



Start-up a Business in Minnesota Checklist

1. Assess yourself and your passion for wanting to start a business by answering:
 - ❖ What is it about life's work that absolutely obsesses you?
 - ❖ What is your dream work and why?
 - ❖ What is your burning passion and why?
 - ❖ What are your distinct role, skills, and aspirations in your current work?
 - ❖ What will happen in 10 years if you remain absorbed in that work?
 - ❖ What does your ideal organization look like?
 - ❖ What is your personal agenda?
 - ❖ What do you want to prove?
 - ❖ What are the assumptions underlying your vision?
 - ❖ What do your advisors and mentors have to say about those assumptions?
 - ❖ What is driving your organizations work?
 - ❖ Do you have a clear view and shared understanding of the industry 10 years from now?
2. Describe your idea:
 - ❖ What do you want to sell and is it legal?
 - ❖ Who will buy it and how often?
 - ❖ What are ALL the costs of production and operation?
 - ❖ Who will help you? Who is in your network? (i.e. bankers, trade associations, organizations, experts, professional advisors, suppliers, partners, and distributors)
 - ❖ What are the equipment, supplies, inventory and facility needs?
 - ❖ Is there a defined NEED for the product or service?
 - ❖ How are you qualified to run the business?
 - ❖ What are the barriers to starting, running, and sustaining the business?
 - ❖ Where will you locate? Are there zoning laws?
 - ❖ Are there required business licenses and permits?
 - ❖ Do you need to file an "intent to do business" announcement?
 - ❖ What insurance requirements are needed? Business, liability, health, workman's compensation, keyman, errors and omissions, directors and officers, business rider on homeowners insurance?
3. Write your "business concept" 9-S's approach:
 - ❖ Structure / Style / Systems / Staff / Strategy / Skills / Strength of Belonging / Services-Products / & Shared Values.
 - ❖ Conduct market research.
4. Call the Minnesota SBA district office:
 - ❖ 612-370-2314 and get a free copy of "A Guide to Starting a Business in Minnesota."
 - ❖ www.sba.gov/mn
5. Call the Minnesota Department of Economic Security:
 - ❖ 651-296-3644 and get a free copy of "Unemployment Insurance Information for Employers," Publication DES-30 IF you intend to hire employees.
6. Call the IRS for a free copy of "Tax Guide for Small Business," Publication #334:
 - ❖ Register with IRS Business I.D. number. 800-829-4933 or fax 816-823-7776
 - ❖ Select a business name for the I.D. and registration it with the Secretary of State. 651-296-2803 ext. 0
7. Open a business banking account and DO NOT co-mingle funds with your personal accounts.
8. Design and order business cards, letterhead stationery, and invoicing forms.
9. Prepare signage for facility and vehicles if needed.
10. Draft sales literature, brochures, flyers, and announcements to test your idea on paper.
11. Write an operations manual, safety manual, and others as needed.



12. Write a personnel management / human resources management manual.
13. File for Minnesota Business Tax I.D. number and check for permits at 651-296-6181 or 1-800-657-3777. Secure the Retail Merchants Certificate if applicable.
14. File for IRS I.D. Number with the Department of Labor 651-296-3781 (Form SS-4 if employees are involved).
15. Set up tax record keeping for employees, independent contractors, and forms for organization.
16. Set up a "chart of accounts" for all records and reporting weekly, bi-weekly, monthly, quarterly, semi-annually, and annually.
17. Determine level of proprietary protection for copyrights, trademarks, tradenames, patents, employee agreements, vendor contracts, non-disclosure agreements, etc.
18. Prepare permits for OSHA, Department of AG, or MSDS's as appropriate.
19. Register your business name (assumed name) and file articles of incorporation if applicable with the Minnesota Secretary of State. 651-296-2803 or 1-877-551-6767. Public notice in newspaper for official record.
20. Decide on an accounting system (Cash or Accrual?):
 - ❖ Accrual: An accumulation of assets or expenses or revenue items, as well as liabilities; whose value has been incurred, BUT for which no cash has yet been transferred.
 - ❖ Cash Basis: An accounting system that recognizes revenue when cash is received and expenses when cash is disbursed. It does NOT match the expense with the related revenue produced during the same accounting period. This system is used mainly by individuals for income tax purposes.
21. Know the rules for qualifying for an at-home business deduction and proof requirements:
 - ❖ www.irs.gov/prod/forms_Publications/Publications/p58701.htm
 - ❖ Your use of the business part of your home must be exclusive for your trade or business and...
 - ❖ The business part of your home must be ONE of the following:
 - Your principal place of business
 - A place where you meet or deal with patients, clients, or customers in the normal course of your trade or business
 - A separate structure (not attached to your home) that you use in connection with your trade or business.
22. Decide on a business structure:
 - ❖ C-Corporation - Has no limits on number of shareholders or classes of stock. Profits are subject to double taxation (corporate income is taxed and dividends paid to each stockholder are taxed as part of the individual's income).
 - ❖ S-Corporation - Usually for small companies that want to gain advantages of a corporate structure without the disadvantage of double taxation. Profits are distributed on a pro rata basis to stockholders who then pay personal income taxes on them or expenses are written off on personal IRS returns.
 - ❖ LLC-Limited Liability Company - Like a C-corp. regarding unlimited number of owners and like an S-corp. because profits and losses may pass directly to owners (no double taxation). Like a partnership that allows flexible management of the business.
 - ❖ Partnership - All partners participate in managing the business. Prepare a buy-sell agreement in case dissolution occurs. Any partner can obligate the other partner(s) and report and pay taxes on individual portion of taxable income generated by the partnership.
 - ❖ Sole Proprietorship - SSN is used as the Business I.D. Number and make disclosure on tax forms 1040 Schedule C and Publications 334 and 583. The IRS rules for an at-home business apply. Owner is PERSONALLY liable for all business debts and liability is not limited to the value of the business. You are personally liable for any and all debt incurred.
 - ❖ Non-Profit - Complete the IRS form 1023 - Exemption Application. Contact the Secretary of State for rules governing the organization. Prepare Articles of Incorporation. Prepare By-Laws and annually complete IRS form 990 to retain tax-exempt status.



23. Insurance (estimates):

- ❖ Liability - A “must” and generally \$500,000 coverage for approximately \$250/year; \$1,000,000 coverage for approximately \$300/year. Add loss of tools: \$6,000 coverage for approximately \$50/ year.
- ❖ Worker’s Compensation - Covers employees injured on the job. Cost is typically \$300-\$1,000/year, depending on the total payroll.
- ❖ Bonding - Typically \$50/year per individual.
- ❖ Check with your insurance company to add an endorsement on the homeowner’s policy for as little as \$14/year to double policy limits.
- ❖ In-home business policy - For about \$200/year to insure business property for \$10,000. Can purchase from \$300,000-\$1,000,000 coverage for liability.
- ❖ Business Auto Policy (BAP) - Vehicle liability and damage coverage for commercial use of vehicles in the business.
- ❖ Professional Liability - Errors and Omission Insurance (E&O) or Directors and Officers (D&O) Insurance.

24. Write a Business Plan:

- ❖ Decide why you are writing the plan - To raise money / to clarify your future / launch of new venture / search for strategic partners / game plan to destroy your competition / to go public.
- ❖ Make sure the business plan includes three years of pro-forma financial statements, management, operations, marketing, product development, proprietary information, technical addendum, etc.
- ❖ Research market numbers for financial statements with assumptions written out.
- ❖ Get advisors involved to critique the plan.
- ❖ Gather resumes, management philosophy, photos, graphs, charts, and technical information.
- ❖ Executive Summary – Overview of the business, management, source and use of funds.
- ❖ Mission & Vision – The purpose of the business and match with your goals.
- ❖ Product or Services – Along with warranty and return policy.
- ❖ Market – Target customers who will pay and include the marketing plan.
- ❖ Operations – Facilities, equipment, vehicles, communications along with building design and layout for production and services (include all cost of each).
- ❖ Management & Staff – Describe the training, experience, and qualifications required.
- ❖ Finances – Includes the balance sheet (assets, liabilities, and equity), income statement (profit and loss), cash flow projections, break-even analysis, and product/service pricing formulas.

25. Raise capital to start up:

- ❖ Sources: Savings / Insurance / Profit Sharing / Credit Cards / Second Mortgage / Friends / Family / Bank Loans / Venture Capital / SBA Loans / Angels / Limited Partnerships / Private Placement Memorandum / Grant Applications

26. Other tax expense circulars are:

- ❖ “Circular E Employers Tax Guide”
- ❖ “A Business Tax Kit” - Publication #454
- ❖ “A Tax Guide for Small Business”
- ❖ “Business Use of Your Home” - Publication #587
- ❖ “Business Use of a Car” - Publication #917
- ❖ “Travel, Entertainment, and Gift Expenses” - Publication #463

Bryan Stading
*Senior Business Facilitator for
Martin County*
507.386.7285
bstading@hickorytech.net

Jon Herzog
Business Facilitator for Martin County
507.386.7285
jon.mceda.ignite@gmail.com

Martin County Coordinator’s Office
507.238.3126
scott.higgins@co.martin.mn.us
www.co.martin.mn.us

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