

# *Small Business Handbook*

*For start-ups, improvements & expansions  
In Oconto County, Wisconsin*



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**This business information is provided to help you develop your company's overall business strategy.**

Pages 2 through 6 are the business plan. For the start-up business, there is a series of questions that will help you develop clear business objectives. The answers to these questions will help you complete the next step - - the actual business plan and forecasting forms. If you already have an established business plan, you may want to review this section to insure that your present plan has addressed all pertinent areas. For your convenience page 11 is a glossary of terms that may help you complete the business plan.

Pages 7 through 11 request information about your business. Complete the information after you have developed your business plan. Pages 2 through 10 will help you compile the information likely to be requested by a potential lender.

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## *Is small business ownership right for you?*

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The business plan is a management tool. When developed and used properly, it is one of the most effective communication tools used to obtain financing for your business. It also can help you reach your goals and measure your progress toward reaching them. The business plan should reflect your own ideas clearly and succinctly.

Before you start developing your business plan, ask yourself the following questions:

1. Are you the kind of person who can get a business started and run it successfully?
2. Does your family agree with your plan to start a business of your own?
3. Have you worked in a business similar to the one you want to start?
4. Have you had any business training in school?
5. Do you know how much money you will need to get your business started?
6. Have you determined how much of your own money you can put into the business?
7. How much personal income do you require and could this be reduced, if necessary?
8. Have you decided on a marketing plan?
9. Have you talked with other business owners in the area about what they think of your proposed business?
10. Can you determine what you should charge for each product or service you sell?
11. Have you tried to find out how well businesses similar to the one you want to open are doing in your community and in the rest of the country?
12. If you need to hire someone to help you, do you know where to look?
13. Do you know what benefits to provide?
14. Do you have a plan for training your employees?
15. Have you talked with the company's potential suppliers?
16. Have you decided whether to let your customers buy on credit?
17. Have you talked with an insurance agent about what kind of insurance you need?
18. Do you know what equipment and suppliers you will need and how much they will cost?
19. Can you save money by buying secondhand equipment?
20. Have you compared prices and credit terms of different suppliers?

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## ***Business Plan Outline***

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The previous questions should get you thinking about the importance of developing a business plan. Once you have formulated your answers, you can begin developing your business plan. The following is an outline to be used in developing your business plan.

### ***I Cover Letter***

- A. Dollar amount requested
- B. Terms and timing
- C. Type and amount of collateral
- D. Purpose and source of repayment

### ***II. Summary***

- A. Business description
  - 1. Name
  - 2. Location and plant description
  - 3. Product
  - 4. Market and competition
  - 5. Management and business goals
- B. Summary of financial needs and application of funds

### ***III. Products or Services***

- A. Description for product line
- B. Proprietary position: patents, copyrights, legal and technical consideration
- C. Product comparison

### ***IV. Manufacturing Process (if applicable)***

- A. Materials
- B. Source of supply
- C. Production methods

### ***V. Market Analysis***

- A. Description of total market
- B. Industry trends
- C. Target market
- D. Competition

### ***VI. Marketing Strategy***

- A. Overall strategy
- B. Pricing policy
- C. Methods of selling, distributing and servicing

### ***VII. Management Plan***

- A. Form of business organization
- B. Board of Directors (Owner of Partners)
- C. Officers: organizational chart and responsibilities
- D. Resumes of key personnel
- E. Staffing plan/number of employees
- F. Facilities plan/planned capital improvements
- G. Operating plan/scheduled of work for next 1-2 years

### ***VIII. Financial Plan***

- A. Financial statements (Three years to present)
- B. Three-year financial projections (Monthly for the first year)
  - 1. Profit and Loss statements
  - 2. Cash Flow charts
  - 3. Balance sheets
- C. Explanation of projections
- D. Explanation of use and impact of new funds
- E. Three-years tax returns

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## *Forecasting*

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When preparing projected financial statements for your business plan, you must start with basic assumptions for income and expenses. These assumptions for income and expenses should be detailed in your business plan with supporting documentation taken from the market study and the market strategy in your business plan. The projected financial statements should indicate economic changes in your business cycle. For instance, if your business is seasonal, sales during a specific period will be greater than another period. Your financial projections should indicate that fluctuation in sales and expenses.

There are three types of financial statements:

### **Profit/Loss Statement:**

The profit/loss statement will show your income minus expenses and indicate either a profit or loss statement should be done on a monthly basis. The second and third year may be done on a quarterly basis.

### **Cash Flow Statement:**

The projected cash flow statements will show the cash generated and collected from the business operations. This statement will utilize the same income and expenses as the profit/loss statement; however, it takes last month/quarter previous cash and adds that into total cash/receipts for the new month/quarter.

Timing differences resulting from accounts receivable turnover and the ongoing need for cash to fund expenses will indicate your business need for working capital.

### **Balance Sheet:**

The balance sheet records the total assets, liabilities and equity on a specific day.

The projected balance sheet is done every 12 months. If your company's business year end

is December 31<sup>st</sup>, then your proforma balance sheet reflects the assets and liabilities, and equity on that date. The projected balance sheet should reconcile with the projected profit/loss and cash flow statements.

Included in this list are forms to be used in the financial forecasting of your business. A rule of thumb when forecasting: Be as conservative and as realistic as possible. Remember, your business plan should provide you with all the supporting documentation when forecasting.

**PROFIT AND LOSS STATEMENT PROJECTIONS STARTING \_\_\_\_\_, 20\_\_\_\_\_**

<b>MONTH</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>12</b>	<b>1<sup>ST</sup> YEAR</b>	<b>2<sup>ND</sup> YEAR</b>	<b>3<sup>RD</sup> YEAR</b>
TOTAL SALES															
COST OF SALES															
<b>GROSS PROFIT</b>															
<b>EXPENSES</b>															
PAYROLL OFFICER															
PAYROLL OTHER															
PAYROLL TAX ETC.															
ADVERTISING															
OFFICE EXPENSE															
TELEPHONE															
UTILITIES															
MISC.															
TOTAL CONTROLLABLE															
RENT															
INSURANCE															
INTEREST															
TOTAL FIXED															
<b>TOTAL EXPENSE</b>															
<b>NET PROFIT (LOSS)</b>															

## CASH FLOW PROJECTION STATEMENT

	1	2	3	4	5	6	7	8	9	10	11	12	1 <sup>ST</sup> YR	2 <sup>ND</sup> YR	3 <sup>RD</sup> YR
<b>GROSS REVENUE</b>															
OPENING INVENTORY															
(+) PURCHASES															
(-) ENDING INVENTORY															
<b>(=) COST OF GOODS SOLD (COGS)</b>															
<b>GROSS PROFIT (G. REV-COGS)</b>															
<b>EXPENSES</b>															
ADVERTISING															
INSURANCE															
OFFICE EXPENSE															
REPAIRS/MAINTENANCE															
SUPPLIES															
LICENSES															
UTILITIES															
BUSINESS PROMOTION															
LAUNDRY															
TELEPHONE															
POSTAGE															
MISCELLANEOUS															
REAL ESTATE TAXES															
WAGES/TAXES															
RENT															
INTEREST															
<b>TOTAL EXPENSES</b>															
FEDERAL & STATE INCOME TAXES @25%															
<b>NET INCOME</b>															
PRINCIPAL															
PRINCIPAL															
<b>NET PROFIT</b>															

## PROJECTED BALANCE SHEET

FOR: \_\_\_\_\_

AS OF: \_\_\_\_\_

	20____	20____	20____
<b>ASSETS</b>			
CASH			
ACCOUNTS RECEIVABLE (A/R)			
INVENTORY			
A/R OFFICER			
OTHER			
OTHER			
LEASEHOLD IMPROVEMENTS			
VEHICLES			
OFFICE FURNITURE & EQUIPMENT			
EQUIPMENT			
BUILDINGS			
LAND			
OTHER			
<b>TOTAL ASSETS</b>			
<b>LIABILITIES &amp; NET WORTH</b>			
NOTES PAYABLE – BANK			
ACCOUNTS PAYABLE TRADE			
ACCRUALS			
OTHER			
OTHER			
LONG TERM DEBT			
MORTGAGES			
OTHER			
<b>TOTAL LIABILITIES</b>			
OWNERS INVESTMENT OR			
<b>NET WORTH</b>			
<b>TOTAL LIABILITY &amp; NET WORTH</b>			



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## *Glossary of Terms*

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**Accounts Payable:** Amount owing on open accounts to creditors for goods and services (usually within one year).

**Accounts Receivable:** Money owned to a business for merchandise or services sold on open accounts (represents current assets).

**Accounts Receivable Financing:** Short-term financing whereby accounts receivable serve as collateral for working capital advances.

**Balance Sheet:** A financial report showing the status of a company's assets, liabilities and owner's equity on a given date.

**Breakeven Point:** The point at which sales equal costs. The point is located by breakeven analysis, which determines the volume of sales at which fixed and variable costs will be covered. All sales over the breakeven point produce profits; any drop in sales below that point will produce losses.

**Cash Flow:** Net income plus depreciation and other noncash expenses.

**Collateral:** Assets pledged to a lender until a loan is repaid. If the borrower defaults, the lender has the right to seize the collateral and sell it to pay off the loan.

**Cost of Goods Sold:** Figure representing the cost of buying raw material and producing finished goods. Direct costs are clear-cut factors such as direct labor as well as others less clear-cut, such as overhead.

**Current Assets:** Cash, accounts receivables, inventory and other assets that are likely to be converted into cash.

**Current Liabilities:** Company's debt or other obligations coming due within a year.

**Debt-to-Equity:** Total liabilities divided by total shareholders' equity. This shows to what extent owner's equity can cushion creditors' claims.

**Fixed Assets:** Tangible property used in the operation of business, but not expected to be consumed or converted into cash in the ordinary course of event. Land and building, machinery and equipment, furniture and fixtures, and leasehold improvement composes the fixed assets of most companies.

**Fixed Asset Financing:** A term used primarily to describe a particular type of finance. Funds used to purchase land and buildings, machinery and equipment, and leasehold improvements. Fixed Asset Financing does not finance working capital or accounts receivables.

**Liquidity:** The ability of a business to meet its current debts with cash payments.

**Note:** Positive difference that results from selling products and services for more than the cost of producing these goods.

**Revolving Credit:** A contractual agreement allowing a customer to borrow funds when needed up to a specific maximum amount for a limited period of time.

**Selling, General, and Administrative (SG&A) Expenses:** Grouping of expenses reported on a company's Profit and Loss Statement. Included are such items as salespersons' salaries and commissions, advertising and promotion, travel and entertainment, office payroll and expenses and executives' salaries.

**Working Capital:** Current assets minus current liabilities.

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## *Legal Forms of Organization*

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There are four basic legal forms of organizing your business: sole proprietorships, partnerships, limited liability companies, and corporations. Each form has its own advantages and disadvantages. While it is possible for a business to start under one structure and change to another later, proper planning can prevent difficulties caused by an unsuitable legal form of organization at any given time in the life of the business.

### ***SOLE PROPRIETORSHIPS***

The sole proprietorship is the most common legal form. It is an unincorporated business owned by a single individual. Advantages of a sole proprietorship include freedom of operation and little or no planning for legal structure. Disadvantages include limited opportunity for expansion because there is no mechanism to allow potential investors to gain equity in the firm (without changing form of organization). Also, the owner is personally responsible for all obligations, debts, income taxes, and other liabilities of the business.

### ***PARTNERSHIPS***

A partnership is the combining of one or more individuals or businesses as co-owners under a partnership agreement. The agreement should be in writing and determines the powers, liabilities, and authorities of each of the partners.

#### *General Partnerships*

In this type of agreement, the income and expenses of the partnership are directly taxable to each individual partner based on his or her proportionate interest in the firm. The partnership files an information tax return and pays no separate business income tax. You should note that even a well-crafted partnership agreement cannot completely protect against a partner acting outside the scope of the agreement and incurring debts and liabilities that become the responsibilities of the other partners.

#### *Limited Partnerships*

In a limited partnership, the “limited” partners have protection against obligations of the firm beyond their initial investment, as with a corporation. Limited partnerships must have at least one general partner who is responsible for all debts, liabilities, and obligations of the firm. Generally, the liability of the other partners is limited to the amount of the investment by each partner. A limited partner should not take an active role in the business and risks becoming a general partner by doing so. The advantage of the limited partnership is clear: most partners limited their liability while keeping their rights to participate in profits and/or tax advantages.

### ***LIMITED LIABILITY COMPANY (LLC)***

An LLC is a business entity that combines many of the advantages of a corporation with many advantages of a partnership. An LLC will be treated like a partnership for income tax purposes. LLC’s will allow owners to enjoy limited liability and flow-through tax treatment. They provide an attractive alternative to S corporations and general and limited partnerships.

### ***REGISTRATION***

Limited Liability Companies, Corporations, and Limited Partnerships must register with the Secretary of States Office. For further information, contact the Secretary of State, 30 West Mifflin Street, 10<sup>th</sup> Floor, Madison, WI 53702 – 608-266-3590.

## ***CORPORATIONS***

A corporation is a legally created entity distinct from its owners with rights, duties, powers, and responsibilities in and of itself. This usually, but not always, means that when individuals act on behalf of a corporation, these actions are attributable to the corporation but not the individual. An advantage of a corporation is that shareholder liability is limited to the loss of the shareholder's investment unless a shareholder accepts additional responsibility, such as by guaranteeing a loan to the company. Another advantage of the corporation is the ability to bring other individuals into ownership of the firm to raise additional capital. Still another advantage of a corporation is that it continues to exist even after the death or withdrawal of an owner.

Generally, the main disadvantage of corporations is double taxation. The corporation itself must pay an income tax and the shareholders must pay personal income taxes on the dividends received from the corporation.

## ***SUBCHAPTER S CORPORATION***

One special type of corporation of major interest to small businesses is the Subchapter S Corporation. This type of corporation avoids double taxation by having its income taxed to the shareholders as if the corporation were a partnership. It also allows the shareholders to have the benefit of offsetting business losses incurred by the corporation against the income of the shareholders. A Subchapter S Corporation may have a maximum of 35 shareholders.

## ***JOINT VENTURES***

A joint venture is a partnership of one or more sole proprietors, partnerships, or corporations for the purpose of pursuing a specific business activity of transaction. The main advantage of a joint venture is that existing businesses can join together without having to form a new entity and without having any continuing obligations to each other beyond the joint venture agreement. The disadvantage is in the liability of parties for the actions undertaken by partners of the joint venture.

## ***COOPERATIVES***

A cooperative is a contractual organization of persons or businesses which provides services to members of a non-profit or limited-profit basis. Earnings of the co-op are usually distributed in proportion to each member's use of cooperative services. Control of cooperative activities typically takes place on a one-member, one-vote basis, although there may be classes of members with different voting power. If a cooperative pays earnings back to member-users, it may be exempt from corporate income tax. In Wisconsin, a formal, incorporated co-op must have five incorporators and must be incorporated with the Secretary of State. Cooperatives may also be operated on an informal basis. For more information, contact Cooperative Development Services, 30 West Mifflin Street, #401, Madison, WI 53703, 608-258-4396.

## ***NON-PROFIT***

Non-profit corporations and organizations must file an application with the Federal Internal Revenue Service to receive an exemption from federal income tax. A non-profit corporation should discuss with this agency before preparing their articles of incorporation.

Call 1-800-829-1040; in Milwaukee 414-271-3780.

A non-profit corporation must register their articles of incorporation with the Secretary of State, 608-266-3590, whereas a non-profit organization is not required to register with the Secretary of State.

Questions on state income tax and sales tax exemption can be answered by the State of Wisconsin Department of Revenue, 608-266-2776.

## ***D.B.A. (Doing Business As)***

To register the name of your Sole Proprietorship or your General Partnership, you may do so by contacting the Register of Deeds in the county the business has its Headquarters. The Secretary of State, Madison, WI can also register a D.B.A. name.

## BASIC BUSINESS REGULATIONS

A new business in Wisconsin will be subject to some or all of the following regulations through local, state, or federal regulatory agencies. This list is by no means complete; it does not cover specific city or county regulations and requirements change periodically. Contact appropriate agencies below for further information.  
Working with a small business attorney and accountant is strongly suggested.

### 1) BUSINESS ENTITY REGISTRATION

Businesses operating as Corporations, Not-for-Profit corporations, Cooperatives, Limited Partnerships, Limited Liability Companies, Limited Liability Partnerships, Common Law Trusts, Foreign (out-of-state) entities of the same types licensed to transact business in Wisconsin, Veterans and certain types of religious organizations must register with Wisconsin Department of Financial Institutions: <http://www.wdfi.org> or call 608-261-9555

Sole Proprietorships, General Partnerships may register with the WI Secretary of State, if you so choose. This registration does not give name protection beyond that of common law. It does make it easier to avoid duplication. Your business name can be a very important marketing consideration; therefore, you may want to register it with your County Register of Deeds or with the WI Secretary of State: [www.sos.state.wi.us](http://www.sos.state.wi.us).

### 2) FEDERAL EMPLOYER IDENTIFICATION NUMBER (EIN)

EIN is a nine-digit number that the IRS assigns to business entities. The IRS uses this number to identify taxpayers that are required to file various business tax returns. EINs are used by employers, sole proprietors, corporations, partnerships, non-profit organizations, trusts and estates, government agencies, certain individuals and other business entities.

A new business is not required to have an EIN if it has no employees and is organized as a sole proprietorship or Limited Liability Company with one member. **However, getting an EIN in these cases may be wise because chances are a business may be asked for its EIN in the course of doing business with other businesses or the government and it prevents the owner's Social Security Number from being used as the company's identification number.**

If the business changes to a partnership or corporation, or if it hires employees, then an EIN is required. [www.irs.gov/businesses/small/article/0,,id=98350.html](http://www.irs.gov/businesses/small/article/0,,id=98350.html)

**In addition, independent contractors are required by Wisconsin Worker's Compensation Law to obtain an EIN. (A social security number cannot be substituted). When requesting an EIN from the IRS, you must inform them that you are required by Wisconsin Worker's Compensation Law to obtain an EIN.**

If you have employees, you are responsible for several federal, state, and local taxes. You must withhold certain taxes from your employees pay checks. Employment taxes include federal income tax withholding, Social Security and Medicare taxes (FICA) and Federal Unemployment Tax Act (FUTA). [www.irs.gov/businesses](http://www.irs.gov/businesses) or call 800-829-4933

### 3) INDEPENDENT CONTRACTORS

The State of Wisconsin presumes that any worker is an employee unless an employer can prove otherwise. This is an area often misunderstood by small businesses. In addition, independent contractors are required by Wisconsin Worker's Compensation Law to obtain a Federal I.D. Number (FEIN). **(A social security number cannot be substituted).** When requesting a Federal Employer Identification Number (FEIN) from the IRS, you must inform the IRS that you are required by Wisconsin Worker's Compensation Law to obtain a FEIN.

Federal IRS Information: [www.irs.gov/businesses/small/article/0,,id=9921,00.html](http://www.irs.gov/businesses/small/article/0,,id=9921,00.html)

Wisconsin Revenue Information: [www.dor.state.wi.us/html/business.html](http://www.dor.state.wi.us/html/business.html)

### 4) WISCONSIN BUSINESS TAX REGISTRATION CERTIFICATE

#### ➤ WISCONSIN EMPLOYER IDENTIFICATION NUMBER

A Wisconsin employer identification number is required for employers who pay wages subject to withholding of Wisconsin income tax or other persons with a withholding requirement.

**Apply for this number on the Business Tax Registration (BTR101) form available from the Wisconsin Department of Revenue at 608-266-2776 or at <http://ww2.revenue.wi.gov/GenericFile/application?interview=123807>.**

#### ➤ WISCONSIN SELLER'S PERMIT/SALES TAX

A seller's permit is required for every individual, partnership, corporation, or other organization making retail sales, leases, or rentals of tangible personal property or taxable services in Wisconsin, unless all sales are exempt from sales or use tax. **Apply for a Seller's Permit Number on the Business Tax Registration (BTR101) form available from the Wisconsin Department of Revenue at 608-266-2776 or at <http://ww2.revenue.wi.gov/GenericFile/application?interview=123807>.** Sales to customers outside of Wisconsin may be subject to tax. This is an issue especially, though not exclusively, for mail order and/or internet based

businesses. Check with the Wisconsin Department of Revenue or see Department of Revenue Publication 201: [www.revenue.wi.gov/pubs/pb201.pdf](http://www.revenue.wi.gov/pubs/pb201.pdf).

➤ **OTHER TAX PERMITS/CERTIFICATES ARE ALSO ON THIS FORM**

**5) HEALTH INSPECTION**

Any business involving the sale of food or lodging will generally require an inspection by the Wisconsin Department of Health Services, Public Health. Inspections are either conducted through the State or Local County Health Department. <http://dhs.wisconsin.gov/localhealth>

**6) LICENSE, PERMIT OR CERTIFICATE**

Some professions require a license: i.e. real estate sales agent, beautician, etc. State of Wisconsin requires some businesses hold certificates or permits to do business: i.e. currency exchanges, nurseries, etc. Go to Business Wizard at [www.wisconsin.gov/state/app/wizare/LoadIntro](http://www.wisconsin.gov/state/app/wizare/LoadIntro)

**7) SAFETY AND BUILDINGS**

Employers must inform workers about toxic substances, infectious agents and pesticides in the work place. Local municipalities also require a building permit. Any major remodeling will require that plans be submitted for approval to the Wisconsin Department of Commerce, Safety and Building Division, 608-266-3151. [www.commerce.wi.gov/SB](http://www.commerce.wi.gov/SB)

**FIRE DEPARTMENT INSPECTION**

**Businesses having regular entry and use of the facilities by the public, as well as housing flammable materials will generally need a fire department inspection. Call your local fire department.**

**8) SAFETY REQUIREMENTS – OSHA – OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION** There are federal regulations and standards for work place safety. For free consultation on occupational health or industrial hygiene regulations call 800-947-0553 or 608-224-6215 <http://www.slh.wisc.edu/wiscon/> OSHA Regional Office 608-441-5388 [www.osha.gov](http://www.osha.gov)

**9) ZONING**

A business operated in any building must be zoned for business use in the geographic location. An office in the home may need to be a “commercial” zone if the home office receives clients or regular shipments. Be aware of signage regulations, street traffic, and parking. Call your City, Town or Village zoning office.

**10) LABOR LAW POSTERS**

Employers are required to post various posters to inform workers of their rights under labor regulations. Each regulating agency contacted should be asked about posting. Requirements include the posting on non-discrimination and safety law notices. [www.dwd.state.us/dwd/posters.htm](http://www.dwd.state.us/dwd/posters.htm)

**11) AMERICANS WITH DISABILITIES ACT (ADA)**

All public businesses must meet accessibility guidelines for both employees and customers. [www.ada.gov](http://www.ada.gov) [www.dwd.state.wi.us](http://www.dwd.state.wi.us)

**12) IMMIGRATION LAW I-9 FORM**

U.S. Citizenship and Immigration Services require that employers take steps to insure that employees (citizen/non-citizen) are eligible to work. You are required to have new employees fill out an I-9 form. Employers need to check employee documents for appropriate proof of eligibility and residency within three business days of their start date (and keep copies). [www.uscis.gov/portal/site/uscis/menuitem.eb1d4c2a3e5b9ac89243c6a7543f6d1a/?vgnextoid=91919c7755cb9010VgnVCM10000045f3d6a1RCRD&vgnnextchannel=91919c7755cb9010VgnVCM10000045f3d6a1RCRD](http://www.uscis.gov/portal/site/uscis/menuitem.eb1d4c2a3e5b9ac89243c6a7543f6d1a/?vgnextoid=91919c7755cb9010VgnVCM10000045f3d6a1RCRD&vgnnextchannel=91919c7755cb9010VgnVCM10000045f3d6a1RCRD)

**13) UNEMPLOYMENT INSURANCE (UNEMPLOYMENT COMPENSATION)**

A company is required to pay unemployment insurance if you have employees to whom you pay \$1,500 in wages in any calendar quarter or any calendar year; if one or more persons is employed full or part-time for some part of a day in each of 20 or more weeks in a calendar year; if you are engaged in agriculture and you employ 10 or more persons on the same day who perform farm labor in 20 or more weeks during a calendar year or the payroll for this work is at least \$20,000 in any calendar quarter; if you employ persons working in domestic service if the wages are \$1,000 or more in any calendar quarter; and if you are a nonprofit organization classified by the IRS and have four or more employees working on the same day for 20 weeks within a calendar year. 608-261-6700 <http://www.dwd.state.wi.us/ui201/phone201.htm>

#### **14) WORKER'S COMPENSATION INSURANCE**

Most Wisconsin employers must carry a special insurance to cover liability due to work-related employee injury or illness. This coverage is obtained through a private commercial insurer. Check with a commercial insurance agency that deals with business accounts for coverage. Employer liability occurs when wages of \$500 or more are paid in a quarter, or three or more people are employed. Independent contractors are required by Wisconsin Worker's Compensation Law to obtain a Federal I.D. number. Always ask an independent contractor for their EIN number before employing their services. 608-266-1340

#### **15) PAYROLL TAXES**

There are two types of payroll taxes; those withheld from employees' pay (which includes wages, bonuses, tips, cash and non-cash benefits), and taxes paid by the employer. Withholding from employee pay is required for Social Security (FICA) taxes and for federal and state personal income taxes. Employers need a federal tax I.D. number and employees need to fill out W-4 and WT-4 forms. Federal and state unemployment compensation coverage for employees must be contributed by most employers. This is done in the form of a percentage of payroll tax. NOTE: Employers must withhold FICA and income tax from employee paychecks.

The amount deducted will be forwarded to the government on an annual, quarterly, monthly, or weekly basis depending on amounts involved. A penalty may be imposed if the funds are not paid to the Internal Revenue Service. A person is liable if the failure to collect funds or the diversion of funds was "willful" and the individual was a "responsible party" during the reporting period. The individual owner or others may be held personally liable for the penalty 800-829-4933 [www.irs.gov/businesses/small/article/0,,id=98862,00.html](http://www.irs.gov/businesses/small/article/0,,id=98862,00.html)

#### **16) ESTIMATED TAXES**

Generally sole proprietors, partners and shareholders of an S corporation pay tax on net profit by making regular payments of estimated tax during the year. If you expect to owe taxes of \$1,000 or more (including Social Security and Medicare) when you file your return, you generally have to make estimated quarterly tax payments. Use Form 1040-ES, *Estimated Tax for Individuals*, and 1-ES, *Estimated Tax for Individuals, Estates and Trusts*.

Federal IRS information: <http://www.irs.gov/businesses/small/article/0,,id=110413,00.html>

Wisconsin Revenue information: <https://ww2.revenue.wi.gov/PaymentInquiry/application>

#### **17) LABOR STANDARDS LAW**

Both federal and state laws cover a variety of issues relating to the pay and treatment of employees. The following is a partial listing of areas covered by regulations: Minimum Wage, Family & Medical Leave Act, Overtime Pay, Sexual Harassment, Employment of Children, and Prevailing Wage Requirements.

Wage & Hour 608-266-3345 [www.dwd.state.wi.us/er/labor\\_standards\\_bureau](http://www.dwd.state.wi.us/er/labor_standards_bureau)

#### **EQUAL RIGHTS AND OPPORTUNITY**

It is illegal to discriminate against job seekers and current employees on the basis of sex (including pregnancy), age (40 and over), race, color, national origin, ancestry, religion, handicap, sexual orientation, marital status, and, in most cases, arrest or conviction record. 608-266-6860 [www.dwd.state.wi.us/dwd/employers.htm](http://www.dwd.state.wi.us/dwd/employers.htm)

#### **18) SOCIAL SECURITY ESTIMATED TAX** 800-772-6270 [www.ssa.gov](http://www.ssa.gov)

#### **19) EMPLOYEE BENEFITS: INSURANCE, PENSION, AND PROFIT SHARING**

Employers who pay voluntary benefits are subject to regulations aimed at protecting workers from mismanagement of funds and discrimination. If you provide voluntary benefits, consult an attorney about Employee Retirement Income Security Act (ERISA), Section 89 regs. and other laws. [www.dol.gov/ebsa/compliance\\_assistance.html](http://www.dol.gov/ebsa/compliance_assistance.html)

State of Wisconsin Health Insurance: [http://oci.wi.gov/pub\\_list/pi-206.htm](http://oci.wi.gov/pub_list/pi-206.htm)

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## BUSINESS REGULATIONS

A new business in Wisconsin will be subject to some or all of the following regulations through local, state, or federal regulatory agencies. This list is by no means complete; it does not cover specific city or county regulations and requirements change periodically. Contact appropriate agencies below for further information.

Working with a small business attorney and accountant is strongly suggested.

An excellent place to start is **Business Wizard**: <http://ww2.wisconsin.gov/state/wizard/app/LoadIntro>

Or call the **Wisconsin Business Answer Line 800-940-7232**. They can provide you with assistance in finding out which license or permit requirements apply to your business.

### Basic Business Regulations

✓	What	Who	Where
<input type="checkbox"/>	<b>Business Entity Registration</b> (All forms of business <u>except</u> sole proprietors & general partnerships) Sole Proprietors/General Partnerships Trademark or Service Mark →	WI Dept. of Financial Institutions County Register of Deeds WI Secretary of State WI Secretary of State	608-261-9555 <a href="http://www.wdfi.org">www.wdfi.org</a> List of County Reg. of Deeds in WI: <a href="http://www.wrdaonline.org/ListOfOffices">www.wrdaonline.org/ListOfOffices</a> 608-266-5653 <a href="http://www.sos.state.wi.us">http://www.sos.state.wi.us</a>
<input type="checkbox"/>	<b>Federal Employer ID Number (EIN)</b>	IRS	800-829-4933 <a href="http://www.irs.ustreas.gov">www.irs.ustreas.gov</a>
<input type="checkbox"/>	<b>Independent Contractor Law</b>	IRS (when calling the IRS, the contractor must inform IRS the EIN is required by WI Worker's Compensation Law)	877-829-5500 Self-Employed vs. Independent Contractor: <a href="http://www.irs.gov/businesses/small/article/0,,id=115041,00.html">www.irs.gov/businesses/small/article/0,,id=115041,00.html</a> Independent Contractors vs. Employees <a href="http://www.irs.gov/businesses/small/article/0,,id=99921,00.html">http://www.irs.gov/businesses/small/article/0,,id=99921,00.html</a> Self Employed: <a href="http://www.irs.gov/businesses/small/article/0,,id=15045,00.html">http://www.irs.gov/businesses/small/article/0,,id=15045,00.html</a>
<input type="checkbox"/>	<b>WI Business Tax Registration</b> -WI employer identification number -Seller's permit -Local exposition tax -Consumers use tax permit -Use tax certificate -Alcohol Beverage -Retail Alcohol Beverage -Cigarette & Tobacco Products -Dry Cleaning Facility	WI Dept. of Revenue	608-266-2776 <a href="http://www.dor.state.wi.us/html/business.html">www.dor.state.wi.us/html/business.html</a>
<input type="checkbox"/>	<b>Health Inspection</b> (sale of food or lodging)	WI Dept. of Health Services WI Dept. of Public Health	<a href="http://dhs.wisconsin.gov/">http://dhs.wisconsin.gov/</a> <a href="http://dhs.wisconsin.gov/localhealth/">http://dhs.wisconsin.gov/localhealth/</a>
<input type="checkbox"/>	<b>Licensing, Permits or Certificates</b> <b>Regulatory Issues</b>	Wisconsin Business Answer Line Business License Wizard	800-940-7232 <a href="http://www.wisconsin.gov/state/app/wizard/LoadIntro">www.wisconsin.gov/state/app/wizard/LoadIntro</a>
<input type="checkbox"/>	<b>Safety and Buildings</b> <b>Fire Department (local)</b>	WI Dept. of Commerce, Safety & Building Division	608-266-3151 <a href="http://www.commerce.state.wi.us/SB">www.commerce.state.wi.us/SB</a>
<input type="checkbox"/>	<b>Safety Requirements (OSHA)</b>	OSHA (Occupational Safety & Health Administration)	312-353-2220 (Regional Office) 608-226-5240 (Free Consultation) State Lab's Clinical Lab 888-494-4324 Environmental Health 800-442-4618 WI Occupational Health Lab 800-446-0403 WSLH Proficiency Testing 800-462-5261 <a href="http://www.slh.wisc.edu/wiscon/">http://www.slh.wisc.edu/wiscon/</a>
<input type="checkbox"/>	<b>Zoning</b> (including working from home)	City/Town/Village Zoning Dept.	See Government Pages in telephone directory

Employment is regulated by both federal and state laws.  
The following sections briefly summarize the major legal requirements.

**Regulations for Employers**

✓	What	Who	Where
<input type="checkbox"/>	<b>Labor Law Posters (required)</b>	WI Dept. of Workforce Development	608-266-6861 or 800-362-7253 (DOC-Sale) <a href="http://www.dwd.state.wi.us/dwd/posters.htm">www.dwd.state.wi.us/dwd/posters.htm</a>
<input type="checkbox"/>	<b>American With Disabilities Act (ADA) Requirements</b>	U.S. Dept. of Justice	800-514-0301 (ADA publications) <a href="http://www.usdoj.gov/crt/ada/adahom1.htm">www.usdoj.gov/crt/ada/adahom1.htm</a>
<input type="checkbox"/>	<b>Immigration Law/I-9 Form</b>	U.S. Citizenship & Immigration Services	800-375-5283 <a href="http://www.uscis.gov/portal/site/uscis">http://www.uscis.gov/portal/site/uscis</a>
<input type="checkbox"/>	<b>Unemployment Insurance</b>	WI Dept. of Workforce Development	608-266-3100 <a href="http://www.dwd.state.wi.us/ui">www.dwd.state.wi.us/ui</a>
<input type="checkbox"/>	<b>Worker's Compensation</b>	WI Dept. of Workforce Development	608-266-1340 <a href="http://www.dwd.state.wi.us/wc">www.dwd.state.wi.us/wc</a>
<input type="checkbox"/>	<b>Payroll Taxes</b>	IRS  WI Dept. of Revenue	800-829-1040 <a href="http://www.irs.gov/businesses/small/article/0,,id=98862,00.html">http://www.irs.gov/businesses/small/article/0,,id=98862,00.html</a> 608-266-2776 <a href="http://www.revenue.wi.gov/html/businesses.html">http://www.revenue.wi.gov/html/businesses.html</a>
<input type="checkbox"/>	<b>Estimated Taxes</b>	IRS  WI Dept. of Revenue	<a href="http://www.irs.gov/businesses/small/article/0,,id=110413,00.html">http://www.irs.gov/businesses/small/article/0,,id=110413,00.html</a>  <a href="http://ww2.revenue.wi.gov/PaymentInquiry/application">http://ww2.revenue.wi.gov/PaymentInquiry/application</a>
<input type="checkbox"/>	<b>Labor Standards Law Equal Rights &amp; Opportunities</b>	WI Dept. of Workforce Development	608-266-6860 (Equal Rights) <a href="http://www.dwd.state.wi.us/er">http://www.dwd.state.wi.us/er</a> 608-266-3345 (Labor Standards) <a href="http://dwd.wisconsin.gov/er/labor_standards_bureau">http://dwd.wisconsin.gov/er/labor_standards_bureau</a>
<input type="checkbox"/>	<b>Social Security Estimated Tax (FICA)</b>	SSA	800-772-6270 <a href="http://www.SSA.gov">www.SSA.gov</a>
<input type="checkbox"/>	<b>Employee Benefits INSURANCE, PENSION, AND PROFIT SHARING</b>  <b>WI Health Insurance</b>	U.S. Dept. of Labor U.S. Dept. of Labor  WI Insurance Commissioner	<a href="http://www.dol.gov/ebsa/compliance_assistance.html">http://www.dol.gov/ebsa/compliance_assistance.html</a> <a href="http://www.dol.gov/ebsa/">http://www.dol.gov/ebsa/</a>  <a href="http://oci.wi.gov/pub_list/pi-206.htm">http://oci.wi.gov/pub_list/pi-206.htm</a>