado. CBSA puts on more than 60 topical programs a year, including monthly BioBreakfasts, BizBio Lunches, the annual BioWest Conference and a number of other substantial topical presentation meetings that are the sine qua non for bioscience industry professionals, entrepreneurs, and students in Colorado. CBSA's resources include industry subgroup meetings in Colorado Springs (BIOSOCO) and Larimer County. CBSA is also the best direct resource for information on programs sponsored by its members, such as Holland and Hart's Bio Bootcamp meeting for bioscience entrepreneurs and other programs. (<http://www.cobioscience.com>)
- **Biotechnology Industry Association** provides a 140-page Guide to Biotechnology about the broader biotechnology industry, its business culture and terminology. (<http://www.bio.org>)
- **International Society for Pharmaceutical Engineering (ISPE) – Rocky Mountain Chapter** (www.ispe.org/rockymountain)
- **Rocky Mountain Regulatory Affairs Society** (<http://www.rmras.org/>)
- **Rocky Mountain Product Development and Management Association** (<http://www.rmpdma.com/>)



ENTREPRENEURSHIP SUPPORT

- **The Bard Center for Entrepreneurship Bioscience Program** (http://thunder1.cudenver.edu/bard/bioscience_program.htm)
- **BioBootcamp** (<http://www.biobootcamp.com/>)
- **Bioentrepreneurs Club** (<http://www.hollandhart.com/bioclub.cfm>)
- **BioBeers** (<http://www.biobeers.com>)

CAREER INFORMATION

- **The BioTech Work Portal at the San Diego Workforce Partnership** (<http://www.biotechwork.org>)
- **The BayBio Institute Job Seekers Guide** (http://www.baybio.org/institute/wt/page/job_listings)
- **The North Carolina Biotechnology Center Guide to Biotechnology** (http://www.ncbiotech.org/resource_center/guide_to_biotechnology/index.html)

ADDITIONAL RESOURCES

- **BioTech Connect** is an event held in spring at Colorado State University to

bring the BioTech community of Northern Colorado together with students and faculty to understand the partnerships that currently exist and explore new opportunities to collaborate on research areas. (<http://www.natsci.colostate.edu/career/biotech/>)

- **Colorado Life Science Deal Flow (CLSDF)** is a one-of-a-kind resource blog that tracks company deal news (funding, product milestones, M&A activity, etc.) and reports on the successes of Colorado tech transfer processes and innovation. (<http://www.clsdf.com>)
- **W3W3.Com** is an internet talk radio resource/online business magazine and aggregator of business development strategies. Colorado-specific industry tracking and resource news can be found at its bioscience channel. (<http://w3w3.com/Channels/Bio/index.html>)
- **SBIR Colorado** offers contracts to many smaller bioscience companies rely for development funding. (<http://www.sbircolorado.org/>)

ENERGY

OPPORTUNITIES

Colorado is a “balanced energy economy” with rich resources in both traditional energy (oil, natural gas and coal) and renewable energy (wind, solar, biomass and geothermal).

REGULATORY ENVIRONMENT AND PUBLIC POLICY ORGANIZATIONS

- **Colorado Energy Science Center (CESC)** was founded by Battelle, Bechtel, and the Midwest Research Institute, who share in the management of the National Renewable Energy Laboratory, to increase the understanding and appreciation of energy science and technology in order to enable decision-makers to adopt energy practices that produce economic benefits, reduce environmental impacts, and increase the sustainability of energy supply. (www.energyscience.org)
 - **Colorado Governor’s Energy Office** leads Colorado to a New Energy Economy by advancing energy efficiency and renewable, clean energy resources. (www.colorado.gov.energy)
 - **Colorado Oil and Gas Conservation Commission** promotes the responsible development of Colorado’s oil and natural gas resources. (www.cogcc.state.co.us)
 - **Federal Energy Regulatory Commission (FERC)** is an independent agency that regulates the interstate transmission of natural gas, oil, and electricity. FERC also regulates natural gas and hydropower projects. (www.ferc.gov)
 - **Presidential Climate Action Project (PCAP)** is a national initiative to develop a bold and decisive climate action plan for the next President of the United States. (www.climateactionproject.com)
- INDUSTRY-SPECIFIC LICENSES AND CERTIFICATIONS
- **Colorado Division of Registrations**
State Electrical Board
1560 Broadway Suite 1500
Denver, CO 80202
Phone: (303) 894-2984
Fax: (303) 894-2310
 - **Colorado Journeyman & Apprentice Training for Operating Engineers**

Phone: (303) 623-8334

Training Site: (303)644-3909

To register for classes: (800) 639-2404 x12

- **Electric Power Training Center (EPTC)** is a program of the Western Area Power Administration provides high quality power system operations training. (eptc@wapa.gov)
- **Green Building Certificate. Colorado State University** is offered by the Department of Construction Management and has been developed in response to a growing need for specially trained professionals able to respond to a changing industry and culture. (www.learn.colostate.edu/certificates/noncredit/green-building.dot)
- **International Brotherhood of Electrical Workers, Local 68** (www.ibew68.com)
- **Leadership in Energy and Environmental Design (LEED)** – please see U.S. Green Building Council
- **North American Technician Excellence**

(NATE) is an industry-recognized certification program for technicians in the heating, ventilation, air-conditioning and refrigeration (HVAC/R) industry. (www.natex.org)

- **U.S. Green Building Council** (www.usgbc.org/LEED/)

PROFESSIONAL ASSOCIATIONS

- **American Council for an Energy-Efficient Economy** is a nonprofit, 501(c)(3) organization dedicated to advancing energy efficiency as a means of promoting both economic prosperity and environmental protection. (http://www.aceee.org/)
- **American Petroleum Institute** provides members with certificate programs, research and statistics, policy work, and education. (http://www.api.org/)
- **American Solar Energy Society (ASES)** is a nonprofit organization dedicated to increasing the use of solar energy, energy ef-

iciency, and other sustainable technologies in the U.S. (www.ases.org)

- **American Wind Energy Association (AWEA)** is a national trade association representing wind power project developers, equipment suppliers, services providers, parts manufacturers, utilities, researchers, and wind energy advocates. (www.awea.org)
- **Colorado Mining Association (CMA)** (www.coloradomining.org)
- **Colorado Oil and Gas Association (COGA)** (www.coga.org)
- **Colorado Solar Energy Industries Association (CoSEIA)** (www.coseia.org)
- **Interwest Energy Alliance** is a trade association connected with the nation's renewable energy industry with the West's advocacy community to support state-level public policies that harness the West's abundant renewable energy and energy efficiency resources. Primary states of focus: Arizona,

COMMUNITY AFFAIRS *Access to Opportunity*



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www.jeffcobrc.org
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 Lakewood, 80401
 303-996-8976



Colorado, Nevada, New Mexico, Utah and Wyoming. (www.interwest.org)

- **National Association of Energy Service Companies (NAESCO)** promotes efficiency as the first priority in a portfolio of economic and environmentally sustainable energy resources and to encourage customers and public officials to think energy efficiency first when they are making energy resource procurement or energy policy choices. (www.naesco.org)
- **National Electrical Manufacturing Association (NEMA)** was created in the fall of 1926 by the merger of the Electric Power

Club and the Associated Manufacturers of Electrical Supplies, provides a forum for the standardization of electrical equipment, enabling consumers to select from a range of safe, effective, and compatible electrical products. The organization has also made numerous contributions to the electrical industry by shaping public policy development and operating as a central confidential agency for gathering, compiling, and analyzing market statistics and economics. (www.nema.org)

- **Northern Colorado Clean Energy Cluster** is a business-led, project-oriented group

of regional partners seeking to have a global impact. Through mass collaboration, the Cluster intends to position Northern Colorado as the “Go To” region for smart grid technologies, renewable energy and energy efficiency, and cleaner and more efficient engines. (www.nccleanenergy.com)

- **Eighth Continent Project** is a new initiative of the Colorado School of Mines. Eighth Continent provides the infrastructure and resources to solve a wide range of challenges from renewable energy development to biomedical advances to global security. Note – I took out the references to aerospace, even though that is 8th Continent’s big push, so that entrepreneurs considering the clean energy industry will know that this contact is relevant. (www.8cproject.com)

INFORMATION TECHNOLOGY

OPPORTUNITIES

Information Technology isn’t just considered software and hardware any more. The field now encompasses the Internet, voice, data, video, wireless, networking, software development, GIS, gaming, e-commerce, etc. An enormous amount of services and infrastructures literally support every type of business there is. Whatever your small business is, technology touches us all. In addition, Colorado ranks second in the nation of having the “highest concentration of tech workers.” (AeANet)

REGULATORY ENVIRONMENT

The U.S. federal government implemented The Sarbanes-Oxley Act of 2002 which impacts every company and every IT entity within these companies. The Sarbanes-Oxley Act or (SOX) was “designed to target fraud, after a series of corporate scandals at Enron, WorldCom, and other major corporations.” (Inc.com)

Resources

- **AICPA – The Center for Audit Quality** (<http://thecaq.aicpa.org/Resources/Sarbanes+Oxley/>)
- **SBA – Office of Advocacy** (http://www.sba.gov/advo/laws/comments/sarbanes_oxley.html)

• The Sarbanes-Oxley Act Community

Forum (<http://www.sarbanes-oxley-forum.com/>)

• **Smallbiztrends.com** (<http://www.smallbiztrends.com/2006/03/the-time-has-come-to-reform-sarbanes-oxley.html>)

• **Microsoft Small Business Center** (<http://www.microsoft.com/smallbusiness/resources/finance/legal-expenses/small-companies-paying-big-for-the-sins-of-enron.aspx>)

INDUSTRY-SPECIFIC LICENSES AND CERTIFICATIONS

IT Certifications range from Microsoft Office Applications to Wireless Networking.

Microsoft Office Applications

• Microsoft Office Specialist (MOS)

Core IT Skills

- CompTIA A+
- CompTIA Network+
- CompTIA Linux+
- Microsoft Certified Professional (MCP)

Internet and Web Design

- Master Certified Internet Webmaster (CIW) Designer
- Certified Internet Webmaster (CIW) Associate
- CompTIA i-Net

Database Design and Administration

- Oracle Database 10g Certified Professional Database Administrator (OCP DBA)
- Oracle Database 10g Certified Associate (OCA)
- Oracle9i Certified Professional Database Administrator (OCP DBA)
- Oracle 9i Certified Associate (OCA)
- Microsoft Certified Database Administrator (MCDBA)

IT Engineering

- Microsoft Certified Systems Engineer (MCSE)
- Microsoft Certified Systems Administrator (MCSA)
- Microsoft Certified Desktop Support Technician (MCDST)

IT Security

- CompTIA Security +
- Certified Information Systems Security Professional (CISSP)
- Microsoft Certified Systems Administrator - Security (MCSA-S)
- SANS Institute

Network Design and Engineering

- Cisco Certified Network Professional (CCNP)

Software Development

- Microsoft Certified Solution Developer for MS .NET (MCSD .NET)
- Microsoft Certified Application Developer (MCAD)
- Sun Certified Java Programmer (SCJP)

Wireless Networking

- Certified Wireless Network Associate (CWNA)

Certification Web Sites

- **Microsoft Certifications** (<http://www.microsoft.com/learning/mcp/certifications.msp>)
- **CompTIA Certifications** (<http://certification.comptia.org/>)
- **Certified Internet Web Certifications** (<http://www.ciwcertified.com/certifications/mcd.asp>)
- **Oracle Certifications** (http://education.oracle.com/pls/web_prod-plq-dad/db_pages.getpage?page_id=14&p_org_id=1001&lang=US)
- **(ISC)2 – International Information Systems Security Certification Consortium, Inc.** (<https://www.isc2.org/cgi-bin/content.cgi?category=7>)
- **Certified Information Systems Security Professionals** (<http://www.cissp.com/Exam/exam.asp>)
- **SANS Institute** (http://www.sans.org/sans2008/?utm_source=web&utm_medium=banner&utm_content=featured_event_large_fe_index_sans08&utm_campaign=SANS_2008&ref=21469)
- **Bicsi** (http://www.bicsi.org/Content/Files/PDF/PDC_July%202007.pdf)
- **Cisco Certifications** (http://www.cisco.com/web/learning/le3/learning_certification_overview.html)

http://www.cisco.com/web/learning/le3/learning_certification_overview.html)

• **Sun (JAVA) Certifications**

(<http://www.sun.com/training/certification/java/index.xml>)

• **Linux Certifications** (<http://www.lpi.org/en/lpi/english/certification>)

• **Red Hat Certifications** (<https://www.redhat.com/certification/>)

• **Project Management Professional Certifications** (<http://www.pmi.org/CareerDevelopment/Pages/Obtaining-Credential.aspx>)

• **Novell Netware Certifications** (<http://www.novell.com/training/certinfo/>)

• **VMWare Certifications** (<http://mylearn.vmware.com/portals/certification/>)

PROFESSIONAL ASSOCIATIONS

- **Colorado Office of Economic Development and International Trade** (www.advancecolorado.com)
- **MetroDenver Economic Development Corporation** (<http://www.metrodenver.org>)
- **American Electronics Association Mountain States Council** (<http://www.aeanet.org/AeACouncils/MTCouncilStart.asp>)
- **Association of Information Technology Professionals – Mile High Chapter** (<http://www.denveraitp.org/>)
- **Colorado Game Developers Association** (<http://coloradogamedev.org/>)
- **Colorado Information Management Association** (<http://www.state.co.us/cima/>)
- **Colorado Software and Internet Association** (<http://www.csiaonline.com/>)
- **IEEE – Rocky Mountain Region** (<http://www.ieee-denver.org/>)
- **Information Systems Audit and Control Association (ISACA) – Denver Chapter** (<http://www.isaca-denver.org/>)
- **Information Systems Security Association (ISSA) – Denver Chapter** (<http://www.issa-denver.org/>)
- **Rocky Mountain Information Management Association (RMIMA)** (<http://www.rmima.org/>)
- **Storage Networking User Groups (SNUGs) – Colorado Front Range** (http://www.storagenetworking.org/User_Groups/snug_profile.asp?id=145)

Colorado SBDC Business Hotline

(303) 592-5920
www.advancecolorado.com

**Colorado Department of
Personnel and Administration**

Division of Purchasing

(303) 866-6100
www.gssa.state.co.us
(303) 866-6104

**Colorado Department of
Agriculture**

Division of Markets

(303) 239-4114
www.ag.state.co.us

**Colorado Department of Public
Health and Environment**

Air Quality Pollution Control Division

(303) 692-3100
www.cdphe.state.co.us/ap

Consumer Protection Division

(303) 692-3620
www.cdphe.state.co.us/cp

Hazardous Materials & Waste

Management Division
(303) 692-3300
www.cdphe.state.co.us/hm/

Water Quality Control Division

(303) 692-3500
www.cdphe.state.co.us/wq/

**Colorado Department of Labor &
Employment**

Labor Market Information

(303) 318-8850
www.coworkforce.com/lab/

Labor Standards Office

(303) 318-8441
www.coworkforce.com/lab/

Unemployment Insurance

(To file for benefits)
(303) 318-9000
www.coworkforce.com/uib

Division of Workers' Compensation

(303) 318-8700
www.coworkforce.com/dwc/

**Colorado Department of Local
Affairs**

Enterprise Zones

(303) 892-3840
www.advancecolorado.com

Local Demographics

(303) 866-4147
www.dola.state.co.us/demog

**Colorado Department of
Revenue**

Forms and Publications

(303) 238-FAST (3278)

**Sales Tax License and
Exemption**

Certificate Verification

(303) 238-FAST (3278)

Sales Tax Rates

(303) 238-FAST (3278)

Tax Information

(303) 238-SERV (7378)
www.taxcolorado.com

**Colorado Department of
Transportation**

Business Program Office

(303) 757-9234
or 1-800-925-3427

Secretary of State

Corporations Section/ Uniform

Commercial Code

(303) 894-2200
www.sos.state.co.us

Internal Revenue Service

Tax Information/Forms and Publications

1-800-829-1040
www.irs.gov

**Colorado Office of Economic
Development and International
Trade**

(303) 892-3840
www.advancecolorado.com

**Colorado Office of Certification
Disadvantaged Business Enterprise
Certification**

(303) 512-4140
www.dot.state.co.us/EEO/CERTIFICATION/
ocindex.htm

**U.S. Small Business
Administration**

(303) 844-2607
www.sba.gov

**U.S. Department of Commerce -
Census Bureau**

(303) 264-0202 or 1-800-852-6159
www.census.gov

**U.S. Department of Labor &
Employment**

Division of Labor Management

Standards

(303) 318-8441
www.dol.gov

Wage & Hour Division

(720) 264-3250
www.dol.gov

State Government Directory

(303) 866-5000
www.colorado.gov

Federal Government Directory

1-800-688-9889