



ENTREPRENEUR'S TOOL KIT

mississippi development authority



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The Top Twenty
MOST ASKED QUESTIONS



TOP 20 MOST ASKED QUESTIONS

The questions in this section are some that are asked most often by potential entrepreneurs. The Mississippi Development Authority has attempted to answer these important questions you need answered before you go into business. However, you should consider each question and answer carefully and do not hesitate contacting the Mississippi Development Authority or its regional offices before going into business.

1 Should I go into business?

Only you can answer this question, but you should begin the process with an honest, objective appraisal of your own strengths and weaknesses. Are you a self starter? Do you make decisions well? Do you have what it takes to operate a business? Are you willing to give up other opportunities in order to be a business owner? These are just a few of the questions you will need to consider before starting a new venture.

2 What type of business should I go into?

What do you like to do? What are your talents? What type of business does your area need? How much money do you have to put into your project? Answers to these questions will give a strong indication of what business(es) you should consider.

3 Do I need a business plan?

YES! There are two basic reasons for preparing a business plan. First, it requires the entrepreneur to thoroughly investigate the factors that will have an impact on the success of the business. Second, it will enhance the ability of the entrepreneur to secure financing by providing an organized overview of the venture for lenders and investors. Refer to section "A Guideline for Preparing a Business Plan" in this book.

4 Do I have to incorporate before I start my business?

No. The legal structure of your business can be a sole proprietorship, partnership, corporation, or LLC. Contact: An attorney or the Secretary of State's Office (Business Services Division) at (601) 359-1350 or www.sos.state.ms.us.

5 If I do want to incorporate, how do I go about getting the forms?

Your attorney should be able to help you, or you can order the forms from the Secretary of State's Office (Business Services Division) at (601) 359-1350 or www.sos.state.ms.us.

6 At what point do I need to involve an attorney and/or accountant in my business?

At the very beginning. Many small business owners consider legal and accounting services only when their firms are in trouble. They fail to realize that legal and accounting problems can be reduced or avoided by a program of consultation which is carried out on a continuing basis.

7 How do I find a good attorney or CPA?

Ask for referrals from friends or associates who are currently in business. Meet with the attorney or CPA first to see what services they can offer you and to determine if you are compatible. Generally, initial meetings are at no charge to you, but be sure this is understood before you meet. Contact the Mississippi Bar at 601-948-4471 or www.msbar.org for public resources on choosing an attorney. Contact the Mississippi State Board of Public Accountancy at 601-354-7320 or www.msarpa.state.ms.us

8 What local permits do I need to go into business?

Permit and zoning requirements vary from location to location. Check with your City Hall to see which requirements apply to you. Refer to section "Reporting Requirements for Mississippi Small Business" in this book.

9 What if my business is in the county and not in a town?

The County Courthouse will be able to give you the county requirements for doing business. Refer to section "Reporting Requirements for Mississippi Small Business" in this book.

10 How do I get a tax number for my business?

Contact the Mississippi State Tax Commission at (601) 923-7000 or www.mstc.state.ms.us and the Internal Revenue Service at 1-800-829-1040 or www.irs.gov. Refer to section "Reporting Requirements for Mississippi Small Business" in this book.

11 Do I have to collect sales tax?

Yes, if you are a retailer. If you are not a retailer, the Mississippi State Tax Commission will give you the requirements for all other types of businesses.

NOTE: See #10 above for information on how to contact the Mississippi State Tax Commission.

Refer to section "Reporting Requirements for Mississippi Small Business" in this book.

12 How do I get a loan for my business?

The first step is to develop a business plan. The cash flow projection will indicate the amount of money you will need for working capital. Meet with your local banker and discuss the bank's requirements along with your business plan. If the bank turns your loan down, ask about other options such as guaranteed loans from the Small Business Administration (SBA) or the Mississippi Development Authority (MDA). Other options may include loans available through your local planning and development district. *For a list of planning and development offices, please refer to section "Resources for Small Business". Also refer to sections "A Guideline for Preparing a Business Plan" and "Selected Business Financing Available in Mississippi" in this book.*

13 Can I get 100% financing for my business?

No. Your banker and the SBA expect you to contribute some equity. As a general rule, they will expect you to put down 25 to 30 percent of the total project cost.

14 Where can I get information on a specific type of business?

Business information constantly changes. Begin the process by talking with your local economic development office, chamber of commerce, Mississippi Main Street, library, community college, university, business support organization, or the Internet. Trade association publications and journals such as RMA ANNUAL STATEMENT STUDIES published by Robert Morris Associates and the RAB (RADIO ADVERTISING BUREAU) INSTANT BACKGROUND are often good sources of general information on many business types.

15 How do I find the best location for my business? What should I look for in selecting it?

The following are some items to consider:

- 1.) Location of your customers
- 2.) Location of your competitors
- 3.) Other businesses in the area that complement your business
- 4.) Freight and shipping costs of your suppliers
- 5.) The labor market

16 How do I find my market? How big should it be? Who do I target for my customer(s)? How do I define my market population?

For most businesses, determining the correct "target market" and finding a way to reach that market will be the most important aspect of determining the success of your business. As a business owner, you must understand that no business will reach the entire market population. Therefore, it is essential that you find your "market niche", the target group of customers that will both want and be able to purchase your product (s)/service(s). Consider a market with which you are familiar. You may wish to consider a geographic location close by that allows you to monitor progress. Research your market to see which market segment you want to seek, and how much of that target market you can afford to tackle at one time. Contact your local economic development office, chamber of commerce, Mississippi Main Street, library, community college, university, business support organization, or the Internet. *Refer to section "A Guideline for Preparing a Business Plan" in this book.*

17 Do I really have to spend money on advertising; and, if so, how do I decide how much to spend and what media to use?

YES! As part of your overall marketing program you will need to both reach potential new customers and remind current customers of your presence in business. To get started, look at what media your competition uses and consider how it is beneficial to them. Remember that the key to advertising is to find your target customer. Every media type has its advantages and disadvantages. Research the type of media and determine if it is best for your type of business. Look to industry associations and publications for information on what the general budget for advertising is within the industry. Contact your local economic development office, chamber of commerce, Mississippi Main Street, library, community college, university, business support organization, or the Internet. *Refer to section "A Guideline for Preparing a Business Plan" in this book.*

18 If I'm just beginning in business, how can I estimate revenues and expenditures two years into the future?

To determine your starting point, figure how much of your market you can capture initially, and investigate your start-up expenses, as well as your monthly expenses. From these figures, a cash flow analysis can be formulated. *For an example of a cash flow, refer to the section "A Guideline for Preparing A Business Plan".*

19 How do I figure out what to charge for my product or service? Is there a formula that I should use?

It is not necessarily a question of how much you CAN charge but of how much you MUST charge. Determine what it will cost to operate your business and produce your product. This will tell you what your minimum price must be. Then decide if that price is competitive. *Refer to section "A Guideline for Preparing a Business Plan" in this book.*

20 I'm confused. Where should I start?

While starting a new venture can be intimidating, there is help. There are many good resources in Mississippi. However, a good place to start is the Mississippi Development Authority (MDA). Our professional team has worked with hundreds of Mississippi businesses and we are here to assist you too, at no charge. Simply call 601-359-3593 or email us at eibus@mississippi.org



A guideline for
PREPARING A BUSINESS PLAN

mississippi development authority

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Reading the entire text of this document is the first step in preparing your business plan

There are two basic reasons for preparing an extensive business plan. First, it requires the entrepreneur to thoroughly investigate the factors that will have a bearing on the success of the business. Second, it will enhance the ability of the entrepreneur to secure financing by providing an organized overview of the venture for lenders and investors. It also provides insight into the entrepreneur's ability to define and develop strategies for critical areas of the business.

The following outline has been prepared to help the entrepreneur assemble the facts that are essential to good business planning. Complete your business plan using the accompanying outline to ensure that the necessary details are included. Keep in mind that thoroughness, clarity and rationality of the plan are all factors that will play key roles in successful financing, starting and operating your business.

Because these guidelines were written to cover a variety of businesses, rigid adherence to them is not possible or even desirable for all businesses. Not all parts of all sections will be necessary for each individual's business plan.

I. Executive Summary

An executive summary should be written to summarize the important components of the business plan. Ironically, this is the first section of the business plan, but is the last section written. Its purpose is to convey to the potential financial lender or investor, in two pages or less, the relevant points of the business venture. Therefore, it is written after the entire business plan has been prepared.

The executive summary is a written version of a one to two minute pitch. In other words, imagine that you are "pitching" your idea to a potential investor and only have one to two minutes of their time. To convince the potential investor this is a good investment, you must condense your message into a package of key points about the business.

The executive summary must capture the reader's attention. If you cannot capture the investor's attention within the first two pages, then the chances of the remainder of the business plan being read are not very good. The following information should be included in the executive summary:

- Company name, address, and phone number
- Brief description of the business
- Brief description of your target market
- Brief description of your strategy to make the business a success
- Brief description of the owners and key people, including names, addresses, phone numbers, and managerial/technical experience
- Brief analysis of the financial needs of the business, including the planned use of any borrowed/invested funds

The Detailed Business Plan

II. The Industry, The Company, Its Vision, and Its Products

The purpose of this section is to assist you in describing your business venture in a detailed but concise manner. You must clearly present the nature of the industry, the business you are in, the vision for the company, and the product you will offer.

A. The Industry

Present a brief description of the background of the industry, the current status and the outlook for the future in which the business will operate. Discuss new products and developments, new markets and customers, and any other new trends that could affect the business. Identify all sources of information used to describe these trends.

B. The Company and Its Vision

Briefly describe the business area your company is in, or intends to enter, and your company's overall mission; also known as the mission statement. This section should discuss your general business goals and objectives. Goals address the question of "Why am I in business?" and objectives are the specific targets aimed at obtaining those goals. Next, briefly describe what makes your business unique, including any factors that will distinguish your company from others in the same industry. This section should also discuss the ownership and legal form of the company. Consult an attorney for the form (such as sole proprietorship, partnership, corporation, or LLC) that is best for your business.

C. The Products or Services

1. Description: Describe in detail the products or services to be sold including all features. This section should also describe how customers will use your product or service, as well as what benefit it will provide or need it will fulfill. Emphasize any unique features of your product or service and highlight differences between what is currently on the market and what you will offer. Define the current state of development of the product or service; include a photograph if applicable.

If you will be manufacturing a product, describe the production process, raw materials required, and the amount of time required to manufacture the product. You should also describe the plant layout and how the overall manufacturing process will flow from raw materials to finished product.

2. Proprietary Position: Describe patents, trade secrets, or other proprietary features. Discuss any advantage that you might have that would enable you to achieve a favorable position in your industry.

III. Business Analysis

The purpose of this section is to guide you through the process of analyzing your business as compared to the competition. In Section II, you discussed why you are in business. This section should discuss “How to get there.”

A. SWOT Analysis

In order to compare your business to the competition, you must analyze the business internally and externally. You must determine your Strengths, Weaknesses, Opportunities, and Threats.

Strengths are positive internal factors a company might possess that can be used to help accomplish the overall mission, goals, and objectives. Examples include a strong sales force, specialized skills or knowledge, etc.

Weaknesses are negative internal factors that might interfere with the accomplishment of the overall mission, goals, or objectives. Examples might include a weak sales force, lack of capital, poor management skills, and lack of knowledge.

Opportunities are positive external forces that can help a company’s ability to achieve its mission, goals, and objectives. Examples include a niche in the market, trends in the market, etc.

Threats are negative external forces that interfere with a company’s ability to achieve its mission, goals, and objectives. Examples include an economic recession, rising interest rates, government regulations, etc.

B. Marketing Positioning and Image

Briefly describe the company’s position in the overall market place. In other words, determine how your business will capture its place in the market and compete effectively. Some things to consider might be price and quality. This section should also describe the image your company plans to project. Will you be a low cost, discount store, a high-end upscale store, or somewhere in the middle?

C. Business Strategy

This section describes how a business will gain a competitive edge in the market place, and what distinguishes the business from the competition. In other words, determine what will make you unique according to your potential customers. This section should also describe “How” to obtain the goals and objectives described in Section II. For example, if one of your goals is to be a low cost leader with your specific product or business, this section should describe how you are going to reach that goal.

IV. Market Research and Analysis

The purpose of this section of the business plan is to present enough facts to determine if your product or service has a substantial market in a growing industry and can achieve sales despite a competitive market. This section is one of the most challenging to prepare and also one of the most important. Almost all subsequent sections of the business plan depend on sales estimates that are developed in this section. The sales levels you project, based on the market research and analysis, directly influence the size of the operation, the marketing plan, and the amount of debt and equity capital required. Market research defines the need for the product, aids in predicting market share, identifies competition, provides direction for efficient use of advertising and promotional dollars, identifies problems and opportunities, and establishes benchmarks by which to measure progress and success.

Basic research need not be expensive. Examples of primary (non-published) sources include personal focus group interviews, customer surveys and questionnaires, telephone surveys, traffic counts, and daily transaction reports (example includes information on personal checks that you receive in your business). Examples of secondary (published) research sources include business directories, advertising media, demographic data, census data, local government sales tax data, chamber of commerce information, and forecasts.

The three main types of information that you will need to collect include geographic (such as where are my customers located); demographic (such as the characteristics of your potential customers, i.e. age, education levels, income, gender, marital status); and psychographic (such as what makes my customers buy a product, and what are they looking for i.e. price, quality, location, convenience, status).

Because of the importance of market analysis and the dependence of other parts of the plan on the sales projections, you may want to prepare this section of the business plan before you do any other. Allow enough time to do extensive research and analysis and check all sources of market data. As already mentioned, this is a challenging section to prepare, but a good place to start is your local economic development office, chamber of commerce, Mississippi Main Street, library, community college, university, business support organization, or the Internet.

A. Target Market

One of the main objectives of market research is to identify the small business' target market, which is the group of customers whom the company plans to market its product to. Who and where are the major purchasers? What is the basis for their purchase decision: price, quality, service, personal contact, or some combination of these factors? Are you trying to target a specific age group or status of customer? Basically, who is going to buy your product?

B. Market Size, Makeup, and Trends

Describe the primary market for your product in terms of total potential sales volume. In other words, how many customers does the market contain, and what are their potential annual purchases? Also, describe the seasonal fluctuations and the potential annual growth of the total market for your product or service, and discuss the major factors affecting the growth (industry trends, economic trends, government policy, population shifts). Is this a one-time purchase or a product that is repurchased on a regular basis?

C. Market Share and Sales

Summarize what it is about your product or service that will make it saleable in the face of current and potential competition. Identify major customers who are willing to make purchase commitments and if possible attach their commitment letters to your plan. Discuss which customers would be major purchasers in the future and why. Based upon your assessment of the advantages of your product or service, market size and trends, customers, the competition and their product, and the sales trend in prior years, estimate your share of the market and your sales in units and dollars for a minimum of two years. Be sure to state any assumptions upon which your projections are based.

D. Pricing

The pricing policy is one of the most important decisions you will have to make. The price must be right to penetrate the market, maintain market position, and produce profits.

To determine price, calculate production cost and add a percentage for profit. Consider overhead, promotional and advertising expenses, and delivery cost. Remember that inherent price limitations in the marketplace, as well as variations of internal costs, weigh heavily in determining price. Pricing must be in line with that of major competitors offering similar products and services.

There is a distinct difference between value and price. While some customers do not look beyond a price tag, others also consider service, dependability, and convenience. You must know what motivates the customer to buy before determining what he is willing to pay for merchandise or services.

Finally, when determining price, decide what image you want to project. Describe if you will have a low end priced product, high end product or somewhere in the middle.

E. Sales Tactics/Distribution

Describe the methods that will be used to make sales and distribute the product or service. Analyze the effectiveness of everything available within the sales system. Traditional channels include salespeople, agents, distributors, direct mail services, and dealers. Additional distribution methods involve warehouse clubs, electronic shopping, telemarketing, trade shows, temporary space in shopping malls, vending machines, franchising, or large volume sample sales to hotels for free distribution to guests. Offering discounts to wholesalers or dealers who assist in distribution is also an effective channel.

Each distribution method must be evaluated as it relates to cost, coverage, and performance.

Many of these channels are geared only to large or very small volume, or lend themselves only to specialized merchandise. Choose what works best for your particular business and maintain an awareness of developing sales methods.

Selective distribution is the key to effective distribution. Most start-up businesses are most successful when operating out of one location or geographic area, even though they may employ several sales techniques.

F. Advertising and Promotion

Describe approaches the company will use to bring its product to the attention of prospective purchasers. The schedule and cost for advertising and promotion should be presented. If advertising and promotion will be a significant expense item, an exhibit of how and when these costs will be incurred should be included.

Though distinctly different functions, advertising and promotion work hand-in-hand to generate sales. Both are communication strategies designed to affect buyer's behavior patterns and habits. Advertising concentrates on delivering a message through print and electronic media, while promotion relies on direct customer involvement and response. In both advertising and promotion, it is important to narrow the target audience, concentrating as specifically as possible on the group most likely to purchase the product or service advertised or promoted.

The key to a large return from a small advertising budget lies in the media chosen. Cost varies according to locale and competition among media sources. For example, a 30-second radio spot may cost \$25 on one station and \$50 at another station in the same town. The same size ad might cost three or four times as much in one newspaper as another. Rates for cable television and independent stations might be affordable for small businesses that cannot buy expanded network programming. Each advertising situation is different, and rates vary from town to town and from region to region.

To select the best media for the business and to effectively negotiate rates, it is important to examine the advantages and disadvantages of each type. Selection should never be based on price alone, but on what the media can do for your business image and sales. A more expensive station or newspaper might very well hit your target customer exactly and be well worth the investment. On the other hand, some businesses do quite well with strong customer service, and little purchased advertising. The needs of each business are unique.

NOTE: See Appendix A for the advantages and disadvantages of each type of media.

Bartering and cooperative advertising are effective methods of stretching an advertising budget. Bartering is often called “trade out”. For example, a small business may be able to trade some of its goods or services to a radio station in exchange for an equal amount of air time. All media will not barter, but if your goods are useful to them, it is worth a try. Cooperative advertising refers to sharing expenses. Two or more businesses may share the cost of advertising or one of your company’s vendors may supply advertising dollars as well as camera ready copy to which you only need to add your company logo. This not only increases the advertising placement budget, but decreases or even eliminates production cost. As advertising costs grow, it is important that small business owners be creative with cooperative and bartering techniques.

Some businesses have discovered that setting up an in-house ad agency will save 15 percent of media cost. This is a simple procedure and can save substantial amounts, but the small business person needs to consider the extra time spent in dealing with advertising salespeople and additional paperwork.

Any event held to increase sales and traffic is a promotion. Promotional efforts include coupons, contests, sampling, point-of-purchase merchandising, visual displays, gift-with-purchase incentives, seasonal sales, special events, trade shows, imprinted specialty items and demonstrations.

Creativity and originality are the keys to successful promotional efforts and there are many low-cost and effective ways to do it. For example, a well known pizza chain has developed a technique called “banner-shaking” which involves one or two employees standing near major intersections during evening rush-hour “shaking” painted banners at traffic. These banners highlight a special price on pizza immediately ready for take-out. The promotion costs nothing but the price of the banner and the results are great because it targets working people, tired after a long day and provides an immediate solution for dinner with no cooking. Creativity is the most effective way of promoting any business.

Promotional activity should always be based on recognizing customer needs and making them feel special. Providing exceptional service, using friendly words and smiles, using their names, giving them advance sales information and sending them your business newsletter are just a few low-cost or no-cost promotions to use. Superior store or office appearance, cleanliness, business reputation and even good landscaping and signage are all important promotional tools that sell. Promotions are not just sales events, but anything that adds to the image of the business.

Another form of advertising is publicity. Publicity, often referred to as “free advertising”, means getting the company’s name, product, or service in the media at no charge. Publicity is especially important for entrepreneurs with limited advertising and promotional budgets.

Press releases are effective only if they are genuinely newsworthy and should be accompanied by a photograph if possible. Company newsletters, sponsorships of local athletic teams, donations of gifts for charitable functions and participation in civic organizations are all good sources of positive publicity. Capitalize upon every opportunity to get your company’s name in front of the public at no charge.

G. Packaging

Describe how the product will be packaged. Packing refers to the presentation of goods or services. Proper packaging attracts the customer, effectively communicates product attributes, identifies the brand and seller, lists ingredients, and makes the product easier to handle. Effective package design decreases costs associated with storage, labor, shipping and pilferage. Poor packaging, however, creates an impression of inferiority and significantly lessens sales.

H. External Market Influences

Describe how each of the following external forces impacts your ability to sale your product.

1. Economic Factors

Economic analysis requires data on employment levels, inflation, interest rates, recession, and high or low unemployment. Free sources of this information include libraries, banks, educational institutions, investment houses, government agencies, newspapers, business publications and trade associations. Compare and contrast several sources before drawing conclusions or implications.

2. Political and Social Factors

Depending upon the nature of the business, operations may be affected by local, state, regional, national and world political situations. National deregulations, tax increases, or elimination of trade barriers, for example, can have a profound impact. At the state or local level, the acceptance or rejection of bond issues, election of new officials, or renovation plans might affect a company's marketing philosophy. The media, periodicals, trade journals and general business publications are good references.

Social analysis includes a study of the demographics of the customer base. Important factors include the age groupings, income level, type of employment, mobility, marital status and leisure habits of customers, as well as the number of women and teenagers in the local work force. Chambers of commerce are helpful in gathering local information.

3. Technological Factors

Technology is growing and changing at an alarming rate. The World Wide Web has enabled small company's to advertise their product, and compete effectively with the larger companies. Describe the impact the Internet will have on the sales of your product. Also, describe if you will use the Internet to order your products for resale, or raw materials for manufacturing.

V. Competitor Analysis

Describe who your current competitors are, and why customers buy from them. Compare your own product to that of your competition on the basis of price, performance, service, warranties, and other pertinent features.. Know the similarities, the differences, and the ways in which your product is unique. Develop reasons why customers should choose your product over that of another company.

An effective marketing strategy cannot be developed without a thorough knowledge of the competition. Read all annual reports, newspaper articles, advertising, company literature and published statistics related to the competition. Question suppliers and attend trade shows and business fairs. Continually seek information on competitors' products, research and development activities, production methods and costs, organizational designs, financial status, marketing strategies and general strengths and weaknesses. If the business is a retail establishment, remember that location is a prime consideration.

Use information about the competition as a tool for bettering your own business. Look for trends in their advertising, pricing, or promotion and for variances from the usual, which could indicate new strategies or test marketing. Do not overreact to a change in operations by the competition, but always be prepared to make adjustments based on their actions if necessary.

VI. Operating Plan

The operating plan should describe facilities, location, space requirements, capital equipment, and labor force that are required to provide the company's product or service.

The discussion guidelines given below are general enough to cover different businesses. Only those that are relevant to your particular business should be addressed in your business plan.

A. Location

Describe the planned location of the business and discuss the advantages and disadvantages of the site in terms of wage rates; labor availability; proximity to customers and suppliers; access to wholesalers, distributors and transportation; state and local taxes and laws; utilities; and zoning.

B. Facilities and Improvements

If yours is an existing business, describe the facilities currently used. If your firm is new, describe how and when the facilities to start business will be acquired. Discuss how and when space and equipment will be expanded to the capacity required for future sales projections. Discuss any plans to add to or improve existing space. Explain future equipment needs and indicate the cost and timing of such acquisitions.

C. Strategy and Plans

Describe the process involved in production of your product or service. Also present a plan that shows cost-volume information at various sales levels of operation with a breakdown of material, labor, purchased components, and overhead. Manufacturers should briefly describe their approach to quality control, production control, and inventory control. Explain the quality control and inspection procedures the company will use to minimize service problems and ensure customer satisfaction.

D. Labor Force

Exclusive of management functions, does the local force have the necessary skills, in sufficient quantity and quality, to produce the product? If their skills are inadequate, describe the training that you would use to upgrade them.

VII. The Management Team

The management team is the key to turning a good idea into a successful business. Bankers and investors look for a committed management team with a balance of technical, managerial, and business skills. The proposal should include a description of the organizational structure, key management personnel and their primary duties, and the board of directors, if applicable.

A. Organization

In a table, present the key management roles in the company and the individual who will fill each position. Discuss any current or past situations where the management personnel have worked together and indicate how their skills complement each other and result in an effective management team.

B. Key Personnel

Describe the exact duties and responsibilities of each key member of the management team. For each individual, include a brief statement of career highlights that focuses on his or her ability to perform the assigned role. A complete resume for each member should be included as an exhibit to the business plan.

C. Management Compensation and Ownership

State the salary that is to be paid to each member. Set forth stock ownership planned for key personnel, the amount of their equity investment, and any performance-dependent stock options or bonus plans that are contemplated.

D. Board of Directors

Discuss the company's philosophy as to the size and composition of a board of directors. Identify proposed board members and include a short statement about each member's background.

VIII. The Financial Plan

Developing financial pro-formas or projections is a vital aspect of your business plan. It is important that you take the time to thoroughly research your projections so that they will be as realistic as possible. Be liberal with your expenses and conservative with your revenues. It is much better if your financial surprises are pleasant ones.

Too often people try to determine their start-up costs without considering their costs of operation after the business has opened. In order to finance the business properly, determine whether you will need additional cash at the outset to support periods of operating losses that often occur during the early months of operation. With that thought in mind, start the pro-forma with the cash flow statement.

A cash flow statement is nothing more than a presentation of the monthly cash receipts and cash disbursements that you expect to incur while operating your business. It is important to address this on a monthly basis because many businesses pay for their goods and expenses in one month but do not collect the money until the following month, or longer. Numerous businesses fall into this cash flow trap. Also, many of your expenses are going to be fixed expenses; those expenses that stay the same regardless of your sales level. Fixed expenses might be rent, insurance, salaries or contract obligations.

A. The Cash Flow Worksheet

While some businesses may generate “unearned” revenues such as rents, interests, or similar incomes, we will deal with the primary concern of most small businesses, which is sales.

1. Sales – Sales revenue is income your business receives by selling its goods and services to others. Your business may sell more than one type of goods and services, so you should keep your sales figures separated by product or service. Notice on the worksheet (Table 1) how sales are typically lower during the early months of operation. It will take time to develop a customer base for your business, so it will be necessary to borrow enough at the outset to carry the business through this building period. Your first step is to post your projected monthly revenues to your cash flow statement.

2. Cash Receipts – Cash receipts reflect when you actually receive the cash for the goods that you sold. Some of your sales may be for cash, meaning that you received those funds at the time of sale. However, some of your sales may be on credit and you may be required to mail invoices for your sales. If this is true, then you have to “carry” the outstanding cash as accounts receivable. Some of this cash may be received in 30 days, some in 60 days, some longer; some of your accounts receivable may never be collected. All of those considerations must be brought into play when preparing the cash receipts section of your cash flow statement. It is the actual receipt of the cash that determines whether you have the cash on hand to pay your bills.

3. Disbursements – Next, identify the payments you will have to make each month for your expenses. Be careful and realistic while considering these disbursements. The cash flow example on the following page identifies some of the more common expense categories, but each business will experience its own specific expenses.

In our example, “material purchases” is the amount that will be paid to suppliers to replace the goods that were sold. It is based upon “sales” and the cost of those sales. Your research should have identified a “cost of goods sold” percentage for you. If that percentage was 50 percent, for example, then your cost of goods sold will be exactly one-half of your gross sales. If your cost was 25 percent, then your cost of goods sold will be one-fourth of your gross sales.

Be sure to remember that an increase in sales may bring about an increase in certain disbursements. Sales increases may mean a need to hire additional labor, thus creating higher wages and benefits; it may also mean higher utility costs, higher material costs and increases in other variable costs.

4. Net and Cumulative – Net cash flow reflects the difference between receipts and disbursements, positive or negative, for the current month. The cumulative cash flow, or current position, is determined by adding the present month’s cash flow to that of the previous months.

An example of a cash flow statement is shown on the next page. Note that the numbers in the narrative match the numbers on the worksheet. For example, “Disbursements,” number three in the text is also number three on the worksheet. (See Table 1).

Table 1

Cash flow Worksheet

GUIDELINE FOR PREPARING A BUSINESS PLAN

Table 1: Cash Flow Worksheet Anywhere, Mississippi

Month		1	2	3	4	5
#1	Sales					
	Sales #1	\$ 10,000	\$ 11,000	\$ 11,500	\$12,000	\$12,500
	Sales #2	5,000	5,500	5,775	6,000	6,200
	Sales #3	—	—	—	—	—
	Less returns	—	—	—	—	—
	Total Sales	\$15,000	\$16,500	\$17,275	\$18,000	\$18,700
#2	Cash Receipts					
	0-30 days	\$11,250	\$12,375	\$12,956	\$13,500	\$14,025
	30-60 days	0	3,750	4,125	4,319	4,500
	Over 60 days	—	—	—	—	—
	Equity proceeds	100,000	0	0	0	0
	Loan proceeds	300,000	0	0	0	0
	Total Receipts	\$411,250	\$16,125	\$17,081	\$17,819	\$18,525
#3	Disbursements					
	Material purchases	\$6,250	\$6,875	\$7,194	\$7,500	\$7,800
	Labor	3,500	3,500	3,500	3,500	3,500
	Management	1,800	1,800	1,800	1,800	1,800
	Payroll tax	636	636	636	636	636
	Benefits	250	250	250	250	250
	Advertising	500	500	500	500	500
	Truck/auto expense	—	—	—	—	—
	Contributions	—	—	—	—	—
	Charge card	—	—	—	—	—
	Dues & subscriptions	25	25	25	25	25
	Freight	126	126	126	126	126
	Insurance	275	275	275	275	275
	Legal & accounting	100	100	100	100	100
	Office supplies	35	35	35	35	35
	Shop supplies	45	45	45	45	45
	Travel	—	—	—	—	—
	Phone	150	150	150	150	150
	Utilities	450	450	450	450	450
	Repairs	—	—	—	—	—
	Tax/license	55	0	0	0	0
	Rent/lease	—	—	—	—	—
	Miscellaneous	150	150	150	150	150
	Principal payment	671	678	684	691	698
	Interest payment	2,792	2,785	2,779	2,772	2,765
	Land and building	325,000	0	0	0	0
	Machinery and equipment	35,000	0	0	0	0
Furniture and fixtures	10,000	0	0	0	0	
Additional inventory	10,000	0	0	0	0	
Utility deposits	2,500	0	0	0	0	
Other assets	1,500	0	0	0	0	
Income taxes	0	0	0	0	0	
	Total	\$401,810	\$18,380	\$18,699	\$19,005	\$19,305
#4	Net Cash Flow	\$9,440	(\$2,255)	(\$1,618)	(\$1,186)	(\$780)
	Cumulative Cash Flow	\$9,440	\$7,185	\$5,567	\$4,381	\$3,601

— not applicable to this worksheet but could apply to your business.

GUIDELINE FOR PREPARING A BUSINESS PLAN

6	7	8	9	10	11	12
\$ 13,000	\$ 15,000	\$ 17,500	\$19,000	\$21,500	\$23,000	\$25,000
6,500	7,500	8,500	9,500	10,500	11,500	12,500
—	—	—	—	—	—	—
\$19,500	\$22,500	\$26,000	\$28,500	\$31,500	\$34,500	\$37,500
\$14,625	\$16,875	\$19,500	\$21,375	\$23,625	\$25,875	\$28,125
4,675	4,875	5,625	6,500	7,125	7,875	8,625
—	—	—	—	—	—	—
0	0	0	0	0	0	0
0	0	0	0	0	0	0
\$19,300	\$21,750	\$25,125	\$27,875	\$30,750	\$33,750	\$36,750
\$8,125	\$9,375	\$10,875	\$11,875	\$13,125	\$14,375	\$15,625
3,500	4,700	4,700	4,700	4,700	4,700	4,700
1,800	1,800	1,800	1,800	1,800	1,800	1,800
636	780	780	780	780	780	780
250	250	250	250	250	250	250
500	750	750	750	750	750	750
—	—	—	—	—	—	—
—	—	—	—	—	—	—
25	25	25	25	25	25	25
126	200	200	200	200	200	200
275	275	275	275	275	275	275
100	100	100	100	100	100	100
35	50	50	50	50	50	50
45	65	65	65	65	65	65
—	—	—	—	—	—	—
150	200	200	200	200	200	200
450	525	525	525	525	525	525
—	—	—	—	—	—	—
0	0	0	0	0	0	0
—	—	—	—	—	—	—
150	200	200	200	200	200	200
704	711	718	725	732	739	746
2,759	2,752	2,745	2,738	2,731	2,724	2,717
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	750	0	0	1,000
\$19,630	\$22,758	\$24,258	\$26,008	\$26,508	\$27,758	\$30,008
(\$330)	(\$1,008)	\$867	\$1,867	\$4,242	\$5,992	\$6,742
\$3,271	\$2,263	\$3,130	\$4,997	\$9,239	\$15,231	\$21,973

B. Sources and Uses of Funds

Having completed your cash flow worksheet, you now have some idea of what your sales and operating expenses might be and you can determine how much financing you will need.

5. Sources of Funds – After you have identified your financing needs, address where the funds must come from. Either the investor or investors must provide the necessary capital, or the business must make arrangements to borrow the funds. In most cases, you will use both sources of funds. Our example (Table 2) shows that the entrepreneur has injected \$100,000 of his own funds. That is 25 percent of the entire project cost, which is approximately what a bank would require. The remaining 75 percent or \$300,000 was arranged through two separate loans: one long-term loan for the land and building and a second, shorter-term loan for the equipment, machinery, and fixtures.

6. Use of Funds – Make a list of what you will need to purchase in order to begin operation and determine the cost of each item. The Sources and Uses of Funds Statement shown in Table 2 gives some of the more common items that you must have before you start operation. Bids need to be secured for any construction, while pricing lists should be provided for equipment, machinery, and inventory. Be sure to ask your local utility company if any deposits are required. Also, refer to your cash flow statement to see if you must prepare for a period of cash shortage.

7. Cash Balance – (Working Capital) – Obviously, the funds remaining after the initial purchases represent your working capital. As shown by the cash flow statement, this additional capital is necessary as a cushion to absorb the negative operating cash flow you have in months 2 - 7 of operation (according to the examples in Table 1).

Table 2: Sources and Uses of Funds Statement
 Anywhere, Mississippi

Funds Available			
#5	Owner's funds	\$100,000	
	Loan #1	250,000	
	Loan #2	<u>50,000</u>	
	Total		\$400,000
Uses of Funds			
#6	Land	\$75,000	
	Building	250,000	
	Equipment	10,000	
	Machinery	25,000	
	Renovations		
	Inventory	10,000	
	Furniture and fixtures	10,000	
	Deposits	2,500	
	Other	<u>1,500</u>	
Total		<u>\$384,000</u>	
Cash Balance			
#7	(Working capital)		<u>\$16,000</u>

C. The Income Statement (Profit and Loss Statement)

With the cash flow worksheet completed, the income statement is easy to compile (see Table 3).

8. Sales – Total your monthly sales for each category as shown on your cash flow statement. This figure reflects your total projected annual gross sales. From this figure, deduct any refunds that you gave to customers for returned merchandise. This sum represents your total net sales.

9. Cost Of Goods Sold – This is the cost of the products you sold to your customers. Your beginning inventory (\$10,000) is added to any purchases you made during the report period (\$118,994) to identify the amount of goods available for sale. Suppose you did not sell everything you had available for sale. At the end of this period you counted your inventory on hand and found that you still had \$10,000 of inventory on the date that you prepared this report. Your goods available for sale minus your ending inventory produces the total cost of goods sold (total material costs). In the example, that amounts to \$118,994 (\$128,994 minus \$10,000 of ending inventory).

10. General and Administrative Expenses – These are the annual totals of the expenses as listed on the cash flow statement. Note that there are some changes. Payment of the principal portion of your notes is not considered an expense. It will be accounted for later on your balance sheet but does not appear on the income statement. Also, note the addition of an expense category termed “depreciation”. This is not considered on your cash flow statement because you don’t write a check to depreciation. The purpose of depreciation is to account for the fact that your assets will begin to wear out as you use them. A certain piece of equipment may be expected to last for 10 years, for example. If that equipment cost you \$1,000 at purchase and will be worn out or worthless in 10 years, it is said to “depreciate” \$100 per year. In our example the building, equipment, machinery, etc., is depreciated by \$11,400 per year. You don’t actually write a check for the \$11,400, but your assets have devalued by that amount.

11. Net Income (Pre-Tax) – Net sales minus material costs and operating costs gives us the net income of the business. However, this amount does not include the payment of taxes on the profit made.

12. Taxes – If you have made a profit operating your business, you will be expected to pay both state and federal income taxes. This aspect of your business should be discussed thoroughly with your accountant.

13. Net Income (After Tax) – After taxes have been paid, the remaining profit belongs to your business in the form of retained earnings.

Table 3: Projected Income Statement

Anywhere, Mississippi

		Year 1	
#8	Sales		
	Sales #1	\$190,500	66.73%
	Sales #2	94,975	33.27%
	Sales #3	0	0.00%
	Gross sales	<u>\$285,475</u>	
	Less returns	0	0.00%
	Net Sales	<u>\$285,475</u>	100.00%
#9	Cost of Goods Sold		
	Beginning inventory	\$10,000	
	Material purchases	<u>118,994</u>	
	Goods available	128,994	
	Less ending inventory	<u>(10,000)</u>	
	Total Material Cost	<u>\$118,994</u>	41.68%
#10	G&A Expenses		
	Labor	\$49,200	17.23%
	Management	21,600	7.57%
	Payroll tax	8,496	2.98%
	Benefits	3,000	1.05%
	Advertising	7,500	2.63%
	Truck/auto expense	0	0.00%
	Contributions	0	0.00%
	Charge card	0	0.00%
	Dues & subscriptions	300	0.11%
	Freight	1,956	0.69%
	Insurance expense	3,300	1.16%
	Legal & accounting	1,200	0.42%
	Office supplies	510	0.18%
	Shop supplies	660	0.23%
	Travel expense	0	0.00%
	Phone expense	2,100	0.74%
	Utility expense	5,850	2.05%
	Repairs	0	0.00%
	Tax/license	55	0.02%
	Rent/lease	0	0.00%
	Other expense	2,100	0.74%
	Interest expense	33,059	11.58%
Depreciation expense	<u>11,400</u>	3.99%	
	Total G&A	<u>\$152,286</u>	53.34%
#11	Net Income (pre-tax)	<u>\$14,195</u>	4.97%
#12	Income Tax		
	Federal	\$1,500	
	State	<u>\$250</u>	
	Total Tax	<u>\$1,750</u>	0.61%
#13	Net Income	<u>\$12,445</u>	4.36%

D. The Balance Sheet

The balance sheet is a comparison of the assets, liabilities, and equity of your business. The one shown in Table 4 is a very basic example of a small business balance sheet.

Assets

14. Current Assets – These are assets that are considered to be liquid or easily converted into cash. The cumulative cash of the business (#4) is listed along with the ending inventory (#9) and accounts receivable – as well as other similar assets – to form the current assets portion. The ending inventory is a listing of the goods held for sale at the end of your accounting period and the accounts receivable is a listing of what is owed to you by your customers for previous purchases.

15. Fixed Assets – The second category of assets is fixed assets. This is a listing of the assets that are long-term in nature (brick-and-mortar-type assets). It is these assets that depreciate in value over a longer period. Depreciation (\$11,400) for past periods is therefore deducted from the sum of these assets and shown on the balance sheet as accumulated depreciation.

16. Other Assets – This is a catchall section for other assets such as deposits held by utility companies.

17. Total Assets – This is simply the sum of current, fixed, and other assets (categories 14, 15 and 16).

Liabilities

Under the liabilities sections, you are dealing with what your business owes to others.

18. Current Liabilities – Current liabilities are bills and accounts that you must pay within the next year. (Short-term notes or accounts payable are examples). Also considered to be a current liability is that portion of any long-term note that must be paid during the upcoming year. This figure can be provided by your banker, accountant, or your amortization schedule of notes payable.

19. Long-Term Liabilities – Long-term liabilities are the long-term financial commitments your business has made to the bank or other debt holders. If additional debt is not incurred, the “loans payable” section will decrease each year by the amount of principal payments made during the period. In the example in Table 4, the original debt of \$300,000 – as shown in the Sources and Uses of Funds Section – is now reduced to a balance due of \$291,503. Therefore, \$8,497 in principal was paid during that first year of operation (\$300,000 minus \$291,501). Also, note that \$9,447 is deducted and shown as less current portion. That is because it is the portion of long-term principal that will be paid during the upcoming year and it is therefore considered to be a current liability and is listed under that category.

20. Total Liabilities – This is the sum of long-term liabilities.

Equity

21. Equity – The equity section reflects your original investment (#5) as well as the accumulation of profits (#13) of the business (retained earnings).

22. Total Liabilities & Equity – The sum of your liabilities and equity when added together should equal your assets. Do they balance? If not, you have an error in one of your sections.

Table 4: Projected Balance Sheet

Anywhere, Mississippi

		Year 1 ASSETS	
#14	Current Assets		
	Cash	\$21,973	
	Ending inventory	10,000	
	Accounts receivable	9,375	
	Other	0	
	Total Current Assets		\$41,348
#15	Fixed Assets		
	Land	75,000	
	Building	250,000	
	Equipment	10,000	
	Machinery	25,000	
	Renovations	0	
	Furniture & fixtures	10,000	
	Other	0	
	Total Fixed Assets	\$370,000	
	Less accumulated depreciation	11,400	
	Net Fixed Assets		\$358,600
#16	Other Assets		
	Deposits	\$2,500	
	Other	1,500	
	Total Other Assets		\$4,000
#17	Total Assets		<u>\$403,948</u>
LIABILITIES			
#18	Current Liabilities		
	Notes payable	\$0	
	C/P long-term debt	9,447	
	Other	0	
	Total Current Liabilities		\$9,447
#19	Long-Term Liabilities		
	Loans payable	\$291,503	
	Less current principal	(9,447)	
	Total Long-Term Debt		<u>\$282,056</u>
#20	Total Liabilities		\$291,503
EQUITY			
#21	Owner's funds	\$100,000	
	Retained earnings	12,445	
	Total Equity		<u>\$112,445</u>
#22	Total Liabilities & Equity		<u>\$403,948</u>



Reporting REQUIREMENTS

Special Note

It should be noted that the tax forms discussed in this publication are subject to change without notice. Check with the appropriate government office for the form currently in use.

Introduction

Reporting Requirements for Mississippi Small Businesses provides a handy summary of regulations governing the establishment and operation of businesses in Mississippi. Reporting Requirements consists of three sections: (a) federal regulations; (b) state regulations; and (c) city and county regulations.

How to Use This Chapter

This publication presents the regulations business operators should follow to begin or maintain a business. For example, the owner or operator of a new business should note the sections named “Initial Federal Regulations” and “Initial State Regulations.” The owner or operator of an existing business will focus attention on the tax forms and regulations reported on an annual, quarterly and monthly basis as well.

This publication is designed to take the reader through the details of filing business tax forms and other elements of “paperwork.”

While care has been taken to assure that rules and regulations in this publication are correctly interpreted, each agency mentioned is the final authority and should be consulted for detailed information and possible changes in regulations. This publication is not intended to be an all-source guide for starting a business. For additional information, contact the Internal Revenue Service, the Office of the Secretary of State, the State Tax Commission or the Mississippi Development Authority. You may also want to consult with an attorney or accountant on paperwork required to start a business, as well as required monthly and annual reports.

Federal Tax and Regulatory Forms Discussed in this Chapter

1.	SS-4	Application for Employer Identification Number
2.	W-4	Employee’s Withholding Allowance Certificate
3.	W-5	Earned Income Credit Advance Payment Certificate
4.	8109-B	Preprinted Tax Deposit Coupons
5.	941	Employer’s Quarterly Federal Tax Return
6.	940	Employer’s Annual Federal Unemployment (FUTA) Tax Return
7.	945	Annual Return of Withheld Federal Income Tax
8.	W-2	Federal Wage and Tax Statement
9.	W-3	Transmittal of Wage and Tax Statements
10.	1096 and 1099	Miscellaneous Income
11.	1040	Federal Individual Income Tax Return
12.	1040-SE	Federal Self-Employment Tax
13.	1040-ES	Estimated Tax for Individuals
14.	1065	U.S. Partnership Return of Income
15.	K	Partner’s Shares of Income, Credits, Deductions, etc.
16.	K-1	Individual Partner’s Share of Income, Credits, Deductions, etc.
17.	1120	U.S. Corporation Income Tax Return
18.	1120S	U.S. Income Tax Return for an S Corporation
19.	OSHA 300	Log of Work-related Injuries and Illnesses
20.	OSHA 300A	Summary of Work-related Injuries and Illnesses
21.	OSHA 301	Injury and Illness Incident Report

Initial Federal Reports and Regulations

A number of federal regulations apply when a business is started or new employees are hired. These regulations are discussed as follows:

APPLICATION FOR EMPLOYER IDENTIFICATION NUMBER (FORM SS-4)

In many cases, a new business owner must obtain an employer identification number (EIN), especially if the business is a corporation or partnership or hires employees. The EIN is a nine-digit number issued by the IRS and can be obtained by calling 1-800-829-4933 between 7:00 a.m. to 10:00 p.m. or by completing Form SS-4. The EIN is used to identify the tax accounts of employers, corporations, partnerships, and certain other taxpayers with no employees. The EIN should be used on all items sent to the IRS and the Social Security Administration (SSA). For more information, obtain Publication 1635, "Understanding Your EIN."

CONTACT: Internal Revenue Service

EMPLOYEE'S WITHHOLDING ALLOWANCE CERTIFICATE (FORM W-4)

An employee must fill out and give this form to his employer when he begins his employment. This form guides the employer in determining how much federal income tax to withhold from wages. Internal Revenue Service's Publication 15 "Employer's Tax Guide, Circular E" provides federal income tax withholding tables.

CONTACT: Internal Revenue Service

EARNED INCOME TAX CREDIT ADVANCE PAYMENT CERTIFICATE (FORM W-5)

The advance payment of the Earned Income Tax Credit (EITC) provides a means for eligible employees to receive additional income at each pay period instead of waiting to file for a refund when their annual federal income tax returns are prepared and filed. An employer must make Form W-5 available to his employees. It is then the responsibility of eligible employees who wish to receive advance EITC payments to give their employer a completed form W-5 each year. The employer must then include these payments with wages paid to such eligible employees. Generally, the employer pays the amount of the advance EITC payments from withheld income and social security taxes. The employer deducts the amount of the advance EITC from taxes due on Form 941, Employer's Quarterly Federal Tax Return. Advance EITC is also reported in Block 9 of Form W-2. The Internal Revenue Service's "Employee Tax Guide, Circular E" provides further information on this program and notice for employers to post.

CONTACT: Internal Revenue Service

SOCIAL SECURITY TAXES

An employer must deduct the employee's portion of social security and Medicare taxes from wages paid to employees. The employer pays its portion of social security and Medicare taxes and remits both its portion and the employee's portion to the Internal Revenue Service by making federal tax deposits using Form 8109 or EFTPS. The total amount of social security and Medicare taxes is reported quarterly on Form 941. Employers should obtain IRS Publication 15 "Circular E, Employer's Tax Guide" for further information.

CONTACT: Internal Revenue Service

WAGE AND HOUR REGULATIONS

Most businesses must follow federal standards concerning minimum wage, maximum hours, overtime pay and child labor. A new business owner should check to see if his business must meet these standards.

CONTACT: Wage and Hour Division, United States Department of Labor

EQUAL EMPLOYMENT REGULATIONS

Equal treatment of all employees, as well as equal pay, is regulated and enforced by the United States Equal Employment Opportunity Commission (EEOC). EEOC prohibits employment discrimination on the basis of age, race, color, religion, sex or national origin.

CONTACT: United States Equal Employment Opportunity Commission

***IMPORTANT INFORMATION CONCERNING FEDERAL REPORTS**

If you receive a tax form, but your business has not had activity, which would generate the tax covered by the form, the form must still be completed and returned. Zeros (0) are to be used in the appropriate spaces, the form signed and returned. You will avoid unnecessary problems by using this method.

Monthly Federal Reports

Monthly reports are required for some businesses. These reports are discussed below.

FEDERAL TAX DEPOSIT OF WITHHELD INCOME AND FICA TAXES (FORM 8109 AND 8109-B)

In general, employers must deposit income tax withheld and both the employer's portion and employee's portion of social security and Medicare taxes by mailing or delivering a check, money order, or cash to an authorized financial institution or Federal Reserve Bank. However, some taxpayers are required to deposit using the Electronic Federal Tax Payment System (EFTPS).

Payment with return. An employer may make a payment with Form 941 instead of depositing if:

- The employer accumulates less than a \$2,500 tax liability (reduced by any advanced earned income credit) during the quarter (line 13 of Form 941). However, if the employer is unsure that total accumulations will be less than \$2,500, deposit under the appropriate rules so that failure to deposit penalties will not be imposed.
- The employer is a monthly schedule depositor and makes payments in accordance with the Accuracy of Deposits rule.

Separate deposit requirements for non payroll (Form 945) tax liabilities.

- Separate deposits are required for nonpayroll income tax withholding. Do not combine deposits for Forms 941 and 945 tax liabilities.

When to Deposit

- There are two deposit schedules-monthly and semiweekly-for determining when an employer deposits social security, Medicare and withheld income taxes. Prior to the beginning of each calendar year, an employer must determine which of the two deposit schedules the IRS requires. The deposit schedule to be used is based on the total tax liability report on Form 941 during a four-quarter lookback period. The deposit schedule is not determined by how often the employer pays the employees or makes deposits. Rules regarding deposit requirements can be found in Publication 15, "Employer's Tax Guide."

CONTACT: Internal Revenue Service

Quarterly Federal Reports

Quarterly reports are required for some businesses. These reports are discussed below.

EMPLOYER'S QUARTERLY FEDERAL TAX RETURN (FORM 941 AND 8109)

When an employer withholds income, Social Security, and Medicare taxes from an employee's wages and pays the employer's portion of social security and Medicare taxes, a quarterly return (Form 941) must be filed with the Internal Revenue Service. Form 941 may also be filed electronically. This return is due by the last day of the month following the end of each calendar quarter. If these taxes are less than \$2,500 for any quarter, payment may be made with Form 941 using Form 941-V. Quarterly due dates for Form 941 are

REPORTING REQUIREMENTS

April 30, July 31, October 31, and January 31. If the employer's net tax liability for the return period (line 13 of Form 941) is greater than \$2,500, then taxes must be deposited with an authorized bank or paid using EFTPS. For deposit rules, refer to Publication 15, "Circular E, Employer's Tax Guide."

CONTACT: Internal Revenue Service

FEDERAL TAX DEPOSIT OF UNEMPLOYMENT TAXES (FORM 8109)

For deposit purposes, Federal Unemployment Tax (FUTA) should be computed quarterly by multiplying the amount of wages paid during the quarter by 0.8% (.008). FUTA tax only has to be deposited on the first \$7,000 of wages per employee for a calendar year. However, if any part of the wages subject to FUTA are exempt from state unemployment tax, the employer may have to deposit a higher percentage amount. FUTA tax is paid by the employer, not the employee.

If the FUTA tax liability for a quarter is \$500 or less, the employer should add the liability to the amount of taxes to be deposited for the next quarter. If this cumulative total is not more than \$500, this same process should be repeated until the cumulative total is more than \$500. If the cumulative FUTA tax liability for any calendar quarter is more than \$500, the employer is required to deposit the tax in an authorized bank, or by electronic funds transfer (EFTPS) using Form 8109 (Federal Tax Deposit Coupon). See Publication 15 for more information on depositing FUTA tax.

CONTACT: Internal Revenue Service

NOTE: Also see Estimated Tax for Individuals (Form 1040-ES) described later.

Annual Federal Reports

Every business is required to file certain annual reports. These reports are discussed below.

EMPLOYER'S ANNUAL FEDERAL UNEMPLOYMENT (FUTA) TAX RETURN (FORM 940 AND 8109)

The Federal Unemployment Tax Act (FUTA), along with state unemployment systems, provides for payments of unemployment compensation to workers who have lost their jobs. Most employers pay both a Federal and State unemployment tax. Certain tests must be met to determine whether an employer must pay FUTA tax. Each test applies to a different category of employee, and each is independent of the others. Every employer subject to unemployment tax must file Form 940 or 940EZ and pay undeposited taxes before January 31st of each year. See Publication 15, Circular E, Employer's Tax Guide, for more information on meeting the test criteria and computing FUTA tax.

CONTACT: Internal Revenue Service

ANNUAL RETURN OF WITHHELD FEDERAL INCOME TAX (FORM 945)

Businesses who withhold income tax from nonpayroll payments must file Form 945. Nonpayroll payments include pensions, annuities, IRA's, military retirement, gambling winnings, and backup withholding. Backup withholding is required when the business does not obtain a social security number or employer identification number before paying the contractor. Businesses must obtain the SSN or EIN of an independent contractor in order to complete Form 1099-MISC. A business is not required to file Form 945 for those years in which they do not have a nonpayroll tax liability.

CONTACT: Internal Revenue Service

FEDERAL WAGE AND TAX STATEMENT (FORM W-2)

Every employer must fill out and give to each employee by the last day of January a wage and tax statement showing earnings and deductions for the preceding calendar year. Form W-2, a six-copy statement of the amount of wages paid and the amount of money withheld for a variety of purposes, provides a means for giving this information. If any employee stops working and is not expected to return to work in the current calendar year, he may request the form earlier. If the request is made, he must be given Form W-2 within 30 days of the request or of the last payment, whichever is later.

CONTACT: Internal Revenue Service

TRANSMITTAL OF WAGE AND TAX STATEMENT (FORM W-3)

Every employer must send to the Social Security Administration copies of employees' Form W-2, Wage and Tax Statement, by the last day of February. Internal Revenue Service Form W-3, Transmittal of Wage and Tax Statement, is used to send the W-2 forms to the proper Social Security Administration Office.

CONTACT: Internal Revenue Service

MISCELLANEOUS INCOME (FORM 1099-MISC)

This form is used to report payments of: 1) \$600 or more for services performed for a business by people not classified as employees, such as subcontractors, attorneys, accountants or directors; 2) rents of \$600 or more, other than rents paid to real estate agents; 3) prizes and awards of \$600 or more; 4) royalties of at least \$10, and; 5) monies to certain crew members by operators of fishing boats. In addition, this form should be used to report sales of at least \$5,000 of consumer goods to a buyer for resale anywhere other than in a permanent retail establishment.

CONTACT: Internal Revenue Service

ANNUAL SUMMARY AND TRANSMITTAL OF U.S. INFORMATION RETURNS

File Form 1096 with Forms 1099, 1098, 5498, or W-2G by February 28 of each year.

FEDERAL INDIVIDUAL INCOME TAX RETURNS

(FORMS 1040, 1040A, AND 1040-EZ)

Both state and federal individual income tax returns are due by April 15 of each year. Profits or losses from sole proprietorships are reported on individual tax returns (Form 1040) by attaching Schedule C to the return and reporting the profit from Schedule C on line 12 of Form 1040. Partnerships file Form 1065, which is also due April 15. Corporations file Form 1120, and S corporations file Form 1120S, and these returns are due by the 15th day of the third (3rd) month after the close of the tax year. Partners in partnerships and shareholders in S corporations report their portion of income from the partnership or S corporation by attaching Schedule E to their Form 1040 and reporting the total income from Schedule E on line 17 of Form 1040. Sole proprietors, partners, and S corporation shareholders generally pay their tax liabilities by making estimated payments using Form 1040-ES (see below).

CONTACT: Internal Revenue Service

FEDERAL SELF-EMPLOYMENT TAX (FORM 1040-SE)

An individual who operates a business as a sole proprietor or as a member of a partnership is usually required to pay a federal self-employment tax. This tax helps finance social security benefits, which are payable to self-employed persons as well as to wage earners. It is computed as a percentage of net profits from self-employment up to certain limits and is payable along with payment of personal federal income taxes.

CONTACT: Internal Revenue Service and/or an Accountant

ESTIMATED TAX FOR INDIVIDUALS (FORM 1040-ES)

Individuals must make estimated tax payments if they expect to owe at least \$1,000 in tax, after subtracting withholding and credits, and they expect withholding and credits to be less than the smaller of 1.) 90% of the tax shown on the current year tax return or 2.) 100% of the tax shown on the prior year tax return. The estimated payments are due in equal installments on or before April 15, June 15, September 15 and January 15 of the following year. Individuals may pay estimated tax payments by using EFTPS. Farmers, fishermen, and higher income individuals should review Publication 505, "Tax Withholding and Estimated Tax," for exceptions.

CONTACT: Internal Revenue Service

U.S. PARTNERSHIP RETURN OF INCOME AND PARTNER'S SHARE OF INCOME (FORM 1065 AND SCHEDULES K AND K-1)

A partnership, which is defined as an unincorporated association of two or more persons united to carry on a trade or business, is required to file Form 1065, U.S. Partnership Return of Income, by the 15th day of the fourth (4th) month following the date its tax year ended (usually April 15). The purpose of Form 1065 is to serve as an information return used to report the income, deductions, gains and losses from the operation of the partnership. However, the partnership does not pay tax on income. The profits or losses are divided between each partner based on their partnership agreement, and are reported on their individual tax returns (Form 1040).

In addition, the partnership is also required to complete Schedules K and K-1. Schedule K is a summary schedule of all of the partner's shares of income, losses, credits, deductions, etc., as well as rental activity income (loss) and portfolio income. Schedule K-1 shows each partner's separate share of income, losses, credits, deductions, etc. Schedule K-1 is filed by the partnership along with Schedule K and Form 1065 with the IRS. A copy of Schedule K-1 is also sent to each partner. The partner keeps the schedule for his records and is not required to file it with his personal tax return.

See Publication 541, "Partnerships," for more information.

CONTACT: Internal Revenue Service

U.S. CORPORATION INCOME TAX RETURN (FORM 1120)

All domestic corporations must file Form 1120, U.S. Corporation Income Tax Return, and Form 1120-A, U.S. Corporation Short-Form Income Tax Return, to report the income, gains, losses, deductions and credits, and to figure the income tax liability of the corporation. Unlike a partnership and an S Corporation, a regular corporation must pay its own taxes, separate from the shareholders. Form 1120 is due by the 15th day of the third (3rd) month after the end of the tax year (March 15, if the corporation uses a calendar year).

See Publication 542, "Corporations," for more information.

CONTACT: Internal Revenue Service

U.S. INCOME TAX RETURN FOR AN S CORPORATION AND SHAREHOLDERS SHARE OF INCOME (FORM 1120S AND SCHEDULES K AND K-1)

All domestic corporations that have filed Form 2553, Election by a Small Business Corporation, met all of the tests to become an S Corporation, and the IRS has accepted the election, must file Form 1120S which reports the income, deductions, gains, losses, etc., for the tax year. This form is due by the 15th day of the third (3rd) month following the date the S Corporation's tax year ended (March 15 for calendar year corporations). Generally, Form 1120S serves as an information return for the IRS and therefore, the S Corporation does not pay taxes (certain exceptions apply). Instead, the income (losses) passes through to each shareholder and is reported on his personal tax return.

REPORTING REQUIREMENTS

In addition, the S Corporation, like a partnership must file Schedules K and K-1. (See description of these two schedules under partnerships above.)

CONTACT: Internal Revenue Service

PREPRINTED TAX DEPOSIT COUPONS (FORM 8109)

8109 preprinted tax deposit coupons are used to make deposits for the following types of taxes:

940	Federal unemployment tax (FUTA)
941	Withheld income and social security taxes
943	Agricultural withheld income and social security taxes
944	Employer's Annual Federal Tax Return (includes Forms 944-PR and 944-SS)
945	Annual Return of Withheld Federal Income Tax
720	Excise Tax
CT-1	Railroad retirement and railroad unemployment repayment taxes
990-PF	Excise tax on private foundation net investment income
Schedule A	Backup withholding (reported on Forms 941 and 941-E)
1120	Corporation Income Tax
990-T	Exempt Organization Business Income Tax
990-C	Farmer's Cooperative Association Income Tax
1042	Annual Withholding Tax Return for U.S. Source Income of Foreign Persons

NOTE: See instructions to Tax Forms 940, 941, 943, 944, 945, 720, CT-1, 990-PF, Schedule A, 1120, 990-T, 990-C and 1042 for explanation of use and for determining the proper tax period. Contact the Internal Revenue Service to obtain these forms.

EFTPS (ELECTRONIC FEDERAL TAX PAYMENT SYSTEM)

EFTPS is a tax payment and reporting system provided free by the U.S. Department of Treasury, designed with busy taxpayers in mind. You can pay your federal taxes electronically, either on-line or by phone, 24/7. Businesses and individuals can use EFTPS to make all of their federal tax payments, including income, employment, estimated, and excise taxes. .

ETTPS offers you the convenience and flexibility of making your tax payments through the Internet, or by phone. By 8:00 P.M.(ET) at least one calendar day in advance of the due date, you can access EFTPS directly to report your tax information. You will instruct EFTPS to move the funds from your account to the Treasury's account for payment of your federal taxes. Funds will not move from your account until the date you indicate. You receive an immediate acknowledge of your payment instructions, and your bank statement will confirm the payment was made.

You can initiate your tax payment 24 hours a day, seven days a week. As an added convenience, EFTPS allows taxpayers to schedule tax payments in advance. Businesses can schedule payments up to 120 days in advance of their tax due date, and individuals can schedule payments up to 365 days in advance of their tax due date. EFTPS will automatically make your payments for you on the due date you indicate.

To use EFTPS you must first enroll. To enroll or for more information online visit www.EFTPS.gov or to receive an enrollment form, call EFTPS Customer Service at 1-800-555-4477.

HOW TO GET MORE INFORMATION FROM INTERNAL REVENUE SERVICE

Internet. The IRS's web site is www.irs.gov. Taxpayers can download or order forms and publications from this website. In addition, small businesses can obtain helpful information at the Small Business section at www.irs.gov/smallbiz.

Telephone. Many services are available by phone. Order forms, instructions, and publications by calling 1-800-829-3676. Ask tax questions by calling 1-800-829-1040. If using TTY/TDD equipment, call 1-800-829-4059. To listen to prerecorded messages covering various topics, call 1-800-829-4477.

Other Federal Reports

RECORDING AND REPORTING OCCUPATIONAL INJURIES AND ILLNESSES

With few exceptions, employers must maintain the OSHA 301, 300 and 300A forms or equivalent forms. Samples of the federal forms mentioned below may be found and printed directly from the Occupational Safety and Health Administration (OSHA) web page at www.osha.gov along with directions and other OSHA information.

LOG OF WORK-RELATED INJURIES AND ILLNESSES (OSHA FORM 300)

The OSHA 300 Log of Work Related Injuries and Illnesses is used to classify work-related injuries and illnesses and to note the extent and severity of each case and to record specific details about what happened and how it happened. Like the 301 form, this form must be maintained five years, unlike the 301 and the 300A, the log must be updated during the storage period to include newly discovered cases, changes in the classification of previously recorded cases and changes to descriptions and outcomes of cases.

SUMMARY OF WORK-RELATED INJURIES AND ILLNESSES (OSHA FORM 300A)

All employers who must keep OSHA records must complete the Summary page, even if no work-related injuries or illnesses occurred during this year. THE OSHA 300A must be posted from February 1 to April 30 of the year following the year covered by the form.

INJURY AND ILLNESS INCIDENT REPORT (OSHA FORM 301)

Employers must complete OSHA 301 within 7 calendar days of receiving information that a recordable injury or illness has occurred. This form is not submitted to OSHA unless you are specifically asked to do so, but must be maintained for five years following the end of the calendar year that these records cover.

SAFETY AND HEALTH STANDARDS

The Occupational Safety and Health Administration of the Department of Labor enforces compliance with safety and health standards that apply to industry and business with one or more employees. Employers are required to report to OSHA within eight (8) hours all fatal business related accidents and illnesses as well as all non-fatal incidents that result in the hospitalization of three (3) or more employees. These reports may be made directly to the OSHA office during normal working hours or to 1-800-321-OSHA at any time.

State Regulations

State Tax and Regulatory Forms Discussed in this Publication

1.	70-001	Registration Application
2.	89-350	Employee Withholding Exemption Certificate
3.	89-105	Employer's Monthly Withholding Tax Return
4.	72-001/72-010	Sales Tax Returns
5.	72-110	Use Tax Return
6.	UI-1	MESC Registration Form
7.	UI-2/UI-3	Employer's Quarterly Contribution/Wage Report
8.	89-140	Annual Information Return
9.	73-033	Assessment of Personal Property
10.	83-105	Corporate Income and Franchise Tax Return

Initial State Regulations

A number of state regulations apply when a business is started or new employees are hired. The required state forms are discussed below.

REGISTRATION APPLICATION (FORM 70-001)

This form is used to establish an account with the Mississippi Tax Commission. This combined form allows several registrations to be made with the same form. This form may be downloaded from the MSTC website at www.mstc.state.ms.us under the caption Register a Business for Taxes.

CONTACT: Mississippi State Tax Commission or District Office of the Commission

EMPLOYEES WITHHOLDING EXEMPTION CERTIFICATE (FORM 89-350)

Each employee must fill out and give to his employer at the beginning of his employment a withholding exemption certificate. This document shows the employer how much state income tax to withhold from wages. This form may be downloaded from the MSTC website at www.mstc.state.ms.us under Withholding Tax.

CONTACT: Mississippi State Tax Commission or District Office of the Commission

INCORPORATION

In order to be incorporated, the applicant must file the articles of incorporation with the Office of the Secretary of the State of Mississippi. A business owner who wants to incorporate his business should consider employing an attorney familiar with Mississippi corporate law.

CONTACT: Mississippi Secretary of State's Office and/or an Attorney

IMPORTANT INFORMATION CONCERNING STATE REPORTS

If you receive a tax form, but your business has not had activity, which would generate the tax covered by the form, the form must still be completed and returned. Zeros (0) are to be used in the appropriate spaces, and the form should be signed and returned. You will avoid unnecessary problems by using this method.

REPORTING REQUIREMENTS

When you file your return, you must use an original official state form or a return prepared and printed using a software package that has been approved by the Mississippi Tax Commission.

Do not use photocopies of documents.

Monthly State Reports

Monthly reports are required for some businesses. The required monthly forms are discussed below.

EMPLOYER'S WITHHOLDING TAX RETURN (FORM 89-105)

All employers are required to file Form 89-105 monthly and remit monies if the amount of state income taxes required to be withheld exceeds \$300 per month. Returns must be filed and the taxes paid on or before the fifteenth (15th) day of the month (following the month for which the tax was withheld). If the monthly amount is less than \$300 and the quarterly total is less than \$900, the withheld tax may, with the approval of the Commissioner, be reported quarterly. When an employer becomes liable for filing a return under a particular filing period (monthly or quarterly), he must continue on that basis until permission to change has been granted by the Mississippi State Tax Commission.

Employers who have headquarters outside Mississippi and who do business in the state on a temporary basis must file Form 89-105 and pay withheld income taxes each month. Such temporary, out-of-state employers are defined as those who cannot reasonably be expected to continue doing business in the state for as long as 18 consecutive months.

CONTACT: Mississippi State Tax Commission or District Office of the Commission

SALES TAX RETURN (FORMS 72-001 AND 72-010)

State law requires reporting and paying sales tax collected. Most small retail businesses use the short form, 72-001, which is for those who use only one sales tax rate. Businesses which collect sales tax at more than one rate use the long form, 72-010. The Mississippi State Tax Commission allows owners of retail businesses a discount amounting to two percent (2%) of the amount of sales tax remitted. The discount is available only to those who file the report and pay sales taxes by the twentieth (20th) of the following month. The discount is limited to a maximum of \$50 per report, but no more than \$600 per year.

A taxpayer is required to file his sales tax return either annually, quarterly or monthly based on his average monthly liability for the prior year as follows:

Less than \$50	Annually
Less than \$300 but greater than \$50	Quarterly
More than \$300	Monthly

CONTACT: Mississippi State Tax Commission or District Office of the Commission

USE TAX RETURN (FORM 72-110)

Use tax is imposed on purchases made outside the state, which may be used, stored or consumed within the state. Use tax is also applied to purchases on which sales or use tax has not been paid to another state at a rate equal to or greater than the Mississippi rate. The Mississippi State Tax Commission allows a discount of two percent on the amount of tax being remitted by owners of retail businesses. The discount is available only to those who file the report and pay these taxes by the twentieth (20th) of the following month. The discount is limited to a maximum of \$50 per report, but no more than \$600 per year.

CONTACT: Mississippi State Tax Commission or District Office of the Commission

Quarterly State Reports

Quarterly reports are required for some businesses. The required quarterly forms are discussed below.

APPLICATION FOR MISSISSIPPI UNEMPLOYMENT TAX IDENTIFICATION (UI-1)

Generally, all entities employing one or more individuals during some part of twenty weeks in a calendar year, or paying wages of \$1,500 or more in any calendar quarter, are liable for unemployment taxes. Form UI-1 must be completed and submitted to the Mississippi Department of Employment Security for registration if either of the above criteria is met.

CONTACT: Mississippi Department of Employment Security or District Office of the Commission

MISSISSIPPI UNEMPLOYMENT TAX AND WAGE REPORT (FORMS UI-2 AND UI-3)

Each employer liable for unemployment taxes must file a wage and contribution report quarterly. Payment is required at the time the report is filed. Reports and payment are required by the last day of the month following the close of the calendar quarter. Late payment or reporting may result in assessment of interest and penalties. The tax rate must be obtained from the Mississippi Department of Employment Security and may change each calendar year.

CONTACT: Mississippi Department of Employment Security or District Office of the Commission

Annual State Reports

Every business is required to file certain annual reports. The required annual state reports are discussed below.

ANNUAL INFORMATION RETURN (FORM 89-140)

An employer must file this form on or before January 31 of each year or within 30 days after business operations end. The appropriate copies of Federal Wage and Tax Statement (Form W-2) must be attached along with W2C, 1099, and 1042. [NOTE: In lieu of paper copies of Form W-2, an employer may be required to file on magnetic media, depending on the size of the business and the number of employees.]

This form may be downloaded from the MSTC website at www.mstc.state.ms.us under Withholding Tax.

CONTACT: Mississippi State Tax Commission or District Office of the Commission

ASSESSMENT OF PERSONAL PROPERTY (FORM 73-033)

No later than April 1 of each year, every business owner must state on special forms the value of merchandise, equipment and other taxable property owned as of January 1st. This information is used by local tax assessors in establishing the amount of tax a business must pay on personal property.

CONTACT: County Tax Assessor

MISSISSIPPI COMBINATION INCOME AND FRANCHISE TAX RETURN (FORM 83-105)

Every corporation doing business in the state, whether chartered in Mississippi or another state, must file an annual return and pay both franchise and income taxes. The combination return (Form 83-105) and payments are due by the fifteenth (15th) of the third (3rd) month after the end of the corporation's accounting year. For example, if the corporation's accounting period ends October 31, the return and payment are due by January 15. Generally, a corporation must make state estimated income tax payments if it has a liability of over \$200 in the taxable period. The due dates for state estimated income taxes are April 15, June 15, September 15 and December 15.

CONTACT: Mississippi State Tax Commission or District Office of the Commission

STATE PERSONAL INCOME TAX RETURNS

Both state and federal income tax returns are due by April 15 of each year. Profits or losses from sole proprietorships, partnerships, S-corporations and limited liability companies are reported on individual or joint income tax returns. Generally, a sole proprietor or an individual who has an interest in a partnership, S-corporation or a limited liability company files state and federal declarations of estimated income. The state and federal government have somewhat different rules governing individual estimated income taxes. However, the installment due dates are the same which are April 15, June 15, September 15 and January 15. Self-employment taxes are imposed at the federal level and can be paid to the Internal Revenue Service when an individual files his annual income tax return for the past year.

CONTACT: Internal Revenue Service; Mississippi State Tax Commission; an Accountant

Other State Reports

WORKER'S COMPENSATION

The workers' compensation program provides income to employees who are injured on the job and pays medical expenses resulting from work-oriented injury. It also pays benefits to the employee's dependents in the event an employee is killed in the course and scope of his employment. Every business with five or more employees must have workers' compensation insurance. Any business, however, may carry this type of insurance.

CONTACT: Mississippi Workers' Compensation Commission

FOREIGN CORPORATIONS LICENSE

Foreign corporations locating in Mississippi must apply for a Certificate of Authorization to operate in the state unless they are exempt.

CONTACT: Mississippi Secretary of State's Office

FREE PORT WAREHOUSE LICENSE

All public and private warehouses and storage facilities in the state engaged in storage and handling in transit to a final destination outside the state shall be eligible for licensing.

CONTACT: Local Tax Assessor's Office

City and County Regulations

CITY ZONING REGULATIONS

If a business is to be located within city limits, the business owner should check to be sure that the location is zoned for business usage.

CONTACT: City Zoning Department

COUNTY ZONING REGULATIONS

Most Mississippi counties do not have zoning ordinances, but the owner of a new business should check with officials to see if there are zoning requirements.

CONTACT: County Zoning Department or Planning Commission

CITY BUILDING PERMIT

If a business is to be located in a new or remodeled building inside the corporate limits of a city, the owner must get a city building permit before he begins construction or remodeling.

CONTACT: City Permit Department

REPORTING REQUIREMENTS

COUNTY BUILDING PERMIT

If a business is to be located in a new or remodeled building outside the corporate limits of a city, the owner should check to see if a county building permit is required before he begins construction or remodeling. Some Mississippi counties require building permits.

CONTACT: County Permit Department or Chancery Clerk

CITY BUSINESS LICENSE

An owner of a new business must get a city license from the city tax collector if the business is located within a city's corporate limits.

CONTACT: City Tax Collector

COUNTY BUSINESS LICENSE

An owner of a new business must obtain a county license from the county tax collector if the business is located outside a city's corporate limits.

CONTACT: County Tax Collector

Special Licenses, Permits and Other Regulations

Some businesses require special licenses and permits, or must meet additional regulations. Ventures which entail the handling and/or processing of foods must meet sanitary standards of the Mississippi State Board of Health; an owner of this type of business should contact the county health department. Stove ventilation systems in restaurants must conform with local fire prevention codes; a restaurant owner should contact the local fire department for guidance. Businesses which sell alcoholic beverages, tobacco, firearms or ammunition should contact the following agencies which have control over the sale of these items: United States Treasury Department's Bureau of Alcohol, Tobacco and Firearms and the Mississippi State Tax Commission's Alcoholic Beverage Control Bureau (ABC). The ABC not only grants or denies licenses for the sale of alcoholic beverages, but it is the state's only wholesaler of wines and liquors.

The Office of the Secretary of State can direct businesses to state agencies, which may require special licenses, permits, examinations and other types of certification. The Secretary's office compiles the Mississippi Official and Statistical Register, which provide information on such groups as the Board of Barber Examiners, the Board of Public Accountancy and the Commission on Health Care.

CONTACT: City or county fire department; county health department; United States Treasury Department, Mississippi State Tax Commission; Office of the Secretary of State of Mississippi



Selected Business
FINANCING AVAILABLE

mississippi development authority

MISSISSIPPI

The logo for the Mississippi Development Authority, featuring the word "MISSISSIPPI" in a bold, serif font. Below the word are three interlocking circles that form a stylized representation of the state's coastline or a bridge structure.

GRANTS

Community Development Block Grant Program (CDBG)

The Community Development Block Grant program (CDBG) helps communities realize their potential by providing funds necessary to ensure decent housing, basic community services, environmental quality and economic opportunities for their residents. The State CDBG Program makes funds available to incorporated municipalities and county governments that show a genuine need for specific projects and can meet the program's state and federal eligibility requirements. In accordance with the Community Development Act of 1974, as amended, project activities must meet at least one of the following national objectives:

- Benefit low- and moderate-income persons;
- Aid in the prevention or elimination of slums or blight;
- Meet urgent needs because existing conditions pose a serious and immediate threat to the health or welfare of the community and other financial resources are not available to meet such needs.

A local unit of government may apply for CDBG funds in the Public Facilities, Economic Development and Mississippi Micro-Enterprises Development Demonstration categories.

The Public Facilities category provides funding for public improvements such as water, wastewater, drainage, streets, and certain public buildings. This category includes a Regular Competition for funds as well as a Small Government and Emergency Set Asides, and Community Self-Help Program. Some Public Facilities projects may be funded under the stringent Urgent Needs/Emergencies national objective. An Urgent Needs/Emergencies project must prove a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community and meet other criteria such as the date of occurrence of the emergency condition.

The Economic Development category provides funding to local units of governments for eligible infrastructure improvements in the support of business start-ups and expansions. Job creation is the key to CDBG-assisted economic development. Economic Development Public Improvements subcategory provides grants to local governments on behalf of businesses for the provision of needs such as water, sewer, and access roads. Economic Development Loans may be used for capital improvements, equipment or working capital at the discretion of the Community Services Division

The Self-Help Category provides funding for public improvements such as water, wastewater, downtown improvements and recreational improvements.

The Mississippi Micro-Enterprises Development Demonstration category provides funding in support of Micro-Enterprise business endeavors. Grants are awarded to eligible units of local government that are then loaned to specific for-profit businesses, or local units of government may contract with an eligible non-profit organization that is directly involved with Micro-Enterprise development.

For more information contact:
Community Services Division
Telephone: 601.359.3179
Fax: 601.359.9311
community@mississippi.org

Development Infrastructure Grant Program (DIP)

The Mississippi Development Infrastructure Program (DIP), administered by the Mississippi Development Authority (MDA), is designed for making grants to counties or municipalities (Local Sponsors) to finance small infrastructure projects to promote economic growth in the State of Mississippi. Counties and municipalities are encouraged to use these funds in connection with other state and federal programs.

Eligible Applicants

Local governing authorities of counties or municipalities are eligible to apply for the DIP program.

Eligible Projects

Projects must be directly related to the construction, renovation, or expansion of a new or expanded industry.

Eligible projects financed with DIP funds must be publicly owned. Examples of eligible types of projects include:

- Drainage systems
- Energy facilities (power generation and distribution)
- Sewer systems (pipe treatment)
- Transportation facilities directly affecting the site, including roads, bridges, rail lines, or pipelines
- Water supply systems (storage, treatment, and distribution)
- Marine structures
- Land improvements

Eligible Industries

- Manufacturing and processing
- Large distribution facility
- Service support to agriculture, aquaculture, and mariculture
- Service support to manufacturing and processing
- Telecommunications and data processing
- Corporate headquarters and operations centers
- Research and development

Exclusions

DIP funds may not be used for working capital or to provide facilities for utilization by a gaming enterprise.

Terms: 1 year from date of executed grant agreement to request reimbursement.

Amount: Maximum GRANT amount: \$150,000

Funding: Funding is derived from the issuance of state general obligation bonds.

To apply for this program, the eligible entity should contact MDA for program information.

Statute: Section 57-61-36, Ms Code 1972, Annotated

Economic Development Highway Grant Program (EDH)

The Economic Development Highway Act, administered by the Mississippi Development Authority (MDA), is designed to assist political subdivisions with Highway Projects, which encourage private companies to engage in “high economic benefit” projects within their area.

The purpose of this program is to promote industrial and other significant development in the State of Mississippi through the construction and/or improvement of highways in areas that demonstrate actual and immediate potential for the creation, or expansion of major industries or other significant development. The highway or highway segment to be constructed must be necessary to ensure adequate and appropriate access to a proposed company project for the purpose of encouraging its location within a political subdivision.

Eligible Applicants

- One or more counties or incorporated municipalities in the state
- A state-owned port located in a county bordering the Gulf of Mexico

Eligible Projects

An eligible project must meet one of the following criteria established in Ms Code 1972, Annotated, Section 65-4-5, paragraph (C)(i).

1. Any new investment by a private company with capital investments in land, building, depreciable fixed assets and improvements of at least \$50,000,000.
2. Any new investment by a private company with capital investments in land, building, depreciable fixed assets and of at least \$20,000,000 by a private company having capital investments in this state in land, building, depreciable fixed assets and improvements of at least \$1,000,000,000 in the aggregate.
3. Public investment of at least \$100,000,000 to take place over a specified period of time and in accordance with a master plan duly adopted by the controlling political subdivision.
4. Any new investments in land, buildings, depreciable fixed assets and improvements by 2 private companies upon land that is adjacent whenever the new investments in both companies are at least \$60,000,000 in the aggregate, and such new investment by both private companies provide for the employment of at least 500 employees in the aggregate.
5. Any project which would benefit from the construction of any highway bypass which would aid in economic development and would provide an alternate route to avoid an existing route which underpasses a railroad and which would aid in existing or proposed industry.
6. Any master planned community (refer to Statute Section 19-5-10).
7. Any new investments in land, buildings, depreciable fixed assets and improvements by not more than 3 private companies physically located within one-half (1/2) mile radius of each other whenever the new investments by such companies are at least \$60,000,000 in the aggregate, and such new investments by such companies provide for the employment of at least 300 new employees in the aggregate.
8. Any new investments in land, buildings, depreciable fixed assets and improvements by 2 or more private companies upon lands originally adjacent, but now divided by a four-lane state highway and bordered by a two-lane state highway, and the new investments of the companies is at least \$50,000,000 in the aggregate, and a portion of such new investment will be utilized for the construction of a hospital.
9. Any new investments in land, buildings, depreciable fixed assets and improvements of at least \$50,000,000 in the aggregate, in any county having a population greater than 70,000 according to the latest federal decennial census, and in which the population of such county, according to the latest federal decennial census, increased by at least 10% above the population in the preceding federal decennial census, and a portion of such new investment will be used in the construction of a hospital for which a certificate of need has been issued by the State Department of Health. (This criteria stands repealed after July 1, 2007.)

Eligible Industries

Private companies, which are eligible for assistance under the EDH Program include:

- Agricultural Enterprises
- Air Transportation/Maintenance Facilities
- Aquaculture Enterprises
- Distribution Facilities
- Hospitals
- Industrial Enterprises
- Large Hotels or Resorts
- Manufacturing Enterprises
- Maricultural Enterprises
- Movie Industry Studios
- Processing Enterprises
- Regional Shopping Malls
- Research and Development Enterprises
- Warehousing Facilities

Amount: Grant amount will be based on MDOT estimates and must be approved by the MDA Executive Director.
Funding: Funding is derived from the issuance of state general obligation bonds.

To apply for this program, the eligible entity should contact MDA for additional program information.

Statute: Section 65-4-1 et seq, Ms Code 1972, Annotated

Industrial Access Road Grant Program

The Mississippi Industrial Access Road Program, administered by the Mississippi Development Authority (MDA) and the Mississippi Department of Transportation (MDOT), is designed to encourage and promote industrial growth by providing access roads to industrial developments.

Under this program, MDA and MDOT assist local governmental entities in the construction of links to highways or roads necessary to connect new & existing industrial sites to adequate road facilities. MDA and MDOT will designate the “industrial site” for purposes intended for the Industrial Access Road Program.

An “industrial site” is generally defined as the property holdings, an area around a building site containing parking facilities, and circulation roadways. Connections that would normally be considered as driveways from a public road to adjacent property or roads built for internal circulation within an industry’s boundaries will not be eligible for assistance.

Once the project has been approved and selected, MDA shall issue a certificate of public convenience and necessity to the effect that such designated and selected link of highway or road should be constructed in order to encourage and promote economic development and file this certificate with the Director of MDOT.

MDA will not select and designate any such link of road or highway until satisfactory evidence that an industry desires and intends to locate on the selected site and that the location of the industry and the construction of such road or highway is economically feasible. Construction of any such road shall not begin until the location and construction of such industry is assured and contracts have been made between the industry and the local authority.

Eligible Applicants

Local governmental authorities of the county or municipality with a need for access roads to new and existing industrial sites are eligible to apply for this program.

Eligible Projects

Industrial development of any port or harbor area or other industrial site in which it is necessary to connect selected sites to adequate road or highways is eligible to apply for the program.

Amount: Grant amount will be based on MDOT State Aid standards and must be approved by the MDA Executive Director.
Funding: Any highway or public road approved under this program will be constructed from highway funds of the highway district, in which the highway or road is located through MDOT.

To apply for this program, the eligible entity should contact MDA for additional program information.

Statute: Section 65-1-41, Ms Code 1972, Annotated

Freight Rail Service Grant Program (RAIL)

The Freight Rail Service Grant Program, administered by MDA, is designed for the purpose of making grants to counties and municipalities to defraying expenses related to upgrading railroad grade crossings. Only projects approved by the Mississippi Department of Transportation (MDOT) shall be eligible for RAIL grants. The project approval process will be initiated by MDOT via a third party agreement.

Municipalities and counties are encouraged to use these grants in connection with other state and federal programs.

Eligible Applicants

Counties with projects approved by MDOT are eligible to apply for the grant program.

Eligible Projects

Counties may receive grants for Freight Rail Service projects relating to the upgrading of rail grade crossings. Only projects approved by MDOT will be eligible for RAIL grants.

Amount: Maximum GRANT amount: \$250,000 per project.

Funding: Funding is derived from the issuance of state general obligation bonds.

To apply for this program, the eligible entity should contact MDA for additional program information.

Statute: Section 57-44-1, Ms Code 1972, Annotated

Job Protection Grant Program

The Mississippi Job Protection Act, administered by the Mississippi Development Authority, provides grants to 'at risk' industries that have been operating in the state for at least 3 years that have lost jobs or are at risk to lose jobs because such jobs have been outsourced.

"Outsource" means to send out work or jobs of a certain provider or manufacturer in Mississippi to a provider or manufacturer located outside the boundaries of the United States or any territory of the United States.

Eligible Applicants

'At Risk' industries that have been operating in the state for at least 3 consecutive years and have lost jobs or are at risk of losing jobs due to outsourcing.

Applicants are required to submit project information, financial information, and credit information on owners with 20% or greater ownership. MDA will conduct a financial analysis of the business requesting the grant prior to approval.

Eligible Projects

The recipient must use the grant for job retention and to improve productivity and competitiveness. The industry cannot reduce employment by more than 20% if a Job Protection Grant is received.

Job Protection Grant and Loan funds cannot exceed 50% of the total cost of the project. Job Protection Grants must be used in conjunction with Job Protection Loans.

Amount: Maximum GRANT amount: \$200,000.

Funding: Funding is derived from the issuance of state general obligation bonds.

To apply for this program, the eligible entity should contact MDA for additional program information.

Statute: Section 57-95-1 Ms Code 1972, Annotated

Rural Impact Fund Grant Program

The Mississippi Rural Impact Fund Grant Program (RIF), administered by the Mississippi Development Authority (MDA), is designed to assist and promote businesses and economic development in rural areas by providing grants to rural communities (Local Entities).

Eligible Applicants

Rural Community – a municipality with a population of 10,000 or less, according to the most recent federal decennial census, at the time the application is submitted by the municipality; or, a county with a population of 30,000 or less, according to the most recent federal decennial census, at the time the application is submitted by the county.

Rural Business – means a new or existing business located or to be located in a rural community; or, a business or industry located or to be located within five miles of a rural community.

Eligible Projects

Eligible grant projects financed with RIF must be publicly owned. All contracts and purchases must be made in accordance with normal bid and purchase laws of a municipality or county.

- Construction, rehabilitation or repair of building
- Sewer systems and transportation directly affecting the site of the proposed rural business; Sewer facilities
- Acquisition of real property, development to real property, improvements to real property
- Any other project approved by MDA

Eligible Projects must have a direct connection in creating jobs. All projects funded should create a minimum of ten (10) net new full-time jobs. The program intent is to stimulate job creation and economic development in rural communities in the State.

Amount: Maximum GRANT amount: \$150,000

Funding: Funding is derived from the issuance of state general obligation bonds.

The local entity defined as a rural community should contact MDA Community Services for an application for this program.

For more information contact:

Mississippi Development Authority

Rural Impact Program

Community Services Division

Post Office Box 849

Jackson, Mississippi 39205

Telephone: (601) 359-3179

Statute: Section 57-85-1, Ms Code 1972, Annotated

Small Municipalities & Limited Population Counties Grant Program

The Mississippi Small Municipalities and Limited Population Counties Grant Program, administered by the Mississippi Development Authority (MDA), is designed for making grants to small municipalities and limited population counties or natural gas districts to finance projects to promote economic growth in the State of Mississippi.

Eligible Applicants

- **Small Municipality** – a municipality with a population of 10,000 or less, according to the most recent federal decennial census, at the time the application is submitted by the municipality.
- **Limited Population County** – a county with a population of 30,000 or less, according to the most recent federal decennial census, at the time the application is submitted.
- **Natural Gas District** – districts created by law and meeting the same requirements as small municipalities.

Eligible Projects

Eligible projects must be publicly owned. All contracts and purchases must be made in accordance with normal bid and purchase laws of a municipality or county.

Program funds may not be used for working capital, for general expenditures, which would normally be covered under a local sponsor general operation budget, or for administrative expenses. Professional services (engineering/architectural cost) will be limited to 10% of the grant award amount.

Examples of eligible projects include, but are not limited to:

- Drainage systems;
- Utilities such as water supply systems and gas supply systems;
- Sewer systems (pipe treatment);
- Transportation facilities directly affecting the site, including roads, bridges, rail lines, or pipelines;
- Marine structures;
- Land purchases and improvements;
- Airfield and Airport improvements;
- Acquisition and improvements of buildings

Terms: Grant agreement must be signed within 6 months of the Grant Award Date and Requests for Reimbursement must be submitted to MDA within one year from date the Grant Agreement is signed.

Amount: Maximum GRANT amount: \$150,000 per local sponsor per calendar year.

Rate: N/A

Funding: Funding for grants to Local Sponsors is derived from appropriations or funds otherwise made available by the State Legislature.

To apply for this program, the eligible entity should contact MDA for an application.

Statute: Section 57-1-18, Ms Code 1972, Annotated

Loan Programs

Agribusiness Enterprise Loan Program (ABE)

The Agribusiness Enterprise Loan Program (ABE), administered by Mississippi Development Authority (MDA), is a loan program designed to encourage the extension of conventional financing and the issuance of letters of credit by private lending institutions to agribusiness enterprises in the State of Mississippi.

Eligible Applicants

To qualify for the Agribusiness Enterprise Loan Program, eligible entities must be directly involved with:

- Aquaculture
- Horticulture
- An agriculture related industry
- Manufacturing, research and development, or processing of agribusiness related goods and services.

Eligible Projects

Agribusiness loans can be used to finance of buildings and equipment, as well as costs associated with the purchase of land (appraisals, title searches, etc.). Proceeds cannot be used to purchase land, pay off existing debt, or to provide working capital.

Terms:	Maximum term: 15 years, equal to term set by financial institution.
Amount:	Maximum loan amount: 20% of total project cost or \$200,000, whichever is less. Excluding purchase of land.
Fees:	MDA requires 1% servicing fee on State's portion of loan, plus guarantee fees (2% SBA or 1% Farm Service Agency), if applicable.
Rate:	0% on State's portion of loan.
Funding:	Funding is derived from the issuance of state general obligation bonds.

To apply for this program, eligible agribusinesses should contact a financial lending institution to originate the ABE loan application.

Statute: Section 69-2-13, Ms Code 1972, Annotated

Airport Revitalization Revolving Loan Program

The Mississippi Airport Revitalization Revolving Loan Program, administered by the Mississippi Development Authority (MDA), is designed for making loans to airport authorities for the construction and/or the improvement of airport facilities located in Mississippi.

Eligible Applicants

Eligible entities include county and municipal airport authorities authorized to operate in the State of Mississippi.

Eligible Projects

Projects must be directly related to the airport facility and are limited to construction, expansion, improvements, rehabilitation, or repair of airport facility.

Examples of projects may include:

- Drainage systems
- Energy facilities (power generation and distribution)
- Sewer systems (pipe treatment)
- Transportation facilities directly affecting the site, including roads, sidewalks, bridges, rail lines, rivers, pipelines, or runways
- Buildings
- Water supply systems (storage, treatment, and distribution)
- Equipment necessary for airport operation
- Land improvements

Terms: Maximum term: 10 years
Amount: Maximum loan amount: \$750,000 per project.
Rate: 3% Per Annum
Funding: Funding is derived from the issuance of state general obligation bonds.

To apply for this program, the eligible entity should contact MDA for additional program information.

Statute: Section 57-61-41, Ms Code 1972, Annotated

Port Revitalization Revolving Loan Program

The Mississippi Port Revitalization Revolving Loan Program, administered by the Mississippi Development Authority (MDA), is designed for making loans to state, county, or municipal port authorities for the improvement of port facilities to promote commerce and economic growth in the State of Mississippi.

Eligible Applicants

State, county, and municipal ports authorized to operate in Mississippi can apply for this program.

Eligible Projects

Eligible projects must be directly related to the port facility and are limited to construction, expansion, improvements, rehabilitation, & repair of:

- Dock and channel sites to include dredging
- Drainage systems
- Energy facilities (power generation and distribution)
- Sewer systems (pipe treatment)
- Transportation facilities directly affecting the site, including roads, sidewalks, bridges, rail lines, rivers, or pipelines
- Building
- Water supply systems (storage, treatment, and distribution)
- Marine structures
- Equipment necessary for port operation
- Land improvements

Loan funds may not be used for working capital by the port facility, or to provide facilities for utilization by a gambling vessel.

Terms: Maximum term: 10 years
Amount: Maximum loan amount: \$750,000 per project.
Rate: Interest rate of 3% Per Annum.
Funding: Funding is derived from the issuance of state general obligation bonds.

To apply for this program, the eligible entity should contact MDA for additional program information.

Statute: Section 57-61-41, Ms Code 1972, Annotated

Business Incubator Loan Program

The Mississippi Business Incubator Loan Program (Incubator Loan Program), administered by the Mississippi Development Authority (MDA), is designed to assist local governments in the establishment of business incubator facilities in the State of Mississippi.

A business incubator is any existing or to be constructed facility, housing an enterprise support network, that contains shared services

and equipment. The purpose of the facility is to enhance the process of local economic development through the creation of jobs and the fostering of an environment that is conducive to business start-ups.

- The facility must be for multi-tenant commercial or light industrial usage
- The facility must be dedicated to the development of an identified market of entrepreneurial activity. A feasibility study identifying that market is required.

Eligible Applicants

Municipalities or private companies may qualify to receive an Incubator Loan. Local governments are defined as any county, incorporated city or town.

The private company must commit to minimum job creation and investment amounts, and other program requirements as determined by MDA.

Eligible Projects

Loan proceeds may be used for financing all project costs associated with the development of an incubator. Eligible expenditures include fixed assets, professional fees related to the construction of the project, and the purchase of machinery and equipment.

Terms: Maximum term: 20 years for land and building and 10 years for machinery, equipment, and all other eligible expenditures.

Amount: Maximum Loan amount: \$500,000.

Rate: Interest rate: 3.0% Fixed

Funding: Funding is derived from the issuance of state general obligation bonds.

To apply for this program, the eligible entity should contact MDA for additional program information.

Statute: Section 57-61-34, Ms Code 1972, Annotated

Energy Investment Loan Program

The Mississippi Energy Investment Program ("Energy Investment Program"), administered by the Mississippi Development Authority (MDA), is designed for making loans to qualified borrowers to promote development and demonstration of efficient, environmentally acceptable, and commercially feasible technologies, techniques and processes. The program also promotes effectively utilizing the state's existing alternative and conventional energy resources to foster economic and social growth.

Eligible Applicants

In order to obtain assistance under the Energy Investment Program, the applicant must be declared financially sound and capable of repaying the loan and must belong to one of the following categories:

- Corporation
- Partnership
- Hospitals (public and private "non-profit")
- Institutions of higher learning
- Community colleges
- Schools (public or private)
- Local government entities

Eligible Projects

Eligible projects include retrofits and energy design process developments. The improvement must promote the development and demonstration of efficient, environmentally acceptable and commercially feasible technology and processes, and must also utilize Mississippi's existing energy resources, public utilities and/or developing resources that foster economic growth.

In order for the project to be eligible to receive assistance, the project must qualify pursuant to the 2-phase eligibility requirements provided below:

- Phase 1 - Structural Eligibility
- Phase 2 – Eligible Retrofit Measures

Terms: Maximum term: 10 years or estimated life of project, whichever is less.
Amount: Minimum LOAN amount: \$15,000 per project.
 Maximum LOAN amount: \$300,000 per project.
Fees: MDA requires 1% good faith deposit on projects involving real estate pledged as collateral.
Rate: Fixed-rate 3% below Prime Rate will be set upon loan approval.
Funding: Funding for the loans to the Borrower are derived from the appropriated funds; a part of the Petroleum Violation Escrow Fund, M.D.L. 378 Oil Overcharge Funds.

To apply for this program, the eligible entity should contact MDA for additional program information.

Statute: Section 57-39-39, Ms Code 1972, Annotated

Existing Industry Productivity Loan Program

The Mississippi Existing Industry Productivity Loan Program, administered by the Mississippi Development Authority (MDA), is designed for making loans to deploy long-term fixed assets that through new technology will improve productivity and competitiveness.

Eligible Applicants

Existing manufacturing industries that have been operating in the state for at least 2 years and meet minimum criteria established by MDA are eligible for this program.

A manufacturing enterprise is one that is exclusively or predominately engaged in activities of an industrial or commercial nature wherein labor or skill is applied by hand or machinery, to materials belonging to the manufacturer so that a new, different, or more useful article is produced for sale.

Eligible Projects

Loan funds are to be used to finance long-term fixed assets. These are assets that, through new technology, will improve productivity and competitiveness of the company. The benefits of such asset must be documented.

An existing industry that accepts a loan under this program shall not reduce employment by more than 20% through the use of the long-term fixed assets for which the loan is granted. MDA will conduct a financial analysis of the business or industry requesting the loan. Guarantees will be required on all persons or entities with 20% or greater interest in the company.

Terms: Maximum term: 10 years or estimated useful life of Fixed Assets, whichever is less.
Amount: Minimum loan amount: \$250,000
 Maximum loan amount: 50% of total project cost or \$500,000, whichever is less.
Rate: Interest rate on the most recent issue of 20-year state general obligation bonds occurring prior to the date the loan is made.
Funding: Funding is derived from the issuance of state general obligation bonds.

To apply for this program, the eligible entity should contact MDA for additional program information.

Statute: Section 57-93-1, Ms Code 1972, Annotated

Freight Rail Service Revolving Loan Program

The Mississippi Freight Rail Service Projects Revolving Loan Program (RAIL), administered by the Mississippi Development Authority (MDA), is designed for making loans to municipalities and/or counties to finance freight rail service projects in the State of Mississippi. Counties and municipalities are encouraged to use these funds in connection with other state and federal programs.

Eligible Applicants

The governing authority of a municipality or county is eligible to apply for this program.

Eligible Projects

A project, which involves the acquisition, construction, installation, operation, modification, renovation or rehabilitation of any freight rail service facilities, is eligible for this program. Projects may include any fixtures, machinery or equipment, used in conjunction with any freight rail service facilities.

Construction costs, including reasonable and customary site work for buildings, right of ways, easements, etc are eligible project costs. Additionally, up to 8% of the principal loan amount may be used for design work, i.e. engineer or architect. Engineering and/or architectural costs above 8% must be paid from other funding sources.

Terms:	Maximum term: 15 years or estimated life of project, whichever is less.
Amount:	Cumulative maximum loan amount: \$1,000,000 per project per calendar year.
Rate:	Interest rate shall be 1% below the Federal Reserve Discount Rate at the time of loan approval.
Funding:	Funding is derived from the issuance of state general obligation bonds.

To apply for this program, the eligible entity should contact MDA for additional program information.

Statute: Section 57-44-1 et seq. Ms Code 1972, Annotated

Job Protection Loan Program

The Mississippi Job Protection Act, administered by the Mississippi Development Authority, provides loans to 'at risk' industries that have been operating in the state for at least 3 years that have lost jobs or are at risk to lose jobs because such jobs have been out-sourced.

"Outsource" means to send out work or jobs of a certain provider or manufacturer in Mississippi to a provider or manufacturer located outside the boundaries of the United States or any territory of the United States.

Eligible Applicants

'At Risk' industries that have been operating in the state for at least 3 consecutive years and have lost jobs or are at risk of losing jobs due to outsourcing.

Applicants are required to submit project information, financial information, and credit information on owners with 20% or greater ownership. MDA will conduct a financial analysis of the business requesting the grant prior to approval.

Eligible Projects

The recipient must use the loan proceeds for job retention and to improve productivity and competitiveness. The industry cannot reduce employment by more than 20% if a Job Protection Loan is received.

Loan funds may be used for land, building, and depreciable fixed assets. Loan proceeds may not be used for working capital, debt refinancing or rolling stock.

Job Protection Grant and Loan funds cannot exceed 50% of the total cost of the project.

Terms:	Maximum: 10 years or the determined useful life of the project to be financed.
Amount:	Minimum loan amount: \$200,000 Maximum loan amount: \$750,000
Rate:	Interest rate shall be on the most recent issue of 20-year state general obligation bonds occurring prior to the date the loan is made.
Funding:	Funding is derived from the issuance of state general obligation bonds.

To apply for this program, the eligible entity should contact MDA for additional program information.

Statute: Section 57-95-1, Ms Code 1972, Annotated

Local Governments Capital Improvements Revolving Loan Program (CAP)

The Local Government Capital Improvements Revolving Loan Program is designed for making loans to counties or municipalities to finance capital improvements in Mississippi. Counties and municipalities are encouraged to use these loans in connection with state and federal programs.

Eligible Applicants

Counties or Municipalities are eligible to apply for this program.

Eligible Projects

- Construction or repair of water and sewer facilities.
- Construction or repair of drainage systems for industrial development.
- Improvements in fire protection.
- Construction of new buildings for economic development.
- Renovation or repair of existing buildings for economic development purposes.
- Construction or repair of access roads for industrial development;
- Purchase of buildings for economic development purposes.
- Construction or repair of railroad spurs for industrial development;
- Construction of any county or municipally-owned health care facilities, excluding any county health departments;
- Construction, purchase, renovation or repair of any building to be utilized as an auditorium or convention center;
- Construction of multipurpose facilities for tourism development;
- Loans to a county to aid in retiring interest-bearing loans utilized for the purchase of a motion picture sound stage;
- Construction, repair and renovation of parks, swimming pools and recreational and athletic facilities; or
- Remediation of brownfield agreement sites in accordance with Sections 49-35-1 et al.

Terms:	Maximum term: 20 years
Amount:	MAXIMUM loan amount: \$1,000,000 per local entity per calendar year. MINIMUM loan amount: \$30,000 per project. The Maximum CAP loan Indebtedness allowed per applicant is \$2,500,000 outstanding principal balance. Loans for the construction, repair and renovation of parks, swimming pools and recreational and athletic facilities shall not exceed \$250,000 per project. Loans for remediation of brownfield agreement sites in accordance with Sections 49-35-1 through 47-35-25.
Rate:	Tax-exempt Rate: 2% per Annum / Taxable Rate: 3% per Annum
Funding:	Funding is derived from the issuance of state general obligation bonds.

To apply for this program, the eligible entity should contact MDA for additional program information.

Statute: Section 57-1-301, Ms Code 1972, Annotated

Minority Business Enterprise Loan Program (MBE)

The Minority Business Enterprise Loan Program (MBE), administered by the Mississippi Development Authority (MDA), combines state and private lending sources to assist new and existing minority businesses in gaining access to needed capital in the form of direct low-interest loans. The program is designed to provide loans to socially and economically disadvantaged minority and women owned businesses.

Eligible Applicants

A minority business enterprise means a socially and economically disadvantaged small business concern, organized for profit, performing a commercially useful function which is owned and controlled by one or more minorities or minority business enterprises certified by the Mississippi Development Authority, at least 50% of whom are MS resident citizens. Eligible businesses are required to obtain certification as a Minority Business Enterprise by the Minority Business Enterprise Division prior to consideration for the loan. (As defined by the SBA (15 USCS, Section 637(a)).

The following entities are qualified to assist minority businesses in obtaining loans:

- Mississippi Planning and Development Districts ("PDDs")
- Small Business Investment Corporations
- Community Development Corporations
- Other appropriate entities

Eligible Projects

A minority business enterprise loan may be used for working capital, machinery, equipment, land, and/or buildings used in the minority business.

Terms:	7 years - working capital 10 years - machinery and equipment 15 years - land and building.
Amount:	Maximum loan amount: 50% of total project or \$250,000, whichever is less. Minimum total project considered: \$25,001
Rate:	Minimum interest rate: 2.0% below the Federal Reserve Discount Rate. Maximum interest rate: 2.0% above the Federal Reserve Discount Rate.
Funding:	Funding is derived from the issuance of state general obligation bonds.

To apply for this program, eligible minority businesses should contact the local Planning and Development District (PDD) to apply for program. Go to www.mapdd.org for contact information.

Statute: Section 69-2-13(4), Ms Code 1972, Annotated

Minority Business Micro Loan Program

The Minority Business Micro Loan Program, administered by the Mississippi Development Authority, provides a funding source for minority businesses needing financing for small projects.

Eligible Applicants

A minority business is a socially and economically disadvantaged small business concern organized for profit as defined under the Small Business Act, 15 U.S.C.S., Section 637[a]), and performing a commercially useful function. The business must have one or more minority or female owners with controlling interest.

A business is required to obtain certification as a Minority Business Enterprise by the Minority Business Enterprise Division prior to consideration for the loan.

Eligible Projects

- Purchase of fixed assets such as machinery and equipment,
- Use as working capital
- Inventory Purchase

Terms: Maximum term: 7 years
Amount: Minimum loan amount: \$2,000
 Maximum loan amount: \$35,000
Rate: Fixed Interest rate: 4.0% over the Federal Reserve Discount Rate.
Funding: Funding is derived from the issuance of state general obligation bonds.

To apply for this program, eligible minority businesses should contact the local Planning and Development District (PDD) to apply for program. See Mississippi Planning and Development Districts in the Business Resources section of this book (page 81.)

Statute: Section 69-2-13, Ms Code 1972, Annotated

Minority Surety Bond Guaranty Program

The Mississippi Minority Surety Bond Guaranty Program, administered by Mississippi Development Authority (MDA), strives to increase minority participation in construction and building trade contracts with federal, state, and local units of government, and their subsidiaries.

Often minority firms are unable to compete for this business because they cannot obtain the bid, performance, and payment bonds required by government contracts. The Minority Surety Bond Guaranty Program assists these firms through surety bond guaranties and technical assistance in internal management.

Eligible Applicants

- Be in the construction or building trade business;
- Be a certified Minority Business Enterprise through the Minority Business Enterprise Division of the MDA;
- Have been in business at least one year prior to application;
- Have its principal place of business located in Mississippi;
- Meet experience and financial standards appropriate to the contract;
- Agree to subcontract no more than 75% of a qualified contract;
- Show reasonable evidence of inability to secure bonding under normal market conditions.

Eligible Projects

Construction contracts with Federal, State and Local Units of Government.

Terms: Set by Financial Institution.
Amount: Maximum GUARANTY amount: 75% of contract bond amount or \$175,000, whichever is less for the 1st year, increasing up to \$250,000 for 2nd year.
 Maximum percentage (%) guaranty for any bond is 90%.
Rate: Set by Financial Institution.

To apply for this program, eligible minority businesses should contact the local Planning and Development District (PDD) to apply for program. See Mississippi Planning and Development Districts in the Business Resources section of this book (page 81.)

Statute: Section 69-2-13(5), Ms Code 1972, Annotated

Capital Access Loan Program (MS CAP)

The Mississippi Capital Access Program (MS CAP), administered by the Mississippi Development Authority (MDA), is designed to increase the availability of financing for borrowers who, for various reasons, might have difficulty in obtaining conventional loans.

MDA may establish loss reserve accounts at financial institutions that participate in the program, and require payments by the financial institution and the borrower to such loss reserve accounts. Under the capital access program, a participating financial institution may make a loan to any borrower the MDA determines to be qualified under rules and regulations adopted by the authority and be protected against losses from such loans as provided in the program. Contributions established by MDA in such loss reserve accounts shall be used in the event of a loan default.

Eligible Applicants

Business entities as defined by Section 8(d) of the Small Business Act, including:

- A Small Business
- A Small Disadvantaged Business
- A Minority Business (minority or woman owned business)

Eligible Projects

Projects directly relating to the creation or expansion of a small business may include the following:

- Fixed assets
- Working capital
- Start-up costs
- Rental payments
- Interest expense during construction
- Professional fees
- Repair, renovation & building improvements

Funds cannot be used to pay off existing debt and/or creditors; consolidation purposes; construction or purchase of residential housing; or real property that is held primarily for sale or investment.

Terms: Set by Financial Institution.

Amount: Maximum loan amount: \$150,000 per borrower.
MDA will match amount deposited in loss reserve account at financial institution and require payments by the financial institution. Payments made by the borrower into the loss reserve account will have a maximum payment being 7%.

Rate: Minimum interest rate: 1.5%.

Funding: Funding is derived from the issuance of state general obligation bonds.

To apply for this program, the eligible entity should contact MDA for additional program information.

Statute: Section 57-61-36(5) Ms Code 1972, Annotated

Mississippi Business Investment Program (MBI)

The Mississippi Business Investment Act Program (MBI), administered by the Mississippi Development Authority (MDA), is a program designed for making loans to local governmental entities, acting individually or jointly, in order to finance authorized improvements for projects necessary to compliment investments by private companies.

Projects should increase domestic and international commerce and create and maintain new full-time jobs in Mississippi.

Eligible Applicants

Counties and incorporated municipalities, acting individually or jointly, to compliment private investments that will create and maintain new, full-time jobs in Mississippi are eligible to apply for this program.

Eligible Projects

Projects directly relating to the creation or expansion of the following industries:

- Agricultural Enterprises
- Industrial Enterprises
- Manufacturing Enterprises
- Research and Development Enterprises
- Tourism Enterprises
- Maricultural Enterprises
- Aquacultural Enterprises
- Regional Shopping Malls
- Service Enterprises

Use of loan funds must be directly related to a Private Company's facilities and is limited to construction, expansion, improvement, rehabilitation or repair infrastructure needs as outlined in the MBI Guidelines.

Job creation requirement: \$15,000 for each new job created and maintained.

Private match: \$3.00 for every \$1.00 of MBI assistance.

Terms:	Maximum term: 10 years or estimated life of project, whichever is less.
Amount:	Minimum loan amount: \$500,000 per project.
Rate:	Negotiable by MDA Executive Director
Funding:	Funding is derived from the issuance of state general obligation bonds.

To apply for this program, the eligible entity should contact MDA for additional program information.

Statute: Section 57-61-25, Ms Code 1972, Annotated

Major Economic Impact Authority (MMEIA)

The Mississippi Major Economic Impact Authority (MMEIA), administered by the Mississippi Development Authority (MDA) and the State Bond Commission, is designed to allow the state to assist local communities in meeting the development requirements inherent in large capital projects, thereby generating an investment in the quality of life in such communities.

Eligible Applicants

All units of local government are eligible with projects that offer a minimum investment of \$300 million by the private sector.

Eligible Projects

- New projects or expansions of existing facilities, which have a minimum initial investment of \$300 million by the private sector or the U.S. Government.
- Eligible projects include industrial or commercial projects, research and development, warehousing, distribution, transportation, processing, mining establishments, U.S. Government projects, and tourism facilities.
- Employers may also qualify if they have a capital investment of \$150 million from private sector or US Government sources together and create 1000 net new jobs or if they create 1000 net new jobs that pay 125% of the annual wage rate of the state. Ancillary developments that occur as a result of certain enterprises may also be eligible.
- Other projects may qualify based on individual legislation.

Terms: Maximum loan term shall not exceed 20 years.
Rate: The loan will bear interest rate determined by the authority.
Funding: Funding is derived from the issuance of state general obligation bonds.

To apply for this program, the eligible entity should contact MDA for additional program information.

Statute: Section 57-75-5, Ms Code 1972, Annotated

Research and Development Loan Program

The Mississippi Research and Development Program (R&D Loan Program), administered by the Mississippi Development Authority (MDA), is designed for making loans to private companies to aid in the creation of new and expanding research and development and technology-based businesses and industries.

Eligible Applicants

Private companies that meet the requirements of a Research and Development or Technology intensive enterprise may qualify for this program.

Research and Development

A business engaged in laboratory, scientific or experimental testing and development related to new products, new uses for existing products, or improving existing products. Research and Development does not include any business engaged in efficiency surveys, management studies, consumer surveys, economic surveys, advertising, promotion, or research in connection with literary, historical or similar projects.

Technology

The enterprise shall manufacture plastics, automobiles, aircraft, computers or electronics, or be a computer design or software publishing facility with at least 10% of the workforce being scientists, engineers or computer specialists. The average wage of all workers employed shall be at least 150% percent of the state average annual wage. A basic health care plan must be provided to all employees.

Additionally, the following requirements must be met:

- Employ at least 10 persons in full time positions
- Inject a minimum of 10% equity into the project.
- Present evidence that the company can repay the debt, and must not have defaulted on any previous loan from the State or Federal Government.

Eligible Projects

Proceeds may be used to finance land, building and depreciable fixed assets ("R&D Project"). Loan proceeds may not be used for working capital, debt refinancing or rolling stock. Other state finance programs including Community Development Block Grants may not be used to finance the remaining cost of the R&D Project.

Terms: Maximum term: 10 years or estimated useful life of the project, whichever is less.
Amount: Maximum loan amount: 50% of total project cost up to \$750,000 per project.
Minimum loan amount: \$250,000.
Rate: Interest rate on the most recent 20-year general obligation bonds occurring prior to the date the loan is made.
Funding: Funding is derived from the issuance of state general obligation bonds.

To apply for this program, the eligible entity should contact MDA for additional program information.

Statute: Section 57-61-34, Ms Code 1972, Annotated

Rural Impact Fund Loan Program (RIF)

The Mississippi Rural Impact Fund Program (RIF), administered by the Mississippi Development Authority (MDA), is designed to assist and promote businesses and economic development in rural areas by providing loans to rural communities (Local Entities) and loan guarantees to rural businesses (Businesses).

Eligible Applicants

Rural Community – a municipality with a population of 10,000 or less, according to the most recent federal decennial census, at the time the application is submitted by the municipality; or, a county with a population of 30,000 or less, according to the most recent federal decennial census, at the time the application is submitted by the county.

Rural Business – means a new or existing business located or to be located in a rural community; or, a business or industry located or to be located within five miles of a rural community.

Eligible Projects

Eligible projects financed with RIF must be publicly owned with the exception of loan guarantees to rural businesses. Eligible projects include, but are not limited to:

- Construction, rehabilitation or repair of building;
- Sewer systems and transportation directly affecting the site of the proposed rural business; Sewer facilities;
- Acquisition of real property, development to real property, improvements to real property;
- Any other project approved by MDA, and
- Loan guarantees to financially sound Rural Businesses not to exceed eighty percent (80%) of the principal loan amount.

Eligible Projects must have a direct connection in creating jobs. All projects funded should create a minimum of ten (10) net new full-time jobs. The program intent is to stimulate job creation and economic development in rural communities in the State.

Amount: Maximum LOAN amount: \$200,000 for rural community
 Maximum LOAN guarantee: \$200,000 on 80% loan guarantees
Funding: Funding is derived from the issuance of state general obligation bonds.

To apply for this program, the eligible entity should contact MDA for additional information.

MDA Rural Impact Program
 Post Office Box 849
 Jackson, Mississippi 39205
 Telephone: (601) 359-3179

Statute: Section 57-85-1, Ms Code 1972, Annotated

Other Finance Programs

Appalachian Regional Commission (ARC)

Mississippi participates in the Appalachian Regional Commission (ARC). ARC is a partnership of federal, state and local governments that serves portions of 13 states. The Mississippi Appalachian Regional Office (ARO) is located in the Mississippi Development Authority's Regional Office in Tupelo, and its staff works to fulfill the mission of the ARC program, the Governor's state ARC plan, and the economic development goals and objectives of MDA.

The Mississippi ARO works in a collaborative manner with local planning and development districts (PDDs), economic development organizations, local communities, and other state agencies in the development of eligible projects to address the needs in the 24 Mississippi ARC counties. ARC supports counties in the northeast and east central portion of the state; approximately 616,000 of Mississippi's 2.8 million residents live in this rural corner of Mississippi.

Mississippi Appalachian Development Plan

ARC provides matching funds for projects in numerous areas under two broad themes:

1. Increase private sector and high wage jobs across the MS Appalachian Region.
2. Develop sustainable communities with high quality of life throughout the Mississippi Appalachian Region.

ARC also has funding available for a special regional initiative in Asset Development.

The Mississippi counties served by ARC are Alcorn, Benton, Calhoun, Chickasaw, Choctaw, Clay, Itawamba, Kemper, Lee, Lowndes, Marshall, Monroe, Montgomery, Noxubee, Oktibbeha, Panola, Pontotoc, Prentiss, Tishomingo, Tippah, Union, Webster, Winston, and Yalobusha.

The Mississippi ARO will write each Mississippi Appalachian Local Development District (PDD) in May of each year and solicit project applications for review and consideration. The invitation letter will list funding limitations, project criteria, and any other relevant material to be used in consideration for that particular year's annual cycle. All project applications are due at the ARO in Tupelo by September 1 of each year. Additional information on the application process can be found at <http://www.mississippi.org/content.aspx?url=/page/3019&>. Projects identified as priority will be submitted to ARC-Washington for funding purposes. PDD's will be notified of the projects included in the submission to ARC-Washington.

ARC participation costs will be limited to 50% of project costs, with the following exceptions:

For projects located in ARC designated distressed counties, the maximum grant will be 80% of project costs.

ARC assistance for multi-county projects in which at least half the counties are distressed may be increased to as much as 80% of project costs; if at least one, but less than half, of the counties area distressed, ARC assistance is limited to the higher of 50% or the average percentage applicable to the counties in the project.

For additional program information contact the MDA Asset Development Group, Appalachian Regional Office by phone at 662.844.5413

Delta Regional Authority (DRA)

The Delta Regional Authority is a federal-state partnership serving a 240 county/parish area in an eight-state region. Mississippi Development Authority's (MDA) Office of Strategic Initiatives coordinates Mississippi activities and grants in Mississippi's 45 DRA counties.

MDA works collaboratively with local planning and development districts (PDDs), economic development organizations, local communities, and other state agencies in the development of eligible projects to address the needs in the 45 Mississippi DRA counties. The PDD's play an active and essential part by preparing applications that are consistent with the DRA Code, guidelines, and plans.

Mississippi Delta Region Development Plan

1. Increase private sector and high wage jobs across the Mississippi DRA Region.
2. Develop sustainable communities with high quality of life throughout the Mississippi Delta Region.

Under federal law, at least 75 percent of the funds must be invested in distressed counties and parishes and pockets of poverty, with 50 percent of the funds earmarked for transportation and basic infrastructure improvements. Participating DRA States are Alabama, Arkansas, Illinois, Kentucky, Louisiana, Mississippi, Missouri, and Tennessee.

MDA ensures that these federal funds are used to economic and community development on the following activities:

- Basic public infrastructure in distressed counties and isolated areas of distress.
- Transportation infrastructure for the purpose of facilitating economic development in the region.
- Business development, with emphasis on entrepreneurship.
- Job Training or employment related education, with emphasis on use of existing public educational institutions located in the region.

Mississippi Counties served by DRA are Adams, Amite, Attala, Benton, Bolivar, Carroll, Claiborne, Coahoma, Copiah, Covington, DeSoto, Franklin, Grenada, Hinds, Holmes, Humphreys, Issaquena, Jefferson, Jefferson Davis, Lafayette, Lawrence, Leflore, Lincoln, Madison, Marion, Marshall, Montgomery, Panola, Pike, Quitman, Rankin, Sharkey, Simpson, Sunflower, Tallahatchie, Tate, Tippah, Tunica, Union, Walthall, Warren, Washington, Wilkinson, Yalobusha, and Yazoo.

For further information on the Mississippi Delta Regional Plan go to <http://www.mississippi.org/content.aspx?url=/page/DRA&>

Mississippi Business Finance Corporation (MBFC)

The Mississippi Business Finance Corporation (MBFC) administers a variety of finance programs designed to assist businesses in locating or expanding in the state. MBFC provides companies an opportunity to review all financial programs through one source. MBFC works with other public entities and the private sector to coordinate efforts to stimulate both commercial and industrial development. The following information is provided as an overview of the finance programs available through MBFC, MDA, and local units of government.

Programs available through the Mississippi Business Finance Corporation:

- Industrial Development Revenue Bond Program
- Small Enterprise Development Program
- Rural Economic Development Assistance Program

Industrial Development Revenue Bond Program

The Industrial Development Revenue Bond Program reduces the interest costs of financing projects for companies through the issuance of both taxable and tax-exempt bonds. Additionally, ad valorem and sales tax exemptions are granted in conjunction with this type of public financing.

Most types of commercial businesses are eligible for IRB financing. Proceeds of the bond issue may be used for the acquisition and construction of real property, machinery and equipment, capitalized interest and limited bond issuance expenses.

The bonds must be secured by an irrevocable, direct-pay letter of credit or other credit enhancement acceptable to MBFC.

The proceeds of a bond issue may be used for the acquisition and construction of real property, machinery and equipment, capitalized interest, reserve funds, and a limited amount of the cost of issuance in accordance with provisions of the Internal Revenue Code.

Although there is no restriction on the amount of taxable debt that may be incurred, there is a \$10 million cap on tax-exempt financing. The maximum term of a bond issue will be equal to 120% of the average life of the financed assets or thirty years, whichever is less. The bond purchaser will determine the interest rate. The borrower will pay the costs of issuance and any other applicable fees.

Small Enterprise Development Program

The issuance of state general obligation bonds provides funds for manufacturing and processing companies to finance fixed assets, i.e. land, buildings, new machinery and new equipment at below market interest rates for terms of up to fifteen years.

Although a company may qualify for more than one loan under this program, the aggregate amount loaned to any company cannot exceed \$2 million. Interest rates on these loans are equal to the net interest rate on the bonds issued by the State plus a servicing fee. The borrower will pay the costs of issuance and any other applicable fees.

A project must create a minimum of ten jobs, and loans cannot exceed 90% of the market value of the financed assets. Companies participating in the program will be required to obtain a bank letter of credit guaranteeing the loan.

Rural Economic Development Assistance Program

Companies financing projects through the Small Enterprise Development or Industrial Revenue Bond Programs, which are administered by MBFC, may be eligible to participate in the Rural Economic Development Assistance Program. The program allows eligible companies to receive credits on Mississippi corporate income taxes.

Mississippi corporate income tax credits will be granted at the end of a company's fiscal year and will be based on the Mississippi tax liability at that time. The amount a company will be required to pay in Mississippi income tax could be reduced by an amount up to the debt service paid during the tax year.

The total amount of tax credits earned may not exceed the annual debt service on the bond issue. These credits may be used to offset up to 80% of the company's state corporate income tax liability.

For more information, go to <http://www.msbusinessfinance.com/>

Local Industrial Development Revenue Bonds

Local political entities in Mississippi, including counties, supervisors' districts, incorporated cities and towns, have the authority to issue tax-exempt and taxable industrial development revenue bonds to finance new or expanding industrial enterprises. There is no election approval required unless 20% or more of the entity's electors object to the bond issuance in writing. Ownership of a bond-financed facility is retained by the issuing political entity, which leases it to a company for rental sufficient to pay the annual principal and interest on bonds.

Industrial development revenue bonds can finance up to 100% of total project costs, including land, buildings, fixtures, new equipment, new machinery and professional fees.

Facilities financed by such bonds are allowed up to a ten-year property tax exemption, in addition to being exempt from most sales and use taxes on project related purchases during construction.

General Obligation Bonds

Local political entities have the authority to issue general obligation bonds for the purpose of acquiring sites and constructing facilities for lease to new or expanding industries with rentals sufficient to amortize the debt service on the bonds.

General obligation bonds carry the full faith and credit of the issuing political entity. As title to the property remains with the political entity issuing the bonds, no taxes, except school taxes, are assessed on the improvements made with the proceeds of such bonds. An agreement is negotiated between the industry and the political entity covering the details of the issuance of the bonds and the lease.

Small Business Assistance Program (SBA)

The Mississippi Small Business Assistance Program was established for the purpose of providing funds to qualified entities to establish revolving loan funds to assist small businesses.

Eligible Applicants

Qualified entities are defined as Mississippi Planning and Development Districts (PDDs), Small Business Investment Corporations, Community Development Corporations, and other similar entities. These entities must provide loans to assist small businesses.

A small business is defined as any for-profit commercial enterprise with fewer than 100 full-time employees, less than \$2 Million in net worth or less than \$350,000 in net annual profit after taxes during two of the last three years. Eligible industries include:

- Manufacturers
- Processors
- Distributors
- Wholesalers
- Retailers
- Service Providers

Eligible Projects

Qualified entities may provide loans to finance land, buildings, machinery, equipment, working capital, inventory, or other needs as negotiated with the borrower.

Terms:	15 years - Land/Building 10 years - Machinery/Equipment 5 years - Working Capital 3 years - Purchase of Inventory Collateral negotiable
Amount:	Maximum loan amount: 50% of project or \$100,000, whichever is less.
Fees:	MDA requires a 1% servicing fee on State's portion of loan.
Rate:	Interest rate: 5% minimum per annum or more than 4% above Federal Reserve discount rate plus service fees.
Funding:	Funding is funneled through MDA as a revolving loan to PDDs.

To apply for this program, small businesses should contact their local PDD, Small Business Investment Corporations, Community Development Corporations, or other similar entities for additional information on Small Business Assistance Loan Programs.

Statute: 57-10-507; 57-10-511, Ms Code 1972, Annotated



Business
RESOURCES

mississippi development authority

MISSISSIPPI

Mississippi Development Authority Regional Offices

1 - North Delta Region

The North Delta Regional Office
 Post Office Box 641 • Senatobia, MS 38668
 Phone: (662) 562-0410 • Fax (662) 562-0407
Street address:
 910 E. F. Hale Drive • Senatobia, MS 38668

2 - Northeast Region

The Northeast Regional Office
 Post Office Box 1606 • Tupelo, MS 38802
 Phone: (662) 844-5413 • Fax (662) 842-3667
Street address:
 330 West Jefferson • Tupelo, MS 38804

3 - Northwest Region

The Northwest Regional Office
 Post Office Box 32 • Greenwood, MS 38935-0032
 Phone: (662) 455-4508 • Fax (662) 455-7903
Street address:
 522 West Park Village, Suite 0
 Greenwood, MS 38930

4 - East Central Region

The East Central Regional Office
 Post Office Box 4398 • Meridian, MS 39304
 Phone: (601) 692-2006 • Fax (601) 484-2532
Street address:
 2401 11th Street • Meridian, MS 39301

5 - West Central Region

The West Central Regional Office
 Post Office Box 849 • Jackson, MS 39205-0849
 Phone: (601) 359-2457 • Fax (601) 359-5042
Street address:
 501 North West Street, Suite 428
 Jackson, MS 39201

6 - Southwest Region

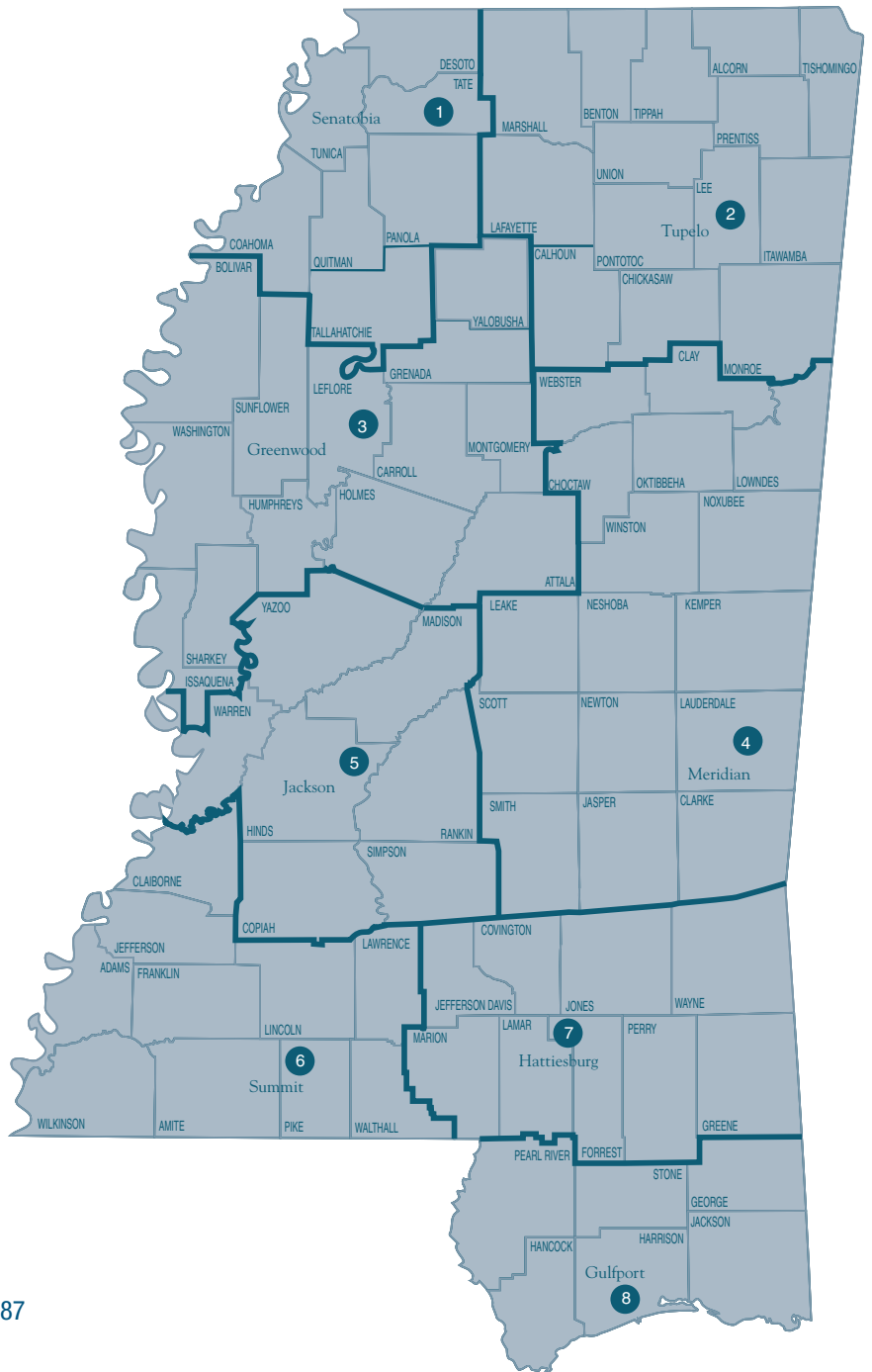
The Southwest Regional Office
 Post Office Box 728 • Summit, MS 39666-0728
 Phone: (601) 276-3089 • Fax (601) 276-3870
Street address:
 Southwest Mississippi Community College
 Brumfield Building • Summit, MS 39666

7 - Southeast Region

The Southeast Regional Office
 Post Office Box 1287 • Hattiesburg, MS 39403-1287
 Phone: (601) 545-4001 • Fax (601) 545-4006
Street address:
 420 West Pine Street • Hattiesburg, MS 39403

8 - Gulf Coast Region

The Gulf Coast Regional Office
 1141 Bayview Avenue, Suite 401 • Biloxi, MS 39530
 Phone: (228) 523-4034 • Fax (228) 374-2973



Mississippi Procurement Technical Assistance Program

■ South Mississippi Contract Procurement Center, Inc.

1141 Bayview Avenue, Suite 401
 Biloxi, Mississippi 39530
 Phone: (228) 374-2970 • Fax: (228) 374-2973
www.mspsc.com

■ Delta Contract Procurement Center, Inc.

Post Office Box 1179 • Greenville, MS 38702
Street address:
 Washington County Courthouse, 2nd Floor
 900 Washington Avenue • Greenville, Mississippi 38702
 Phone: (662) 334-2656 • Fax: (662) 334-2709
www.mspsc.com

■ East Central Contract Procurement Center, Inc.

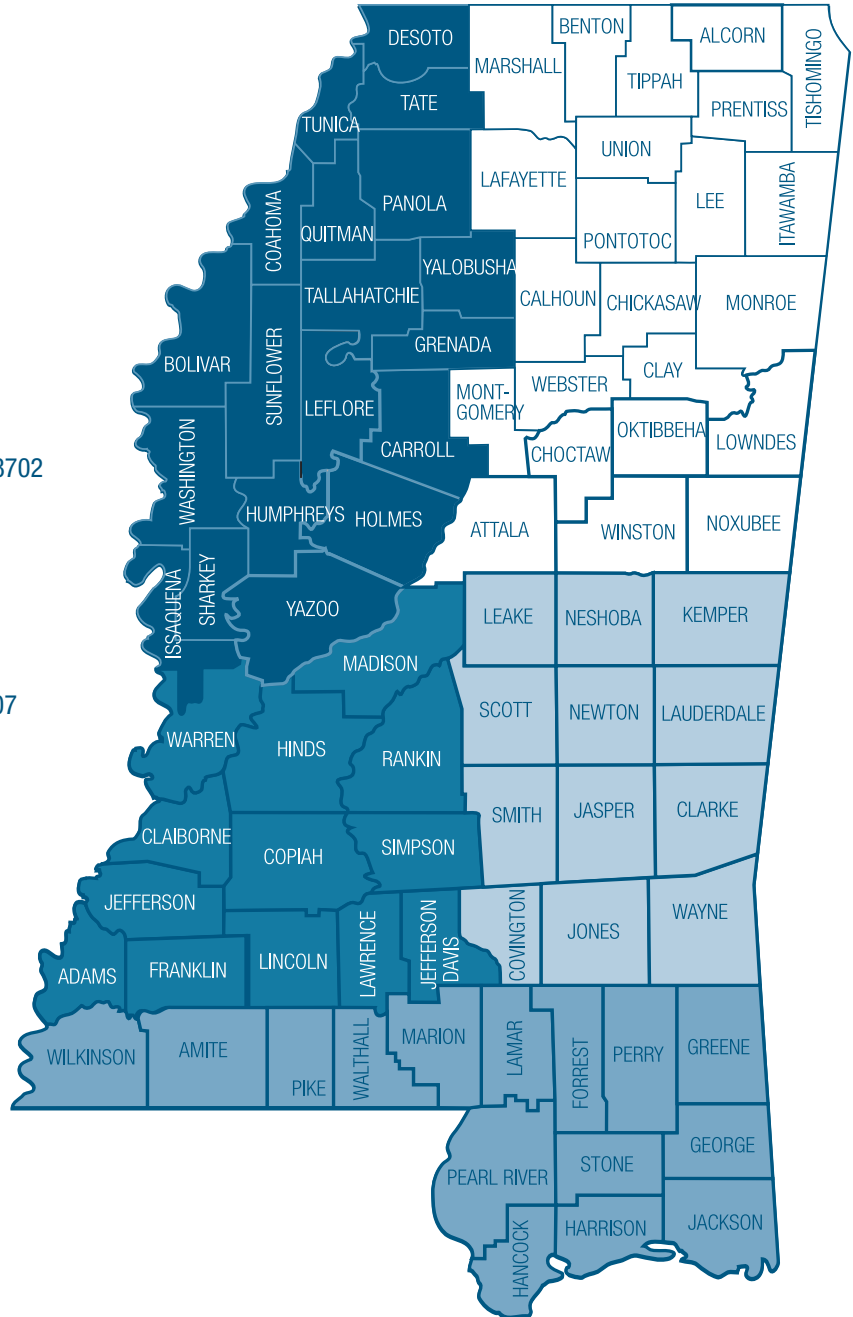
c/o Meridian Community College
 910 Highway 19 North • Meridian, Mississippi 39307
 Phone: (601) 482-7445 • Fax: (601) 482-5803
www.mspsc.com

■ Central Mississippi Contract Procurement Center, Inc.

Post Office Box 849 • Jackson, MS 39205-0849
Street address:
 Woolfolk Building, 6th floor
 501 Northwest Street • Jackson, Mississippi 39201
 Phone: (601) 359-3485 • Fax: (601) 359-5290
www.mspsc.com

□ Northeast Mississippi Contract Procurement Center, Inc.

Post Office Box 1805
 Columbus, Mississippi 39705-1805
Street address:
 318 7th Street North • Columbus, MS 39703
 Phone: (662) 329-1077 • Fax: (662) 327-6600
www.mspsc.com



Mississippi Business Incubator Program

Business Incubation is a dynamic process of business enterprise development. Incubators nurture young firms, helping them to survive and grow during the startup period when they are most vulnerable. Incubators provide hands on management assistance, access to financing and orchestrated exposure to critical business or technical support services. They also offer entrepreneurial firms shared office services, access to equipment, flexible leases and expandable space – all under one roof. Listed below are the incubator locations around the State of Mississippi.

Northeast Mississippi Business Incubation System

Ripley Facility

401 CR 565
Ripley, MS 38663
Phone: (662) 287-4369 • Fax: (662) 287-1214

Corinth Facility

1828 Proper Street
Corinth, MS 38834
Phone: (662) 287-4369 • Fax: (662) 287-1214

Iuka Facility

2021 Seago Road
Iuka, MS 38852
Phone: (662) 287-4369 • Fax: (662) 287-1214

North Mississippi Enterprise Initiative

Batesville Enterprise Center

275 Nosef Drive
Batesville, MS 38606-2729
Phone: (662) 563-3126

Oxford Enterprise Center

9 Industrial Park Drive
Oxford, MS 38655-5343
Phone: (662) 234-4651 • Fax: (662) 561-0790
www.northmiss.org

Grenada Enterprise Center

500 Enterprise Drive
Grenada, MS 38901-9544
Phone: (662) 226-2571

Coahoma County Business Development Center

Post Office Box 160
Clarksdale, MS 38614
Phone: (662) 627-7337 • Fax: (662) 627-1313

Columbus-Lowndes Business Development Center

118 South McCrary Road
Columbus, MS 39702
Phone: (662) 328-8369 • Fax: (662) 328-9888
www.cldlink.org

Golden Triangle Enterprise Center

1 Research Boulevard
Suite 204
Starkville, MS 39759
Phone: (662) 323-3322 • Fax: (662) 320-3999
www.gtec.org

Winston County Economic Development District

Post Office Box 551
Louisville, MS 39339
Phone: (662) 773-8719 • Fax: (662) 773-8719
www.winstoncounty.com

Kemper County Industrial Incubator Center, Inc.

102 Industrial Park Drive
DeKalb, MS 39328
Phone: (601) 743-2754 • Fax: (601) 743-2760

Mississippi Technology Alliance Innovation Center

1230 Raymond Road, Box 600
Jackson, MS 39204
Phone: (601) 965-0352 • Fax: (601) 965-0362
www.innovationcenter.ms

Alcorn State University Technology Incubator

101 North Wall Street
Post Office Box 982
Natchez, MS 39121
Phone: (601) 442-0202

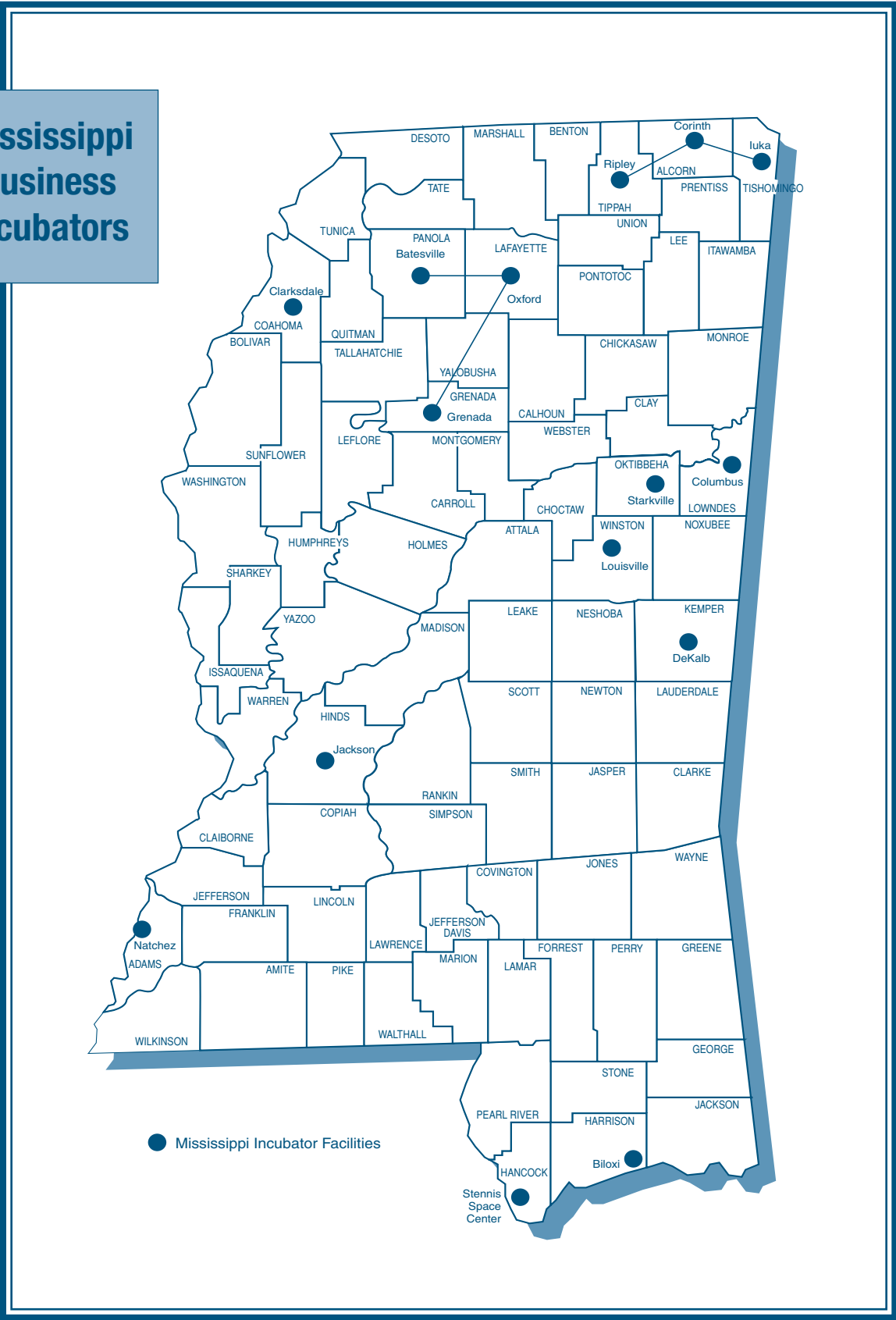
Gulf Coast Business Technology Center

1636 Popp's Ferry Road
Biloxi, MS 39532
Phone: (228) 392-9741 • Fax: (228) 392-9743
www.gcbtc.org

Mississippi Enterprise for Technology

Building 1103
Suite 143
Stennis Space Center, MS 39529
Phone: (228) 688-2083 • Fax: (228) 688-1064
www.mset.org

**Mississippi
Business
Incubators**



FEDERAL AND STATE AGENCIES

Federal

Small Business Administration Offices (SBA)

Mississippi District Office

210 East Capitol, Suite 900
Jackson, Mississippi 39201
Phone: (601) 965-4378 • Fax: (601) 965-4294
www.sba.gov

Gulfport Branch Office

Gulf Coast Business Technology Center
1636 Popps Ferry Road, Suite 203
Biloxi, MS 39532
Phone: (228) 863-4449 • Fax: (228) 864-0179
www.sba.gov

United States Department of Labor

Occupational Safety and Health Division (OSHA)
3780 I-55 North, Suite 210
Jackson, Mississippi 39211
Phone: (601) 965-4606 • Fax: (601) 965-4610
www.osha.gov

United States Department of Labor

Wage and Hour Division
100 West Capitol Street, Suite 608
Jackson, Mississippi 39269
Phone: (601) 965-4347
www.dol.gov

United States Equal Employment Opportunity Commission (EEOC)

100 West Capitol Street, Suite 207
Jackson, Mississippi 39269
Phone: (601) 948-8400 • Fax: (601) 948-8401
www.eeoc.gov

United States Internal Revenue Service (IRS)

Federal Building
100 West Capitol Street
Jackson, Mississippi 39269
Phone: 1-800-829-1040
www.irs.ustreas.gov

United States Treasury Department

Bureau of Alcohol, Tobacco and Firearms
100 West Capitol Street, Suite 335
Jackson, Mississippi 39269
Phone: (601) 292-4000
www.atf.treas.gov

State

Mississippi Development Authority (MDA)

501 North West Street
Post Office Box 849
Jackson, Mississippi 39205
Phone: (601) 359-3593 • Fax: (601) 359-2832
www.mississippi.org

Mississippi Department of Employment Security (MDES)

1235 Echelon Parkway
Post Office Box 1699
Jackson, Mississippi 39213-1699
Phone: (601) 321-6000
www.mdes.ms.gov

Mississippi Secretary of State

700 North Street
Post Office Box 136
Jackson, Mississippi 39205-0136
Phone: (601) 359-1350 • Fax: (601) 359-1499
www.sos.state.ms.us/

Mississippi Small Business Development Centers (SBDC)

Post Office Box 1848
University, Mississippi 38677-1848
Phone: (662) 915-5001 or 800-725-7232 • Fax (662) 915-5850
Email: msbdc@olemiss.edu
www.olemiss.edu/depts/mssbdc/

Mississippi State Board of Health

570 East Woodrow Wilson Drive
Post Office Box 1700
Jackson, Mississippi 39215-1700
Phone: (601) 576-7400 • Fax: (601) 576-7948
www.msdh.state.ms.us/

Mississippi State Tax Commission (MSTC)

Post Office Box 1033
Jackson, Mississippi 39215
Phone: (601) 923-7000 • Fax: (601) 923-7039
www.mstc.state.ms.us/

Mississippi Workers' Compensation Commission

1428 Lakeland Drive
Post Office Box 5300
Jackson, Mississippi 39296-5300
Phone: (601) 987-4200
www.mwcc.state.ms.us/

Terms of Business/Glossary

Advertising

A paid form of communicating a message by the use of various media. It is persuasive, informative, and designed to influence purchasing behavior or thought patterns.

Amortize

To pay a debt gradually through scheduled periodic payments; the process of writing off against expenses the cost of an intangible asset over the period of its economic usefulness.

Assets

The items on a balance sheet showing book value of a business.

Balance Sheet

A listing of the assets, liabilities and equity of a business.

Balloon Payment

The final bulk payment that retires a loan when minimal previous payments have not fully amortized it.

Bartering

A system of trading goods and services for advertising time or space. For example, a hotel might trade-out the value of one or two nights stay to the newspaper in return for the same value in advertising space.

Benchmarks

Standards or averages by which similar items can be compared.

Book Value

The value of something as shown on bookkeeping records as distinguished from market value; the value of an asset equal to cost less depreciation.

Business Support Organization

Federal, state, county, city, and community organizations which assist small business people. Examples: Small Business Administration (SBA), Small Business Development Centers (SBDC), Mississippi Development Authority (MDA), chambers of commerce, economic development foundations and groups, junior and senior colleges, city hall, county courthouse, etc.

Capital

Net worth of the individual or business; also, the excess of total assets over total liabilities; the funds used to start a business.

Cash Flow Statement

A listing of cash receipts and cash disbursements that occur over a specific period of time. Note that non-cash expense items such as depreciation are not included.

Collateral (Security)

Personal or real property possessions that the borrower assigns to the lender to help ensure debt payment. If the borrower does not repay the loan, the lender may take ownership of the collateral to pay the loan balance.

Cooperative Advertising (Co-Op advertising)

An arrangement between manufacturer and retailer to reimburse the retailer in full or in part for local placement of manufacturer-produced ads and commercials. These ads would include the addition of the retailer's name in the copy. Co-op advertising might also mean a joint effort between two or more businesses to pool advertising money for more buying power. The ads would feature both company names and benefits.

CPT (Cost Per Thousand)

Divides the cost of an advertising medium by the number of persons in the target audience who are reached by the medium.

Cumulative Cash Flow

The balance in your checking account at the end of each accounting period.

Debenture

A corporate security other than an equity security bond; a bond backed by the general credit of the issuer rather than a specific lien on particular assets.

Demographics

The statistical study of populations, particularly as it relates to the age, race, sex, income, and other pertinent socioeconomic factors of a specific area.

Depreciation

The process of writing off against income the decrease in value of a fixed asset over its useful life.

Entrepreneur

One who organizes and assumes the risk of business.

Equity

The money value of property or of an interest in a property in excess of claims or liens against it; a risk interest or ownership right in property.

Gross Margin

The percentage difference between the cost and the selling price of goods (e.g., an item purchased for \$1.00 and sold for \$1.25 has a gross margin of 20 percent).

Gross Profit

The monetary difference between the sale price and the actual cost of the item sold.

Logo

A unique symbol or design that represents a company. Also called a trademark.

MDA

Mississippi Development Authority.

Market

The demand for one's goods. Available customer base.

Market Niche

The unique advantage or benefit a product or service offers a particular group of customers. Marketing success is dependent upon establishing how a product stands out from similar ones.

Market Research and Analysis

The determination of the following: the size of your market, who your customers are, who your competitors are and what their pricing policies are, what their promotional activities are, and an analysis of their product.

Market Activities

Includes identifying unmet needs; producing products and services to meet those needs; and pricing, distributing, and promoting those products and services to produce a profit.

Marketing Mix

Includes a combination of product, packaging, price, channels of distribution, advertising, promoting, and personal selling to get the product in the hands of the customer.

Markup

The percent of increase from the cost to the selling price of goods (e.g., an item purchased for \$1.00 and then sold for \$1.25 has a markup of 20 percent).

Media

The print (newspaper, magazine, etc.) and electronic (radio and television) communication devices used for advertising.

Media Frequency

The number of times the target audience is exposed to an advertising message.

Media Reach

The percentage of a target audience that is exposed to an advertising medium.

Mississippi Mainstreet

A statewide program to provide member communities in Mississippi with information and services to help them accomplish their downtown development and revitalization goals.

MSA (Metropolitan Statistical Area)

The U.S. Bureau of Census' term for an area consisting of one or more counties around a central urban area with 50,000 or more inhabitants and with minimal agricultural employment.

Net Cash Flow

Gross receipts minus gross expenditures as stated on a monthly basis.

“Objective and Task” Budgeting

The determination of the desired advertising result, the costs of the tasks to be done, and determining the amount required to achieve those results.

“Percent of Sales” Budgeting

One of the easiest and most commonly used methods of determining an advertising budget total. Percentages vary, by three to five percent of past sales or a forecast of future sales is a general rule of thumb to use. The assigned percentage may be even higher for a grand opening, introduction of a new product, or other very special promotional reasons. An example of “percent of sales” budgeting would be a firm planning to do \$100,000 worth of business next year and allocating five percent of sales or \$5,000 for the annual advertising budget.

Per-Unit Budgeting

Determines the size of the marketing or advertising budget and allocates it for specific products or services. With this method, each product or service has its own individual budget.

Positioning

The attempt to control the public's perception of a product or service as it relates to competitive products.

Prime Rate

An interest formally announced by a bank to be the lowest available at a particular time to its most credit-worthy customers.

Pro-Forma

Projected; provided in advance to prescribe form or describe items (e.g., pro-forma balance sheet).

Psychographics

Personal and mental concepts that are measured in terms of attitudes, beliefs, opinion, perceived benefits, self-concepts, and lifestyles.

Public Relations

A form of communication primarily directed toward gaining public understanding and acceptance. Public relations usually deal with issues rather than products or services and is used to build goodwill with the public or employees. Examples of public relations are employee training, support of charitable events, or a news release about some positive community participation.

Purchase Cycles

The time periods between purchases of a product, which is important in estimating product or service demand.

SBA

Small Business Administration.

S Corporation

A corporation that elects, by unanimous consent of its shareholders, not to pay any corporate tax on its income (except capital gains, certain passive investment income and certain investment credit recapture) and, instead, to have the shareholders pay taxes on it, even though such income is not distributed.

Segmentation

The process of directing all marketing efforts at a particular group of potential customers. For example, Rolex directs the marketing of its watches to upscale customers who are very brand conscious.

Target Market

The specific group of customers that a company aims to capture. They have been identified as people with needs or wants that can be met with the products or services from this company.

Test Marketing

A limited introduction of a product or service to test public reaction for a full market strategy. Giving the public a small sample of what is to be offered is a form of test marketing.

Resources for Marketing Research

Annual Statement Studies

Philadelphia: Risk Management Association.
Current and historical financial ratios for manufacturers, wholesalers, retailers, service ventures, and contractors. Published annually. Known as the RMA. www.rmahq.org

County Business Patterns

U.S. Bureau of the Census. Washington: U.S. Government Printing Office.
Set of statistical publications covering employment, payroll, and a number of establishments by county and business type on national, state, and county levels. Published annually. www.census.gov/epcd/cbp/view/cbpview.html

County and City Data Book

U.S. Department of Commerce, Bureau of the Census. Washington: U.S. Government Printing Office.
A compilation of statistics on states, counties, and cities of 25,000 or more, and places of 2,500 and more. Subjects include population, education, housing, labor force, business types, etc. Published irregularly. www.census.gov/statab/www/ccdb.html

Directory of Department Stores

New York: Business Guides, Inc.
Nationwide listing of department stores, corporate addresses, executives, and buyers. Published annually. Check with your local library.

Directory of Leading Chain Stores in the United States

New York: Business Guides, Inc. List of U.S. chain stores in retailing and food service industries. Published annually.

Directory of Manufacturers' Agents National Association

Irvine, California:
Manufacturers' Agents National Association (MANA).
Comprehensive directory of the members of MANA listed alphabetically by state location and product line. www.manaonline.org

Economic Census

U.S. Bureau of Census. Washington: U.S. Government Printing Office. Geographic Area Series.
Number of establishments, sales, payrolls, and selected ratios by type of business. Separate publications every five years in the categories of retail trade, service industries, wholesale trade, transportation, manufacturers, mineral industries, and construction industries. www.census.gov/epcd/www/econ97.html

Encyclopedia of Associations

Detroit Michigan:
Gale Research Company.
Comprehensive list of all types of professional and trade associations. Includes purpose, number of members, staff, headquarters' address and services offered. Published annually. www.gale.com

Mississippi Business Directory

Omaha, Nebraska: American Directory Publishing Company.
Statewide business listing by yellow page category and city; manufacturers by city and product. Published annually. Check with your local library.

Mississippi City Traffic Maps, Average Daily Traffic

Jackson, Mississippi:
Mississippi State Highway Department.
City maps depicting average daily traffic passing at specific points on city streets. Revised periodically. www.gomdot.com/maps/city_maps.asp

Mississippi County Traffic Maps, Average Daily Traffic

Jackson, Mississippi:
Mississippi State Highway Department.
County maps depicting average daily traffic passing at specific points on county roads. Published annually. www.gomdot.com/maps/county_maps.asp

Mississippi Manufacturers Directory

Jackson, Mississippi: Mississippi Manufacturers Association.
Identifies manufacturers within the state by city, by SIC code and in alphabetical order. Indicates number of employees. Published annually. www.mma-web.org/directory.aspx?

Occupational Outlook Handbook

Washington: Bureau of Labor Statistics, U.S. Department of Labor.
Outlook on various industries and professions as they relate to the job market. www.bls.gov/oco/

Progressive Grocer's Guide

Stamford, Connecticut: Progressive Grocer's Trade Dimensions.
Published Annually.
Comprehensive data concerning the supermarket industry. www.progressivegrocer.com

Small Business Sourcebook

Detroit, Michigan: Gale Research Company.
Prime reference tool with information sources for 100 (mostly trade and service) small businesses. Also contains general resources. Updated regularly. www.gale.com

Standard Directory of Advertising Agencies

Wilmette, Illinois: National Register Publishing Company.
Nationwide listing for major advertising firms, number of employees, years in business, names of large accounts, names of account objectives. www.nationalregisterpub.com

Survey of Buying Power

New York: Sales and Marketing Management.
Current estimates of effective buying income, population by age, and retail sales by broad groupings. Arranged geographically by states and countries. Published annually. www.sale-andmarketing.com/smm/index.jsp

The Sourcebook of Demographics and Buying Power for Every County in the USA

Fairfax, Virginia: CACI, Inc.
Provides basic demographic, socioeconomic characteristics, and purchasing potential of market areas. Published annually. Check with your local library.

The Sourcebook of Demographics and Buying Power for Every Zip Code in the USA

Fairfax, Virginia: CACI, Inc.
Contains the same kinds of information for zip codes as described for the publication above. Check with your local library.

Thomas Register of American Manufacturers and Thomas Catalog File

New York:
Thomas Publishing Company.
Multi-volume directory of manufacturers and suppliers arranged alphabetically by products, address, and location of sales offices. Published annually. www.thomasnet.com

Thomas Grocery Register

New York: Thomas Publishing Company.
The official buyer's and seller's guide of the food industry. Published annually. www.thomasnet.com

Trade Shows Worldwide

Detroit, Michigan: Gale Research Company.
An international directory to events, facilities and suppliers. www.gale.com

U.S. Industrial Outlook

U.S. Department of Commerce, International Trade Administration.
Washington: U.S. Government Printing Office.
An overview of numerous U.S. industries including recent trends and future outlooks. Statistics on changes in supply and demand for industries. Published annually. www.ita.doc.gov/td/industry/otea/outlook/index.html



APPENDICES

mississippi development authority

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Appendix A - Media Types and Advantages/Disadvantages

<u>MEDIA</u>	<u>ADVANTAGES</u>	<u>DISADVANTAGES</u>
Newspaper	Broad market coverage Immediacy Short lead time Flexible ad size Visibility of product Color Use of coupons to measure direct results People believe what they read	Inconsistent reproduction One-day life span Limited demographic selection “Lost in the crowd” placement Lack of movement and sound
Radio	Demographic selection High frequency Immediacy Sound reinforcement Quick flexibility	Restrictive message length Need for repetition Short recall factor Cluttered placement
Television	Use of sight, sound, motion, color Mass coverage Immediacy Demographic selection	Short exposure Expensive production Expensive air time Cluttered placement Viewing time drops as income rises
Direct Mail	Demographic selection Unlimited message length Consistent reproduction Direct response by order form or coupon	Expensive Difficulty in obtaining “pure” mailing lists Long lead time Negative reaction to “junk” mail
Outdoor	Reaches large audience Long-term exposure Color and graphics Forms include billboards, posters, illuminated signs, moving vehicle signs, bench ads	Limited message length Expensive to produce and place Difficulty in obtaining the best locations Legal restrictions for use

Appendix B - Preparing the Marketing Budget

Initial budgets are difficult to prepare without a previous record or guide, but it is imperative that adequate money be set aside for marketing. There are several methods of determining budget dollars: “percentage of sales”, “objective and task” and “per unit”. Each is appropriate for certain types of business. All are defined in the Glossary section. Choose the one that best suits your company’s needs.

A. Initial Preparation

The easiest budget method and the one that most commonly used by small business is “percentage of sales”.

Calculate projected sales and set aside a percentage of the total figure for marketing expenses, keeping in mind that three percent of sales is an average figure for advertising and promotional costs alone. Higher percentage allowances generally produce greater results if dollars are wisely used. The marketing fund must also cover general administrative expenses, travel, supplies, postage, resource development training, sales force expenses, marketing research, subscriptions, and professional memberships. Although the budget must be flexible enough to allow for miscellaneous expenditures, it is necessary to live as closely as possible within the confines of the predetermined allowance.

The market budget may be prepared monthly or quarterly, depending upon the individual business. Begin by planning a monthly budget. After a year of operation, you may determine that a quarterly breakdown is adequate.

B. Annual Revision

The marketing budget is only effective when implemented around annual business and development objectives, and may be increased or decreased each year depending upon sales and changing needs. Developing subsequent marketing plans is a far simpler process with a previous plan available as a measuring stick. Good marketing requires research, commitment and the ability to be flexible as the market changes. The written plan must be a constant business tool, not constructed then shelved until the next year. Use marketing to make things happen for your business.

SAMPLE MARKETING BUDGET OUTLINE*

	Quarter I		Quarter II		Quarter III		Quarter IV	
Marketing Expenditures	Percent Marketing \$ Budget		Percent Marketing \$ Budget		Percent Marketing \$ Budget		Percent Marketing \$ Budget	
Advertising								
Newspaper								
Magazines								
Trade Publications								
Radio								
Outdoor								
Television								
Specialty Items								
Direct Mail								
Point of Purchase								
Co-op Ads								
Production/Creative								
Sales Promotion								
Brochures/Flyers								
Trade Shows								
Newsletters								
Customer Services								
Décor/Display								
Community Events								
Clerical								
Managerial								
Secretarial								
Telephone								
Travel								
Postage								
Supplies								
Sales Force Expenditure								
Motivation Program								
Recruiting								
Salaries and Benefits								
Telephone								
Training Program								
Travel								
Professional Membership								
Subscriptions								

SAMPLE MARKETING BUDGET OUTLINE *continued*

	Quarter I		Quarter II		Quarter III		Quarter IV	
Marketing Expenditures	Percent Marketing \$ Budget		Percent Marketing \$ Budget		Percent Marketing \$ Budget		Percent Marketing \$ Budget	
Marketing Research								
Computer Time								
Salaries and Benefits								
Supplies								
Telephone								
Travel								

Miscellaneous								

Total Budget								

* **NOTE:** Many specific items in the sample will not be necessary for all businesses. Some businesses will require even more items in the budget.

Appendix C - Sample Financial Pro-Forma Statements

The financial plan is basic to the evaluation of a business opportunity and should represent your best estimate of future operations. It can also serve as an operating plan for your management team.

In developing a financial plan, several basic forecasts must be prepared. Many decisions will be based on what you present here. At the appropriate time, your advisors may recommend some changes, but it is vitally important that you apply your best effort in formulating these forecasts.

A. SOURCES AND USES OF FUNDS

Please refer to Exhibit VI-A.

B. PRO-FORMA CASH FLOW ANALYSIS

Please refer to Exhibit VI-B.

C. PROFIT AND LOSS FORECASTS

Please refer to Exhibit VI-C.

D. PROFORMA BALANCE SHEET

Please refer to Exhibit VI-D.

For an existing business, balance sheets and income statements for the current and previous three years should be provided. After you have completed preparation of the financial exhibits, briefly highlight the important conclusions that can be drawn. Finally, explain all of your assumptions and the sources of your data.

EXHIBIT VI-A - Sources and Uses of Funds

FUNDS AVAILABLE:

Owner's funds	_____	
Other equity	_____	
Loan No. 1	_____	
Loan No. 2	_____	
Total		_____

USES OF FUNDS:

Land	_____	
Building	_____	
Equipment	_____	
Machinery	_____	
Renovations	_____	
Prepaid insurance	_____	
Promotions	_____	
Inventory	_____	
Furniture and fixtures	_____	
Deposits	_____	
Other	_____	
Total		_____

CASH BALANCE:

(Or working capital) _____

Exhibit VI-B

EXHIBIT VI-B

Month:	1	2	3	4	5	6	7	8	9	10
Sales:										
Sales # 1	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Sales #2	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Less returns	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
TOTAL SALES	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Cash Receipts:										
0-30 days	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
31-60 days	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Over 60 days	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Total	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Disbursements:										
Material cost	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Labor	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Management	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Payroll tax	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Benefits	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Advertising	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Auto expense	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Contributions	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Charge cards	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Dues	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Freight	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Insurance	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Legal/acct.	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Office supplies	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Shop supplies	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Travel	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Telephone	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Utilities	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Repairs	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Tax/license	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Rent/lease	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Other expense	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Principal pmt.	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Interest pmt.	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Add. inventory	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Equipment	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Fixtures	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Utility deposits	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Other assets	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Income taxes	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Total	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
NET CASH FLOW	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
CUMULATIVE	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____

EXHIBIT VI-C - Profit and Loss Forecast

	Year 1		Year 2	
	Amount	% of Net	Amount	% of net
Sales:				
Sales #1				
Sales #2				
Gross Sales				
Less returns				
Net Sales:		100%		100%
Cost of goods sold:				
Beginning inventory				
Purchases				
Additional inventory				
Goods available				
Less ending inventory				
Total Material Cost				
G&A Expenses				
Labor				
Management				
Payroll tax				
Benefits				
Advertising				
Truck/auto expense				
Contributions				
Charge cards				
Dues & subscriptions				
Freight				
Insurance				
Legal & accounting				
Office supplies				
Shop supplies				
Travel				
Telephone expense				
Utilities				
Repairs				
Taxes/licenses				
Rent/lease				
Other expenses				
Interest payments				
Depreciation				
Total G&A Expenses				
Net income (pre-tax)				
Income tax:				
Federal				
State				
Total taxes				
NET INCOME				

EXHIBIT VI-D - Pro-Forma Balance Sheet

	Year 1		Year 2
		ASSETS	
Current Assets:			
Cash	_____		_____
Ending inventory	_____		_____
Accounts receivable	_____		_____
Other	_____		_____
Total current assets		_____	_____
Fixed Assets:			
Land	_____		_____
Building	_____		_____
Equipment	_____		_____
Machinery	_____		_____
Renovations	_____		_____
Furniture & fixtures	_____		_____
Other	_____		_____
Total fixed assets		_____	_____
Less accum. depreciation		_____	_____
Net fixed assets		_____	_____
Other Assets:			
Deposits	_____		_____
Other	_____		_____
Total other assets		_____	_____
Total Assets:		_____	_____
		LIABILITIES	
Current Liabilities:			
Notes payable	_____		_____
Current portion			
long-term debt	_____		_____
Other	_____		_____
Total current liabilities		_____	_____
Long-Term Liabilities:			
Loans payable	_____		_____
Less current portion	_____		_____
Total long-term debt		_____	_____
Total Liabilities:		_____	_____
		EQUITY	
Owners' funds	_____		_____
Retained earnings	_____		_____
Total Equity		_____	_____
Total Liabilities		_____	_____
And Equity		_____	_____

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