

Business Startup Procedure

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The SpringBoard Resource Guide is maintained by CreateHere, a non-governmental, non-profit organization in Chattanooga, Tennessee. Accordingly, CreateHere is not responsible for changes in or interpretations of local laws or regulations. The guide has been designed as a general overview for owning and operating a small business in the Chattanooga area. It should not be used in place of any legal or government documentation. CreateHere encourages any aspiring entrepreneurs to utilize all provided resources for further advisement, specifically consulting with an attorney and/or a CPA to assure abidance with all local legal/tax requirements.

Introduction

Before You Start Your Business

In order to create and maintain a successful business, it's important to begin with a solid foundation. Setting up a business may actually take more work, time and energy than what you'll eventually put into maintaining your little piece of the pie. For this reason, it's important for you, the entrepreneur, to know what steps you need to take to get through this tricky, sometimes confusing, rite of passage. It helps to have all the information you need readily available, explained in an organized, straightforward way.

The initial stages of your start-up process should include the creation of a mission statement for your business, followed by a succinct strategic business plan (see Appendix A). You'll also need to consider your business' financial stability through sound accounting and a proactive tax-payment plan, not to mention a bit of networking with potential suppliers and vendors. Finally, you'll need to develop an effective, economical way to market your products or services. Easy, right?

Well, if not an easy process, it can at least be less painful. It's important, however, to follow the commercial rules and regulations of your business district once you do get started. For example, determine a site location, get all the necessary permits and licenses then familiarize yourself with local taxes.

Getting the Resources You Need

Once you read through this resource guide, you'll probably notice that the very first step in this challenging process is finding support to cultivate your ideas and translate them into reality. SpringBoard's goal is to help eliminate barriers to entry for entrepreneurs in the Greater Chattanooga Area. If you need any assistance in writing a thorough business plan or any other resources, please contact us to see how we might help. Check out www.createhere.org to find more information about Springboard and to download a Business Planning Course application.

Finding Your Niche

Begin by performing your own research on the industry you wish to join. Ask yourself, "What type of customers do I want to target?" and "How large do I see my business getting?" The general public — including your family and friends — can serve as a gauge of how well your idea will be received and what type of customers will enjoy your product or service.

Once you have whittled down your prospective market, consult any willing individuals who can give you useful advice on your chosen industry. This group may even include your future competitors. Doing this might be exhausting (maybe even potentially discouraging), but it will give you an idea of how much you want your business to expand. You'll have a good list of personal "dos" and "don'ts" that you can apply to your business.

Determine Your Legal Structure

Once your initial research is complete, you have to set up a framework for your business by selecting an appropriate legal structure. This decision will determine how the business is taxed, defines your liability and allocates managerial responsibilities. Listed below are six of the most common types of businesses. Read each description and evaluate how the structures may fit with your business' needs. Also, see Appendix B for an outline of the primary advantages and disadvantages for each structure.

Sole Proprietorships

Sole proprietorships are the most common form of business and are the easiest to create, having few legal stipulations. The term sole proprietor means “only one owner.” Identifying yourself as a sole proprietor signifies that you and your business are one entity. All financial and legal responsibilities rest with you, and your business is identified through your social security number. Accordingly, taxes incurred through business activity are filed with your personal tax return.

How to set up a Sole Proprietorship - To declare your business as a sole proprietorship, simply claim yourself as self-employed with the IRS. They can provide you with all the necessary information about your responsibilities. A “Schedule C” profit/loss statement will be attached to your individual income tax return. After that, all decisions and liabilities are up to you.

For more information, visit: www.irs.gov/businesses/small/article/0,,id=98202,00.html

Partnership

A partnership is comparable to a sole proprietorship but is owned by more than one individual and is a separate entity. Ownership can be divided equally or unequally. Each owner registers as a sole proprietor, and they operate the business together as a group. Liability is shared, meaning that each owner is responsible for the actions of the other partners. Unlike a sole proprietorship, a partnership can collect assets and debt in its own name. Income tax is not incurred but tax-information is filed under the company's name with a separate IRS form.

How to set up a Partnership - To begin a partnership, each party needs to register as a sole-proprietor. A profit/loss “Form 1065” is filed for the partnership itself. It is highly recommended that an attorney be consulted to help draw up a written agreement between the two parties that defines specific tasks, duties and responsibilities.

For more information, visit: www.irs.gov/businesses/small/article/0,,id=98214,00.html

Form: www.irs.gov/pub/irs-pdf/f1065.pdf

Corporations

The primary pitfall of sole proprietorships and partnerships is the liability they demand of their owners. For example, if a lawsuit were raised against either one, the owners might be required to pay any damages with their personal assets. Corporations were designed to avoid this risk.

Incorporating a business classifies it as a separate legal entity, under which all business-related activity and liability resides. Through incorporation the owners are distinguished from the company, relieving them of personal liability. It also allows them to act as one unit and take advantage of employee status (cheaper group benefits). The owners are called “shareholders” and decisions are made by one general director or an official board of directors.

How to set up a Corporation - Corporations are created by filing a For-Profit Corporate Charter with the Tennessee Secretary of State office. This process makes the corporation a separate legal entity with its own tax return, which is called a “Form 1120.” You must also create a Board of Directors, which may be a board of one person (you), to legislate all business decisions within the company.

For more information, visit: www.irs.gov/businesses/small/article/0,,id=98240,00.html
Forms: www.state.tn.us/sos/forms/ss-4417.pdf
www.irs.gov/pub/irs-pdf/f1120.pdf

S Corporations

S Corporations are a variation of a normal corporation (called a “C” Corporation). The only difference between the two is how they are taxed. C Corporations are taxed as individual organizations based primarily on income. S Corporations are taxed in a “pass-through” manner similar to a sole proprietorship or a partnership. In many cases, a business may not be profitable for the first few years of operation. The founders of such a corporation may elect “S” status because the losses will cancel out their “paycheck income,” resulting in less taxation. Once the business begins generating “taxable profit,” then they will revert to normal “C” status. See Appendix B for more details.

How to set up an S Corporation - All businesses filing for corporate status begin as “C” Corporations by default. The “S” filing status is confirmed by completing the IRS “Form 2553.” Consult a CPA to determine if you can qualify as an S Corporation.

For more information, visit: www.irs.gov/businesses/small/article/0,,id=98263,00.html
Form: www.irs.gov/pub/irs-pdf/f2553.pdf

Limited Liability Companies (LLC)

A Limited Liability Company (LLC) is a relatively new business structure. It was conceived to combine the benefits of a partnership and a corporation. An LLC allows “pass-through” taxation, like a partnership, but includes the liability standards of a corporation. It is much like an S Corporation but does not require the public ownership of shareholders.

How to set up an LLC - To start an LLC, contact the Tennessee Secretary of State office to obtain a “LLC Articles of Organization Form.” As this form of business is relatively new, we advise you to consult an attorney.

For more information, visit: www.irs.gov/businesses/small/article/0,,id=98277,00.html

Form: <http://state.tn.us/sos/forms/ss-4270.pdf>

Non-Profit Corporation

Non-Profit Organizations (NPOs) are usually formed to address a specific need, either obvious or underlying, within a community. The objective of an NPO is to create or support beneficial activities within the public or private sectors. As revealed by its name, an NPO assumes no, or very little, commercial or monetary gain. Revenue (including grants) should be applied to operating costs. The organization’s “profit” is considered to be the overall positive effect that its subsequent projects have on a targeted area.

How to set up a Non-Profit Corporation - The first step in creating an NPO is drafting bylaws, which document and explain the organization’s purpose, goals, structure, administrative functionality and who will reside on the Board of Directors (BOD). The responsibilities and expectations for each board member should be laid out in the bylaws.

With complete bylaws, you can incorporate your organization with the State of Tennessee and file for tax exemptions. This second step has six distinct parts:

1. *Submit Non-Profit Corporate Charter* - This formal document, which is required of all corporations, plainly states the organization’s name, name(s) of members included on the BOD, possible stock options, whether you seek permanent or temporary status, the address of a “registered office” or main office, and a written statement regarding the prevention of any corporate assets being used for personal gain. There is a \$100 filing fee for this document.

Submit to:

Tennessee Department of State Corporate Filings

312 Eighth Avenue North

6th Floor, William R. Snodgrass Tower

Nashville, TN 37243

For more information, contact:

Phone: 615.741.2286

Website: www.state.tn.us/sos

Form: www.state.tn.us/sos/forms/ss-4418.pdf

2. *File for 501 (c)(3) Tax-Exempt Status - Print “Form 1023” from the website below and fill it out. The website also provides a set of instructions for this form, as it is lengthy. The filing fee for this form is \$750, or \$300 if your organization grosses less than \$10,000 in annual revenue.*

Submit to:

Internal Revenue Service

P.O. Box 192

Covington, KY 41012-019

For more information, contact:

Phone: 1.800.829.1040

Website: www.irs.gov/charities

Form: www.irs.gov/pub/irs-pdf/f1023.pdf

3. *File for Franchise and Excise Tax Exemption - As long as your 501 (c)(3) status is confirmed before you begin major operation, your NPO will be exempt from this tax, and no extra filing is necessary.*
4. *File for Sales Tax Exemption – Print the “Sales and Use Tax Exempt Entities” form from the website below. This form also includes instructions and has no filing fee.*

Submit to:

Tennessee Department of Revenue - Taxpayer Services Division

Andrew Jackson Office Building

500 Deaderick Street

Nashville, TN 37242

For more information, contact:

Phone: 615.253.0600

Website: www.state.tn.us/revenue

Form: www.state.tn.us/revenue/forms/general/f1306901.pdf

5. *Register with the Charitable Solicitations Division – Acquiring a Charitable Solicitation permit will allow you to raise money for your NPO. You will need to print and fill out forms SS-6001 and SS-6002, both located on the website below. For this form to be processed, you must include a copy of your organization’s bylaws, Articles of Incorporation and a 501 (c)(3) determination letter from the IRS. There is a \$50 filing fee for these forms collectively.*

Please note: Check the instructions for Form SS-6001. Some organizations, such as churches, schools and those grossing less than \$30,000 annually, are exempt from filing Form SS-6001 but must file Form SS-6042 instead. Also, organizations grossing over \$300,000 annually must provide an audited financial statement every year. Organizations in their first year of operation will NOT have to file a financial statement (or the financial section of Form SS-6002), but will have to submit a quarterly report with Form SS-6039 after their status is confirmed.

Submit to:

Tennessee Department of State - Charitable Solicitations

312 8th Avenue North
8th Floor, William R. Snodgrass Tower
Nashville, TN 37243-0308

For more information, contact:

Phone: 615.741.2555

Website: www.state.tn.us/sos/charity/co-info.htm

Forms: www.state.tn.us/sos/charity/chforms.htm

6. *File for Income Tax Exemption – Print “Form 990” from the website below and familiarize yourself with its contents. For new NPOs, you do not need to submit this form until the end of the first year of operation, however, giving the form a “once over” will introduce the financial information you should be tracking. Pre-existing organizations must file a 990 from the previous year to receive 501 (c)(3) classification.*

Submit to:

Internal Revenue Service

P.O. Box 192
Covington, KY 41012-019

For more information, contact:

Phone: 1.800.829.1040

Website: www.irs.gov/charities

Form: www.irs.gov/pub/irs-pdf/f990.pdf

After completing the list above, you should make plans for record keeping. It is important to maintain accurate financial records to comply with several reports you will have to submit to the State of Tennessee or the IRS throughout the year. Furthermore, being methodical with financial records will help you keep track of your expenses and file your taxes more easily. Depending on the size of your organization, it may be a good idea to hire a CPA and an attorney to help keep track of your legal and financial responsibilities. It is vital that your organization remain compliant with all of the aforementioned files and registrations.

Confirm Your Business Name

Sole proprietorships or partnerships that operate under a fictitious name, or a name other than the owner's, must register a Doing Business As (DBA) name. However, DBA registration is not required in the State of Tennessee. A corporation or an LLC must file an Assumed Corporate Name. Remember, use of a name may not be granted and you cannot legally run a business under a fictitious name unless confirmed by the state.

For more information, contact:

Phone: 615.741.2286

Website: www.state.tn.us/sos/bus_svc/index.htm

Form: www.state.tn.us/sos/forms/ss-4402.pdf

Obtain Necessary Licenses and Tax Identification

Here are the Licenses and Tax IDs you may need:

- Federal Tax Identification Number (sole proprietors use their Social Security Number)
- State of Tennessee Employer Number (some folks)
- State of Tennessee Sales Tax Number (some folks)
- State of Tennessee Business License (some folks)
- Hamilton County Business License (everyone)
- Chattanooga City Business License (everyone)

After reviewing the following information, come back to this checklist and mark off all applicable licenses and permits as you complete them.

Federal Tax Identification Number (EIN)

If your business is classified as a partnership, or if you hire employees, you'll need a Federal ID Number. If you are a sole proprietor, you will use your SSN as your EIN. It's a good idea to get on this early, as some banks may need it to open an account. You will need to fill out an "SS-4" form to apply for an EIN.

For more information, contact:

IRS

Personal: 800.829.1040

Business: 800.829.4933

Website: www.irs.gov

Form: www.irs.gov/pub/irs-pdf/fss4.pdf?portlet=3

State of Tennessee Employer Identification Number

Tennessee State Employer Number: You must acquire a state ID if you hire any employees (in the state of Tennessee).

For more information, contact:

TN Department of Labor and Workforce Development

Phone: 615.741.1031

Website: www.state.tn.us/labor-wfd

Form: www.state.tn.us/labor-wfd/Employers/forms/LB0441R8.07.pdf

State of Tennessee Sales Tax Number

Tennessee Sales Tax Number: Contact the Tennessee Department of Revenue, to determine if your business needs a sales tax number. If so, complete the form listed below.

For more information, contact:

TN Department of Revenue

Phone: 423.634.6266

Website: www.state.tn.us/revenue/tntaxes/salesanduse.htm

Form: www.tennessee.gov/revenue/forms/general/f13005_1.pdf

State Business License

The State of Tennessee does not require a state business license, although specific licenses or permits may be necessary to legally practice certain types of work (i.e. contractors). Direct any questions about these regulations to the Hamilton County Clerk's Office at 423.209.6500.

Hamilton County Business License

Generally, all businesses within Hamilton County must obtain a county business license, which includes a \$20 filing fee. This license must be renewed every year. Additionally, gross receipts must be filed annually with the Hamilton County Clerk's Office. Businesses earning less than \$3,000 a year are exempt from holding a county license. Other exemptions include medical facilities, attorneys, accountants, schools, religious organizations, insurance agents, loan companies, security exchanges and public utilities. Official forms are available on the website below, but you can complete them online.

For more information, contact:

Hamilton County Court House

County Clerk's Office

Phone: 423.209.6500

Website: www.countyclerkanytime.com/business.htm

Forms: www.countyclerkanytime.com/forms/default.htm

City of Chattanooga Business License

If your business is located within the Chattanooga city-limits, you must also acquire a City of Chattanooga Business Tax License. Filing for this license includes an assessment tax of \$15 and a \$5 collection and recording cost. Like the county license, the city license must be filed and renewed annually. The yearly tax will be charged in accordance with your gross receipts (a percentage of your gross revenue).

Website: www.chattanooga.gov/finance/66_464.htm

Form: [www.chattanooga.gov/Images_Edition/Application_for_Business_License\(1\).pdf](http://www.chattanooga.gov/Images_Edition/Application_for_Business_License(1).pdf)

Review Your Potential Tax Liability

Here are the taxes and fees you may need:

- Federal Income Tax
- Federal Self-Employment Tax
- Federal Social Security/Medicare Taxes
- Federal Unemployment Tax
- State Sales Tax
- State Unemployment Tax
- State Franchise/Excise Tax
- County Business Tax
- County Tangible Personal Property Tax
- City Business Tax
- City Property Tax

Federal Taxes

DISCLAIMER: Refer all accounting and legal questions to a licensed CPA, an attorney or the IRS at www.irs.gov

1. **Income Tax:** Businesses in the United States are required to file an income tax return, with the exception of partnerships that file information returns. This tax is considered a “pay-as-you-go” deal and must be deducted incrementally over the course of the year. Failure to do so may require payment of an estimated tax.
2. **Social Security/Medicare Taxes:** If you hire employees, you are required to deduct federal income tax from their wages using a “W-4” form. You may also need an Employer Identification Number (EIN).
3. **Self-Employment Tax:** SE Tax is a form of Social Security/Medicare tax for those who start their own business and make over \$400 a year. This tax replaces the deduction that would come out of your paycheck when working for another business.
4. **Federal Unemployment Tax:** This tax is paid only by the employer and is separate from the Social Security/Medicare Tax.

Tennessee State Taxes

DISCLAIMER: Refer all accounting and legal questions to a licensed CPA, an attorney or the Tennessee Department of Revenue at www.state.tn.us/revenue/tntaxes/index.htm.

1. **State Income Tax:** As an entrepreneur, you can choose the classification under which you operate your business. Typically, you won't have to pay state income tax in Tennessee.
2. **Tennessee Sales Tax:** You must contact the Tennessee Department of Revenue and fill out an application for your business. The TDR will determine if you are required to collect sales tax or pay use tax.

For more information, contact:

Tennessee Department of Revenue

Phone: 423.634.6266

3. **State Unemployment Tax:** Also known as an SUTA Premium, this tax is paid quarterly and may be required if you employ Tennessee residents.

For more information, contact:

Chattanooga Employers Account Office

Phone: 423.634.6220

4. **Franchise and Excise Tax:** This tax is drawn from your income for the privilege of operating in the state of Tennessee, though partnerships and sole proprietorships are exempt. The tax is based on net earnings per tax year.

For more information, contact:

Tennessee Department of Revenue

Phone: 800.342.1003

Hamilton County Taxes

1. **County Business Tax:** Hamilton County requires that all businesses report annual receipts for Gross Return as a stipulation of your County Business License. The amount will then be deducted, which varies between 1/8 and 1/60 of 1%.

For more information contact:

County Clerk

Phone: 423.209.6500

2. **Tangible Personal Property Tax:** This tax requires business owners to have their business-related property appraised and taxed every year. The appraisal will result in a 1% payment on your property if paid within one month of appraisal.

For more information, contact:

Hamilton County Assessor of Property

Phone: 423.209.7300

Chattanooga City Taxes

1. **Municipal Business Tax:** State law requires that all businesses inside the city of Chattanooga have both city and county business licenses with a few exceptions. Each year the licensed business owner must file a gross receipts report and pay the appropriate tax.

For more information, contact:

City of Chattanooga, Treasurer's Office

Phone: 423.757.5191

2. **Municipal Property Tax:** City governments usually gross most of their income through property taxes. Therefore, if you purchase a piece of property on which to locate your business, you will be responsible for property tax.

For more information, contact:

City of Chattanooga, Treasurer's Office

Phone: 423.757.5191

Helpful Tips for Licenses and Taxes:

1. Do not pay city and county taxes together.
2. Sign your tax return and/or your check.
3. Double-check your calculations. A license will not be issued if payment is incorrect. Have a licensed CPA look over your taxes if you're unsure.
4. Ask questions when you are not sure what to do.

For more information, contact:

City of Chattanooga, Business Tax Office

Phone: 423.757.5195

File for Necessary Permits and Zoning

Whether you are planning to rent, buy, build or renovate a work-space, you need to be familiar with applicable up-to-date zoning laws. Review the following information, focusing on your business' individual needs. Also, see Appendix C for an example of the permit process.

Building in Chattanooga, TN

If you are building a brand new structure, you have to hire a contractor. He or she will handle most of the codes and regulations, but it wouldn't hurt you to be familiar with them.

If you plan on remodeling or expanding an existing structure, you can acquire permits yourself. Be prepared - your project will have to pass a final inspection. Before starting construction or demolition, consider the following:

- Contact City Hall to be sure you are pursuing the proper permits.
- Be familiar with codes and regulations.
- Research zoning.
- Contact inspection services (electrical, plumbing, gas, etc.).
- Submit a Plans Review for all personal projects, including additions to property or general remodeling.
- If renovating, prepare a history of the existing structure.

For more information, contact:

City of Chattanooga, Zoning Office

Phone: 423.757.5105

Website: www.chattanooga.gov/70_PublicWorksMissionStatement.htm

Request a City of Chattanooga Building Permit

Before building or renovating, familiarize yourself with the regulations for a particular location's use. Consider erosion control, historic resources, tree removal or planting, and city or state DOT driveway permits.

For more information, contact:

City of Chattanooga, Public Works: Land Development Office

Phone: 423.643.5800

Website: www.chattanooga.gov/Public_Works/70_LandDevelopmentOffice.htm

Request a Hamilton County Building Permit

Hamilton County is responsible for issuing building permits in mechanical, electrical, plumbing and gas construction or renovation within the Chattanooga Metropolitan Statistical Area (MSA). A permit is required for any alteration or repair of a piece of property costing \$100 or more.

For more information, contact:

Hamilton County Building and Zoning

Phone: 423.209.7860 or 423.757.5105

Website: www.hamiltontn.gov/Inspect/Default.aspx

Other Permits

If you are building or renovating, contact the Permit Clerk concerning any plumbing, electrical work or heating ventilation and air conditioning (HVAC) because you will need specific permits for this type of work.

For more information, contact:

Permit Clerk

Phone: 423.643.5800

Chattanooga Business Sign Regulations

Having a well-crafted sign to advertise your business is highly recommended. If you are planning to display a sign at your business location, be aware of Chattanooga's sign ordinance. Contact the Public Works office to insure your sign is properly constructed, placed in an acceptable location and of the correct size and type.

For more information, contact:

Phone: 423.757.5438

Website: www.chattanooga.gov/Public_Works/70_2279.htm

Business Development Resources

After determining the legal structure of your business and inquiring about the licenses, permits and taxes for which you may be responsible, you should be able to construct a good portion of your business plan (outline in Appendix A). Now, you must consider your finances, particularly how you will fund the startup and initial maintenance of your business. Typically, you will have to present a complete business plan to receive a loan or grant. Unless you can cover the startup costs out-of-pocket, you will need outside capital. Plus, having a complete business plan is a great way to gauge how well your business is meeting its original goals.

To wrap-up your business plan, it is important to have accurate financial projections and assure that your ideas and objectives are consistent and feasible. Also, unforeseen issues may surface during the initial planning and startup phases of your business. If you have not started a business previously, we strongly suggest that you get as much guidance as you possibly can. Below are several resources that can solidify your business plan and help your business operate in a healthy, economical way:

1. SpringBoard

Who they serve: Start-ups and existing small businesses

What they offer: SpringBoard is a general resource center for Chattanooga's small businesses. It offers Business Planning, an eight-week course that covers the necessities of successfully starting and maintaining a small business. It facilitates quarterly Panel Discussions, comprised of local experts, who discuss and answer questions about a variety of business-related issues. SpringBoard also provides Peer Roundtables for second-phase businesses. These monthly meetings bring executives together from across industries to share ideas and work collectively to sharpen their skills. As a financial incentive, SpringBoard's Matched Savings program sponsors Individual Development Accounts (IDAs) to help aspiring and current small business owners avoid their monetary obstacles. These four programs also function as excellent networking opportunities for Chattanooga's entrepreneurs.

Phone: 423.648.2195

Website: www.createhere.org/economy/springboard.html

2. Chattanooga Business Development Center

Who the serve: Start-ups and existing small businesses

What they offer: The BDC provides "business incubation" for start-ups, which includes general business planning and management consulting along with seminars and other networking opportunities. For existing businesses, they offer assistance with incentives, taxes, permits, alternative financing, employee recruitment, tech support, and climate issues.

Phone: 423.752.4301

Website: www.chattanoogachamber.com/economicdevelopment/bdc_web_page.asp

3. Tennessee Small Business Development Center

Who they serve: Start-ups and existing small businesses

What they offer: For start-ups, the TSBDC provides assistance in banking, creating a business plan, meeting IRS requirements, marketing and operations, determining an ownership structure, record keeping, and patenting. For existing businesses, they offer help with financing, customer service, employee issues, expansion/growth plans, health insurance, marketing, accounting, finding capital, and general management.

Phone: 423.756.8668

Website: www.chattanoogaastate.edu/tsbdc

4. Chattanooga Chamber of Commerce

Who they serve: All businesses in Chattanooga

What they offer: The chamber supports local businesses through the sharing of information. In fact, many of the programs listed here are also listed on the chambers website. They also offer general information about what is happening in Chattanooga's business environment through statistics and demographic measurements.

Phone: 423.756.2121

Website: www.chattanooga-chamber.com

5. Business Enterprise Resource Center

Who they serve: Minority and women-owned start-ups and small businesses

What they offer: BERO provides assistance in business planning, licensing, financial management, expansion, certifications, public/private procurement, and meeting personal needs. BERO also utilizes outside resources as well as offering \$500-\$5000 loans for entrepreneurs in rural areas of Tennessee.

Phone: 423.634.6386

Website: www.tnecd.gov/bero/

6. SCORE – Service Corps of Retired Executives

Who they serve: Current and future business owners

What they offer: SCORE provides a service they call an “entrepreneur’s audit.” This service includes general business instruction such as basic accounting and finance, marketing advice, help with hiring/firing, cash flow and break-even analyses, and business planning.

Phone: 423.553.1722

Website: www.scorechattanooga.org

7. Center for Entrepreneurial Growth

Who they serve: High-tech start-up businesses

What they offer: The CEG's Program includes goal development, counseling, business and financial plan development, sales and marketing strategy development, monthly mentor sessions, grant and loan funding, access to the BDC business incubation space and preference into the University of Tennessee at Chattanooga's fast-track Entrepreneurship program.

Phone: 423.756.2121

Website: www.chattanoogachamber.com/entrepreneurs/center_for_entrepreneurial_growth.asp

8. The Enterprise Center

Who they serve: Local entrepreneurs and businesses in technological industries

What they offer: The Enterprise Center shares federally funded research with Chattanooga's technology based businesses to help in developing successful technology strategies. This service includes referrals to resources for grants, investment funding, recruiting staff and marketing support.

Phone: 423.425.3770

Website: www.chattanooga.gov/138_1863.htm

9. Tennessee Multicultural Chamber of Commerce

Who they serve: Minority or women-owned small businesses and start-ups

What they offer: TMCC provides networking and advocacy opportunities, technical assistance, loan packaging, educational seminars and training, job recruitment, and health care planning.

Phone: 423.265.0021

Website: www.TN-MCC.org

10. Southeast Women's Business Center

Who they serve: Primarily women who are starting or currently operating a small business

What they offer: The SWBC provides general counseling and training for the ins and outs of running a business. They also offer small entrepreneurial loans.

Phone: 423.648.9279

Website: www.chattanooga-chamber.com/entrepreneurs/sbsewomensbusinesscenter.asp

11. Tennessee Department of Economic and Community Development

Who they serve: Established businesses

What they offer: This department provides infrastructure assistance for water and sewer lines and rail line extensions. Also provides some site preparation assistance, industrial training programs, and loan assistance for qualified applicants.

Phone: 423.634.6376

Website: www.state.tn.us/ecd/

12. Chattanooga Small Business Council

Who they serve: Small business owners

What they offer: The council's meetings offer networking opportunities and general business advocacy.

Phone: 423.756.2121

Website: www.chattanooga-chamber.com/councils/council.asp?council_id=16

13. Tennessee Minority Supplier Development Council

Who they serve: Economically and socially disadvantaged entrepreneurs

What they offer: The TMSDC is a non-profit membership organization that encourages corporations to develop and implement supplier diversity programs. It also provides training for members.

Phone: 423.756.7411

Website: www.chattanooga-chamber.com/entrepreneurs/sbtnminoritysupplier.asp

14. The University of Tennessee at Chattanooga – Department of Business Administration

Who they serve: Established and potential business owners

What they offer: UTC provides management consulting on all aspects of operating a business.

Phone: 423.425.4101

Website: www.chattanooga-chamber.com/entrepreneurs/sbutc.asp

15. The Urban League of Greater Chattanooga

Who they serve: Minority employers and employees

What they offer: The league provides a range of services including PC based courses to meet job requirements of contracting companies as well as job readiness counseling.

Phone: 423.510.0500

Website: www.ulchatt.net/

16. Chattanooga Career Centers

Who they serve: Established small businesses

What they offer: As a part of the Tennessee Career Centers, Chattanooga's branch provides on-the-job training, incumbent work training, or a customized plan to get small businesses running more smoothly.

Phone: 423.894.5354 or 423.424.4249

Website: www.secareercenter.com

17. Signal Centers

Who they serve: Young adults ages 17-21

What they offer: In terms of starting a business, Signal Centers provides one-on-one mentoring with professionals in various fields as a part of its Job Development Services.

Phone: 423.618.7211

Website: www.signalcenters.org

Apply for Financing

Bank Financing

Unless you are supported by a private investor or your own savings, you will need to receive financing to cover the start-up and initial operation of your business. The most common financing method is working through a Small Business Administration (SBA) program at a local bank. Almost every bank branch in the Chattanooga area offers access to SBA lending to fund start-up businesses. Typically, an entrepreneur with a solid business plan can secure a loan by pledging personal assets as collateral, such as real estate or automobiles.

Listed below are a few of the local bank branches with an SBA lending program:

1. Northwest Georgia Bank

Who they serve: Established and potential business owners

What they offer: Offer several lines of credit, including detail and commercial lending; SBA loans and receivables financing.

Phone: 706.965.3000

Website: www.northwestgabank.com/index.html

2. Cornerstone Community Bank

Who they serve: Established business owners

What they offer: Provide small business checking, refinancing, SBA loans and start-up facilities, including credit lines.

Phone: 423.385.3000

Website: www.cscbank.com

3. First Tennessee Bank

Who they serve: Established and potential business owners

What they offer: Offer several lines of credit, including detail and commercial lending; SBA loans and receivables financing.

Phone: 800.382.5465

Website: www.firsttennessee.com

4. First Volunteer Bank

Who they serve: Established and potential business owners

What they offer: Offer several lines of credit, including detail and commercial lending; SBA loans and receivables financing.

Phone: 866.668.4700

Website: www.firstvolunteer.com

5. Cohutta Bank of Tennessee

Who they serve: Established and potential business owners

What they offer: Offer a SBA 7(4) Guarantee Program.

Phone: 706.695.9431

Website: www.cohuttabank.com

6. Regions Bank

Who they serve: Established and potential business owners

What they offer: Offer several lines of credit, including detail and commercial lending; SBA loans and receivables financing.

Phone: 800.734.4667

Website: www.regions.com

7. FSG Bank

Who they serve: Established and potential business owners

What they offer: Offer several lines of credit, including detail and commercial lending; SBA loans and receivables financing.

Phone: 423.308.2000

Website: www.fsgbank.com/Locations/Chattanooga

8. SunTrust Bank

Who they serve: Established and potential business owners

What they offer: Offer several lines of credit, including retail and commercial lending, SBA loans, receivables financing and cash management services.

Phone: 800.786.8787

Website: www.suntrust.com

9. Bank of America

Who they serve: Established and potential business owners

What they offer: Offer several lines of credit, including detail and commercial lending; SBA loans and receivables financing.

Phone: 800.432.1000

Website: www.bankofamerica.com/index.jsp

10. FirstBank

Who they serve: Established business owners

What they offer: Provide accounts receivable loans, commercial real estate loans, SBA loans, working capital loans, debt consolidation, equipment and inventory financing, construction/expansion loans and lines of credit.

Phone: 423.855.7276

Website: www.firstbankonline.com

Non-Bank Financing

Several local organizations provide financing for start-ups and established businesses. The programs outlined below usually work with established businesses but may be willing to help fund your start-up business depending on what industry/market you plan on entering.

1. TVA Economic Development Loan Fund

Who they serve: The Economic Development Loan Fund is a multimillion-dollar revolving loan program for new and expanding industrial companies to purchase fixed assets such as buildings, machinery and equipment.

What they offer: EDLF loans are made only for fixed assets, such as plant expansions, the construction of new industrial facilities or the development of speculative buildings and industrial parks. The funds cannot be used for working capital.

Minimum/Maximum Loan: The maximum loan amount varies according to the type of project, but no EDLF loan can exceed \$2 million. TVA will loan up to 25% of the total project investment. Generally, a minimum of one job should be created or retained for every \$5,000 invested by TVA. The loan rate is flexible based on potential electrical usage.

Loan Volume: 15-20 loans per year

Phone: 423.876.4096

Website: www.chattanooga-chamber.com/entrepreneurs/sbtvaedloanfund.asp

2. TVA Minority Business Development Loan Fund

Who they serve: Borrower must meet MBDL eligibility guidelines and SBA requirements. Firms must be at least 51% minority/female owned. Funds may be used for working capital, contract financing, real estate financing, fixed assets and business acquisitions.

What they offer: Promote the growth and expansion of minority and other socially and economically disadvantaged business owners in the Tennessee Valley.

Minimum/Maximum Loan: TVA's minimum and maximum investment would be \$50,000 and \$500,000 respectively. TVA may purchase by participation agreement up to 50% of the eligible loan project. Generally, a minimum of one job should be created or retained for every \$20,000 invested by TVA.

Loan Volume: 10-15 loans per year

Phone: 423.876.4096

Website: www.chattanooga-chamber.com/entrepreneurs/sbtvaminoritybusdevloanfund.asp

3. Tennessee Rural Opportunity Fund

Who they serve: Provides loans to small, women, and minority-owned businesses that are unable to access traditional bank loans in rural Tennessee.

What they offer: As a "first-of-its kind \$12 million revolving loan fund," the Rural Opportunity Fund creates and retains jobs in Tennessee's neediest rural counties.

Phone: 615.254.6113

Website: www.sccapital.org/funds/tn-rural-opportunity-fund.html

4. Southeast Tennessee Development District

Who they serve: Established and potential business owners. Special consideration is given to women and minorities.

What they offer: Build links between available government programs and the business community. This is a Certified Development Company under the SBA 504 program, which provides long-term, fixed-rate financing at a reasonable interest rate. In conjunction with a permanent lender, they can lend up to 90% of the cost of fixed assets.

Minimum/ Maximum Loan: \$10,000 to \$1.3 million

Requirements for Program: Borrower equity investment and job creation, specifically that one job be created or retained for every \$35,000 of SBA involvement. They prefer bank referrals with some financing already in place, because they can then work to fill in the gap.

Loan Volume: 20-30 loans per year

Phone: 423.266.5781

Website: www.chattanooga-chamber.com/entrepreneurs/sbsselocaldevelopmentcorporation.asp

5. Center for Entrepreneurial Growth (CEG)

Who they serve: High-tech companies.

What they offer: Provide business planning, financing, work space and training.

Maximum Loan: Loans up to \$50,000 for start-ups

Phone: 423.756.2121

Website: www.chattanooga-chamber.com/entrepreneurs/center_for_entrepreneurial_growth.asp

6. Chattanooga Neighborhood Enterprise, Chattanooga Opportunity Fund

Who they serve: Small businesses or businesses located in renewal zones. Must be a small business, must meet lending criteria and must have a business plan if a start-up or if undertaking expansion or restructuring.

What they offer: For start-up businesses that meet the lending criteria, they provide assistance through loans from \$25,000 up to \$100,000. For established businesses, they provide financing (bank or non-bank); occupational skills training; technical assistance; CEO, COO and CFO-equivalent services and a General Economic Development Issues Financial Management Seminar.

Phone: 423.756.6201

Website: www.cneinc.org/COFRevised.htm

7. Southeast Community Capital

Who they serve: Small businesses lacking access to traditional financing options, with an emphasis on small, minority, and women-owned businesses in low and moderate-income communities in the Southeast.

What they offer: SCC is a statewide non-profit community development financial institution. They offer various lending programs to help small businesses obtain the financing they need. Loans are available for starting, buying or expanding a business, purchasing or constructing real estate, buying equipment and machinery, providing working capital and buying inventory.

Types of loans: Term loans up to 72 months, lines of credit, 12 month Purchase Order manufacturing and payment period, interest rates ranging from 9% - 14%.

Minimum/Maximum Loan: \$35,000 to \$2 million

Phone: 615.254.6113

Website: www.sccapital.org/small-business-loans/index.html

8. Tennessee Small Business Energy Loan Program

Who they serve: Tennessee-based businesses with fewer than 300 employees or less than \$3.5 million in annual gross sales or receipts interested in upgrading the level of energy efficiency in their facilities and to improving manufacturing processes.

What they offer: Provide eligible businesses with loans to install insulation, double pane windows, energy efficient heating, cooling and ventilation equipment, energy efficient lighting and other measures proven to save energy or decrease demand. **Maximum Loan:** Available up to \$300,000.

Phone: 615.741.2373

Website: www.state.tn.us/ecd/BD_smallbizenergy.html

9. The ECD-BERO Micro Loan Fund

Who they serve: This program is designed to encourage job creation and provide access to capital to existing and potential entrepreneurs of microenterprise. A microenterprise is defined as a for-profit entity with five or fewer employees, one of whom owns the business.

What they offer: Established in order to support the growth and expansion of existing and potential entrepreneurs living and operating a business in rural Tennessee. Technical assistance and training are available for the duration of the loan.

Minimum/Maximum Loan: Micro loan funds of \$500-\$5,000. Fixed assets and working capital loans are accepted.

Phone: 615.741.8914

Website: www.state.tn.us/ecd/BD_rural_micro_loan.html

10. Capital Connection

Who they serve: Local and regional early-stage, technology based businesses

What they offer: Capital connection, an initiative of the Chattanooga Technology Council, invites local technology businesses, typically grossing at least \$500,000 in revenue, to be a part of their investor forums. These forums are attended by several investment firms and private investors in hopes of bringing necessary funding to businesses in need.

Maximum Loan Volume: 2-3 rounds per year

Requirements: Submission and presentation of a complete business plan as well as a \$300 application fee.

Phone: 423.209.6813

Website: www.chattanoogatechnologycouncil.org/index.php?page=capital%20connection

11. BrightBridge Inc

Who they serve: Provides loans to small-, women-, and minority-owned businesses in Southeast Tennessee and 10 counties in North Georgia. They also have a fund for small businesses looking to locate in blighted areas.

What they offer: They manage \$4 million from the USDA's Intermediate Renewal Program developed for rural small businesses. They also provide access to \$2.3 million in capital for a wide range of for-profit projects including housing opportunities, community development projects and economic development projects, that principally benefit low and moderate income persons and/or aid in the elimination or prevention of slums and blight.

Phone: 423.424.4220

Website: <http://www.brightbridgeinc.org/>

Acquire Proper Insurance

In order to protect yourself, your employees and your customers from the dire consequences of on-the-job accidents or property damage, you must spend some time deciding on a form of liability coverage. Because we cannot recommend any particular coverage for your specific, unique needs, here's a simple list of services that many insurance companies provide:

Property and Liability Coverage

Many insurance providers have a number of plans from which to choose. Whether you decide to work from home or operate a full-scale business location, you should be able to select a plan for your specific needs.

Business Auto Coverage

If your business requires transportation for delivery or personal use, most insurance companies cover company vehicles, be it a simple sedan or a refrigerated truck.

Health Coverage

You should research the available options for individual health care as an aspiring entrepreneur. If your business continues to grow, you'll probably want to consider discounted group rates for your employees. Additionally, Health Savings Accounts (HSAs) are becoming more popular among businesses, because they are cheaper and place the responsibility on the employee, maximizing efficiency.

Life Insurance / Long - Term Care

Again, as an entrepreneur, you should also commit to a solid retirement service such as a 401K or a Roth IRA. Accordingly, as the size/scope of your business increases you should look into the same possibilities for your employees.

Appendix A

Business Plan Outline

For more information on writing a business plan, contact SpringBoard at springboard@createhere.org.

- A. **Executive Summary** – A one page summary written after the rest of the plan has been written. This should include the following: description of the business, age of the business, products and services, competitive differentiation, marketing goals, sales and profit goals as well as financing requirements.
- B. **Business Description** – Include the type of business (wholesale, retail, service) and a detailed description of your process, product or service.
- C. **Legal Structure** – Define your business’ structure and describe your reasons for choosing that particular structure.
- D. **Financial Plan** – Determine and define the following:
 - Start-up Costs
 - Overhead Costs
 - Variable Costs
 - Gross Profit
 - Break-even Point
 - Sales and Profit Goals
 - Business Cash Flow (for year one)
 - Sources of Financing
- E. **Marketing Plan** – List and define the following:
 - Market Needs
 - Market Potential
 - Target Markets
 - Mission Statement
 - Competitive Strategy
 - Market Position
 - Promotional Strategy
 - Pricing Strategy
- F. **Management Plan** – Define the following:
 - Management Team and Roles
 - Roles
 - Procedures

Appendix B

Advantages and Disadvantages of Common Legal Structures

1. Sole Proprietorship

Main advantages: Simple to form and operate; profit/loss listed on personal tax return

Main disadvantages: Owner is liable for all debts generated by the business

Filing Fee: none

Annual Report: none

2. Partnership

Main advantages: Simple to form and operate; profit/loss listed on partners' personal tax returns

Main disadvantages: Partners are liable for all debts generated by the business, along with the actions of the other partners

Filing Fee: none

Annual Report: none

3. C Corporation

Main advantages: Shareholders enjoy limited personal liability; benefits can be deducted as business expenses; profits can be spread out among shareholders to experience less taxation

Main disadvantages: Strict legal requirements; expensive start-up; handling stock registration; Tennessee Franchise and Excise Tax is charged

Filing Fee: \$100

Annual Report: \$20

4. S Corporation

Main advantages: Shareholders enjoy limited personal liability; profit/loss listed on shareholders' personal tax return; corporate losses can offset shareholder income for tax purposes

Main disadvantages: Strict legal requirements; expensive start-up; handling stock registration; Tennessee Franchise and Excise Tax is charged; company income must be allocated based on percentage of ownership; benefits are limited to shareholders over 2% ownership

Filing Fee: \$100

Annual Report: \$20

5. Limited Liability Company

Main advantages: Owners enjoy limited personal liability; profit/loss allocated most efficiently

Main disadvantages: Tax requirements are held to stern guidelines; Tennessee Franchise and Excise Tax is charged

Filing Fee: \$300

Annual Report: \$300

Appendix C

Example of Obtaining a Permit in Chattanooga

Step 1	Verify:	<ul style="list-style-type: none"> • Zoning regulations • Sign ordinance issues • Flood plain issues • Driveway permits • Erosion control (> 10,000 sq. ft.) 	Contact: City of Chattanooga, Public Works: Land Development
Step 2	Investigate:	<ul style="list-style-type: none"> • Tree removal • Water/sewer permits • Building permits • Compliance with building codes • Historic resources 	Contact: City of Chattanooga, Public Works: Zoning Hamilton County, Building and Zoning
Step 3	Compile Construction Information:	<ul style="list-style-type: none"> • Street address • Property I.D. Number (PIN) • Lease/purchase information • Prior use of space • Your proposal for using the space • Plans and cost estimates • Licensed contractor(s) 	Contact: City of Chattanooga, Treasurer's Office City of Chattanooga, Public Works: Land Development Private Contractor
Step 4	Permit issued by appropriate agency.		
Step 5	Anticipate Final Inspection:	<ul style="list-style-type: none"> • Fire codes • HVAC • Air/water quality • Plumbing • Construction 	Contact: City of Chattanooga, Public Works: Codes Hamilton County Building and Zoning
Step 6	Receive final inspection certificate. Celebrate!		

