

Frequently Asked Questions



I want to start my own business, how do I begin?

Start by going through the Feasibility Checklist on our main web page [Feasibility Checklist](#)

The checklist is a good starting point in helping you determine if you're ready to start a business.

You may also consider taking the *Start Your Business in Illinois* workshop offered monthly through the ISBDC at Elgin Community College. This workshop helps potential entrepreneurs by reviewing start-up steps, legal concerns, planning information, what a business plan is and why you need one, what types of loans are available, and where to get additional assistance.

Next, write a business plan. Comprehensive planning is a key element to business success. A thoroughly prepared business plan will give you a good indication of whether your business will succeed, and how long it will take to become profitable. The ISBDC can provide you with tools and guidelines to help you with your plan, including the parts that most entrepreneurs find most difficult – how to research the market, and how to prepare financial projections. The ISBDC will offer recommendations and guidance on how to gather and prepare data and will give you honest feedback about your plan.

I'm already in business. How can the ISBDC help me?

As a small business owner, you are faced with a variety of challenges and limited resources. Through our confidential business counseling services, the ISBDC is a free resource that can help you address small business management challenges. Here are a few examples of how we can help:

- Evaluate your marketing activities and make suggestions regarding ways to promote your business.
- Recommend business tools, technologies, and other resources to help streamline business operations and reduce costs.
- Analyze your financial statements and help you address financial challenges in your business.
- Evaluate the impact of growth opportunities on your business.
- Review management and operational procedures and provide suggestions for best practices.

How can I get a grant to start my business?

Unfortunately, there is a lot of hype, as well as many scams, surrounding the topic of government grants for small business. First, information about government grants can be obtained free of charge. If you are being asked to pay money to get information about grants, you should check very carefully into the claims being made. Grants are most commonly available to not-for-profit organizations, or for very specific purposes. Even when grant money is available, it is rarely "free," and there are usually strings attached. Grants available through federal and state government programs are primarily for research or development in the areas of: technology, agriculture, biotech, homeland security and defense.

How can I finance my business venture?

Most small business owners finance most or all of their business through personal financial resources such as savings, home equity loans, personal lines of credit, credit cards, or loans from friends and family. When seeking a small business loan from the bank, here are a few tips:

- Protect or improve your credit score – this is one of the first things a lender will check. A poor credit score will exclude you from financing consideration.
- A business plan with detailed financial projections is required in most cases.
- Most lenders expect owners to finance at least one third of their start-up costs.
- Unless you are an established business with good business credit, you will be asked to guarantee your business
- If your borrowing needs are small, contact the ISBDC about micro-loans as a financing option.

If financing your business is a barrier you face, look for ways to start small – then leverage your success. It is easier to borrow money once you start making some, and can show a track record of success. Also, consider working out of your home or finding a partner.

What is an SBA loan?

The Small Business Administration (SBA) does not lend directly to small businesses. Instead, it provides financing assistance to small businesses in the form of loan guaranties to banks and other private lenders as an incentive for these organizations to loan money to small businesses, which can be higher risk customers. When you apply for a business loan, the lender will evaluate your application and determine if you qualify for either a conventional loan or an SBA loan. Note that not all banks offer SBA loans.

I'm a woman/minority business owner. How will that help me?

Certification as a woman-owned (WBE) or minority-owned business (MBE) can be advantageous if you are bidding on government contracts or performing services for or selling to larger companies or state or local government agencies. However, for most typical small local businesses, woman or minority ownership does not afford any particular advantage.

What kind of licenses or permits do I need for my business?

Because there is extensive cost in time, fees and red tape involved, obtaining licenses, permits, and tax requirements may be one of the last steps to take before opening a business. Make sure that the business or job function you perform is properly licensed by the appropriate regulatory agency.

There are different requirements at the city, county, state and federal levels that apply to different aspects of businesses:

- Check with city hall for local zoning and permit requirements.
- Sole proprietors must file an assumed name certificate with the county clerk in the county where the business is located.
- Contact the Secretary of State's Office to incorporate or register a state trademark (<http://cyberdriveillinois.com>).
- Complete an EIN application (Form SS-4) if hiring employees, incorporating or operating a partnership, administering a Keogh plan, filing excise, alcohol, tobacco & firearms tax returns, or opening a bank account in the name of the business. You can apply on-line at www.irs.gov.
- Food service businesses should contact the county health department for regulations and certification requirements.
- For more information about licensing, permits, and tax requirements, contact the ISBDC.

What should I know about accounting and bookkeeping?

Keeping adequate books and records is important for a number of reasons:

- To monitor how well the business is doing
- To substantiate tax returns
- To support requests for financing
- To support your claims about the business' profitability, should you wish to sell it

You can use commercial computer software to perform most bookkeeping and accounting tasks. It is critically important, however, that you understand the financial statements that are produced, and the numbers behind them. The three basic financial statements are the **balance sheet**, which is a record of assets, liabilities and capital; the **income statement** (also called profit and loss statement), which is a summary of your earnings and expenses over a given period of time; and the **cash flow statement**, which is a summary of actual cash flows in and out of the business from operations, financing and investment.

Consult with your accountant or an ISBDC counselor for help in setting up your books and records, and understanding your financial statements and financial accounting system. ECC also offers various accounting and bookkeeping courses that you can take to improve your knowledge in these areas.

What insurance should I have for my business?

The type and amount of business insurance a small company should have depends on many factors. These factors should be discussed with an experienced insurance agent or broker, in order to custom tailor an insurance package to fit the needs of the business. Some common types of business insurance are:

- Property insurance, which protects against loss caused by destruction by fire, wind, explosion and other perils.

- Business interruption insurance, which protects against loss of earnings resulting from an interruption caused by damage to the physical property.
- Liability insurance, which protects against loss arising out of legal liability for death, injury or damage to the person or property of others caused by negligence.
- Fidelity or surety bonds, which guarantee against loss due to the dishonesty of employees (fidelity bonds) or which guarantee the performance of various types of obligations assumed by contract or imposed by law (surety bonds).
- Workers compensation insurance, which pays benefits to injured workers arising out of a workplace accident.
- Product liability insurance, which protects against loss arising from damage caused by a product manufactured by the business.
- Group insurance (life and health) for employees. Policies must meet requirements established by federal and state law.
- An emerging area, created by the growth of the internet and electronic commerce, is e-insurance for companies with an on-line presence. A knowledgeable insurance agent can advise the business owner on the need for this type of insurance.

What other resources are available for small businesses?

Federal Agencies

Federal Trade Commission

Enforces a variety of federal antitrust and consumer protection laws and works to eliminate unfair or deceptive practices. Regulates franchises at the federal level and offers a number of publications for prospective franchisors and franchisees.

Internal Revenue Service

Enforces federal tax laws. Numerous forms and publications may be downloaded from web site.

U.S. Department of Commerce

Offers a number of programs and services to assist businesses including but are not limited to international trade programs, export regulation, economic development programs and minority business development assistance. Also houses the U.S. Patent and Trademark office and offers assistance in the areas of technology and telecommunications.

U.S. Patent and Trademark Office

The location for filing patents and registering trademarks. Offers informative publications on patent and trademark processes.

U.S. Small Business Administration

Provides financial, technical and management assistance to help individuals start, run, and grow their businesses. Offers extensive on-line tutorials and other valuable information to prospective and existing business owners.

Illinois State Agencies

Sell 2 Illinois

Offers opportunities for small businesses to sell products and services to the State of Illinois and provides additional information and resources for small businesses.

Illinois Department of Labor

Administers a variety of programs that affect employers and employees, including but not limited to occupational safety and health, workplace safety consultation, labor standards information and enforcement, apprenticeship, code administration and inspection, and workers compensation.

Illinois Department of Financial and Professional Regulation

Regulates and licenses banking, financial institution, real estate and insurance industries. Licenses over 1 million professionals in approximately 100 industries.

Illinois Department of Revenue

Enforces the state's tax laws and offers numerous forms and publications to assist businesses and individuals with state tax compliance.

[Illinois Secretary of State](#)

Source for filing business-related legal documents such as articles of incorporation, articles of organization, trademark registrations, assumed business names and others.

[Illinois Department of Commerce and Economic Opportunity](#)

Provides economic development assistance to businesses and communities. Offers numerous publications of interest to existing and prospective businesses, and sponsors the Illinois Small Business Development Center network.

[Illinois Department of Employment Security](#)

Administers the Illinois Unemployment Insurance Law, provides self-service online system access as well as information and assistance regarding the Illinois Unemployment Insurance Program to employers and unemployed workers. Also offers job placement and referrals, employment and training programs, career and labor market information, payroll tax filing.