



Jerome E. Horton
Member
State Board of Equalization

In Collaboration With:

Dr. Ed Hernandez, O.D.
State Senator, 22nd Senate District

Roger Hernández
Assemblymember, 48th Assembly District

Jeffrey Prang
Assessor, Los Angeles County

Andre Quintero
Mayor, City of El Monte
City of El Monte
El Monte/South El Monte Chamber of Commerce

WELCOME!
El Monte Business Resource Seminar & Expo



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Todd Gilman
Taxpayers' Rights Advocate
916-445-0218
888-324-2798



*We're
here
for
you*

California Taxpayer Advocates



Board of
Equalization
Employment
Development
Department
Franchise
Tax Board
Internal
Revenue
Service

California Tax Service Center
www.taxes.ca.gov

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HOW TO CONTACT US				
California Tax Service Center: www.taxes.ca.gov				
AGENCY	TYPE OF TAX HELP	VISIT OUR WEBSITE	TELEPHONE OR FAX	SEND CORRESPONDENCE TO
Board of Equalization (BOE)	Sales and Use Taxes Property Taxes Special Taxes and Fees	BOE—Advocate www.boe.ca.gov/traltra.htm	Advocate's Office 888-324-2798 Fax: 916-323-3319	Taxpayers' Rights Advocate Office, MIC:70 PO Box 942879 Sacramento, CA 94279-0070
		BOE—General www.boe.ca.gov	BOE Customer Service 800-400-7115	Board of Equalization PO Box 942879 Sacramento, CA 94279-0001
Employment Development Department (EDD)	Employment Taxes Unemployment Insurance Employment Training Tax State Disability Insurance State Personal Income Tax Withholding	EDD—Advocate www.edd.ca.gov/payroll_taxes/taxpayer_advocate.htm	Advocate's Office 866-594-4177 Fax: 916-654-6969	Taxpayer Advocate Office PO Box 826880, MIC:93 Sacramento, CA 94280-0001
		EDD—General www.edd.ca.gov	EDD Customer Service 888-745-3886	Employment Development Department PO Box 2068 Rancho Cordova, CA 95741-2068
Franchise Tax Board (FTB)	Personal Income Taxes Franchise Taxes Bank Taxes Corporation Taxes	FTB—Advocate www.ftb.ca.gov/aboutftb/taxpayer_advocate/index.html	Advocate Hotline 800-883-5910 Fax: 916-843-6022	Executive Liaison Section PO Box 157 Rancho Cordova, CA 95741-0157
		FTB—General www.ftb.ca.gov	FTB Customer Service 800-852-5711	Franchise Tax Board PO Box 942840 Sacramento, CA 94240-0040
Internal Revenue Service (IRS)	Income Taxes Employment Taxes Corporate Taxes Partnership Taxes Estate Taxes Nonprofit and Charitable Organization Taxes	IRS—Advocate www.irs.gov/advocate	National Taxpayer Advocate 877-777-4778 <i>Call / fax us locally</i> Laguna Niguel 949-389-4804 / 949-389-5038 Los Angeles 213-576-3140 / 213-576-3141 Oakland 510-637-2703 / 510-637-2715 Sacramento 916-974-5007 / 916-974-5902 San Jose 408-817-6850 / 408-817-6852	Please call the local office nearest you or visit the IRS website for addresses
		IRS—General www.irs.gov	IRS Customer Service 800-829-1040	

Common Advocate Responsibilities

- Resolve problems when normal channels don't work
- Maintain independent status
- Provide independent review
- Protect taxpayers' rights
- Adhere to agency tax laws
- Identify trends and issues
- Identify inequities
- Propose changes
- Ensure courteous treatment of the public
- Determine whether to suspend collections while case is in review
- Encourage public suggestions
- Promote understandable and simple
 - Tax laws
 - Regulations
 - Policies
 - Procedures
 - Publications

Additional copies of this publication may be ordered online at www.boe.ca.gov/cgi-bin/form_search.cgi or by telephone at 800-400-7115.

BE PREPARED FOR YOUR SUCCESS

FOR BOE – El Monte
October 12, 2016

Presented by: RICHARD PALLAY



A Note of Thanks



Small businesses provide **55% of all jobs** and **66% of all net new jobs** since the 1970s



Since 1990, as big business eliminated 4 million jobs, small businesses added **8 million new jobs**



The **23 million** small businesses in America account for **54%** of all U.S. sales.



Corporate America has been "downsizing", while the rate of small business "start-ups" has grown, and the **rate for small business failures has declined**

YOU took a "Leap of Faith"



WHAT IS A CDC?

- CDC = Certified Development Company

CDCs are certified by the SBA (Small Business Administration) to administer SBA 504 loans, primarily for commercial real estate.

- 260+ CDC's in the country



CDC SMALL BUSINESS FINANCE

- Largest CDC in the nation
- Variety of loan programs offered
- Current staff of 80+ professionals
- Loan portfolio of over \$2 billion in California / Nevada / Arizona with over 3,500 loans

37+ Years of Making a Difference

\$4,620,000,000

in SBA Commercial Real Estate
Loans Funded

\$12,900,000,000

Total Dollars leveraged via
SBA-504 loans

\$3,620,000

in Community Contributions
We give back!

\$150,000,000

Issued via general
business loans, including
SBA-7a financing

167,000

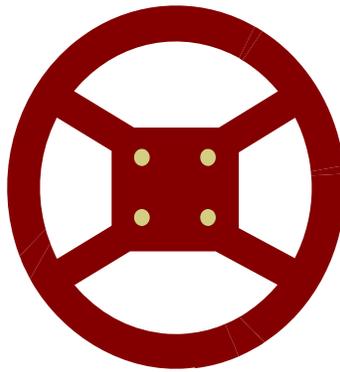
Jobs Created & Preserved
That's 12 jobs a day every single day
for the past 37 years!

\$145,000+

in Scholarships Awarded
Helping people, it's what we do!



READY TO CHANGE STRATEGY?



Take The Wheel!



HERE IS THE REALITY

Fact:

More small businesses **fail** than
succeed because of two main
reasons:

Lack of preparation

Lack of funding

Are **You** Ready To **Work**



DO YOU SEE WHAT OTHERS SEE?



THE LENDING READINESS TEST

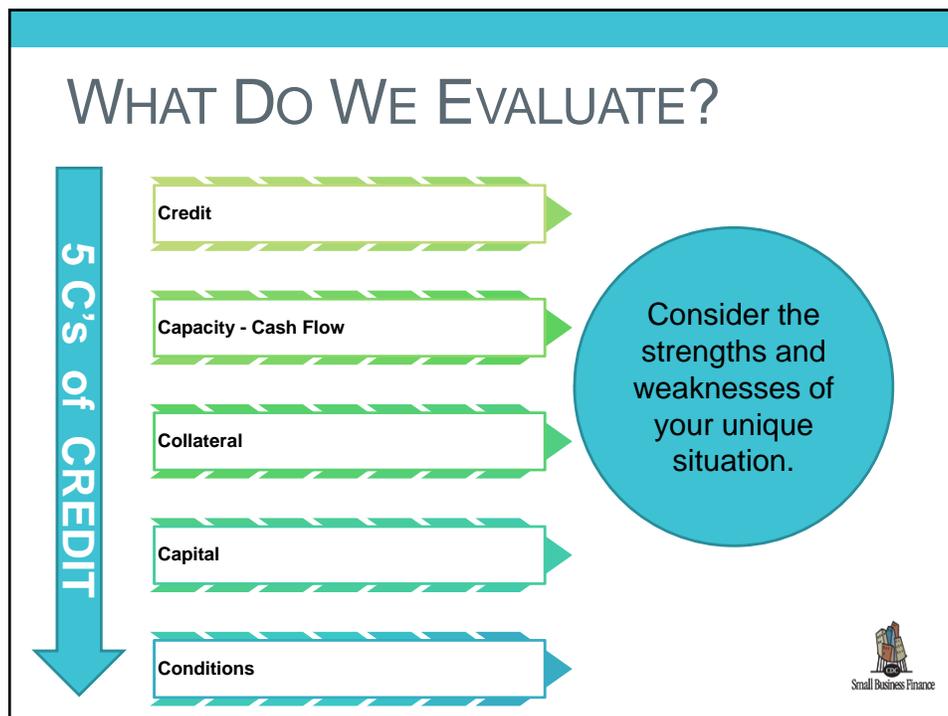
How much do you need?

How will you use the funds?

How will you pay it back?

Borrowing Is Not For Everyone





CREDIT

Personal credit of:

- Anyone with **20% or more** ownership in the business
- **Spouses** of business owners
- Co-signers

Small Business Finance

CREDIT - cont'd

Credit Score:

- **Payment history**
- **Percentage** of revolving debt available
- Length of credit history
- Types of credit: Revolving & Installment debt

Credit Resources:

- www.annualcreditreport.com
- www.credit.org



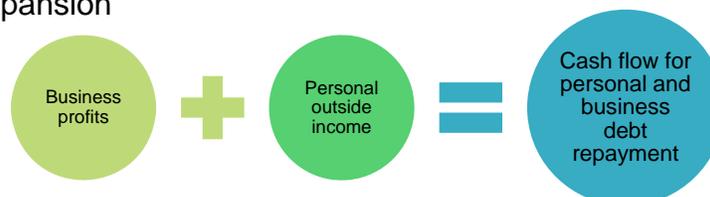
CAPACITY – GLOBAL CASH FLOW

Business Income:

- **Profit on recent** tax returns and interim financials
- Projected income for new businesses or those planning significant expansion

Personal Income:

- Other employment
- Other businesses
- **Spousal**
- **Military**



COLLATERAL

Collateral - **Tangible assets** that can be sold by the lender in the event that the business is not able to repay the loan.

Common forms of collateral:

- Personal Residence – *if the property has equity when valued at 85% of the present market value*
- Business Assets – *all inventory and equipment owned by the business*
- Personal Assets – *personal vehicle, cash*



CAPITAL INJECTION

Capital - Funds the **business owner(s)** will put into the business for this project.

Sources:

- Savings
- **Home equity** line of credit
- Partner contributions
- Family and friends (**gifted**)



Start-up: 30% injection required

Business Acquisition: 20% injection required



CONDITIONS - EXPERIENCE

Questions we ask:

- What **experience** do the primary business owner(s) and operator(s) have in the industry?
- If they do not have direct experience, **who will they hire?** How will their skills/abilities allow them to successfully operate this business?
- What is the climate of the economic environment for your particular business?



TYPES OF FINANCING

Alternative loan programs
are available when
Your Bank says “No”



WHAT KIND OF DEALS DO WE DO?

Viable deals with some strengths, but not strong enough for bank financing.

Reasons banks will not fund a business that we will include:

- **Limited** industry experience
- **Weak** cash flow
- **Weak** collateral
- **Credit issues**
- **Small dollar request**

70%-85% of small businesses are declined for credit in California

Opportunity is Knocking



COMMUNITY ADVANTAGE LOAN PROGRAM

- Offered directly by CDC Small Business Finance
- Offered throughout CA, AZ and NV
- Loan Range: **\$50,000 - \$250,000**
- Loans offered for **start-ups**, existing businesses, expansions, and business acquisitions
- Rates: Prime + 2.75% to Prime + 6% **6.25% - 9.50%**
- Terms: 7-**10** years



SBA MICRO LOANS

- Offered directly by CDC Small Business Finance
- **Offered in** San Diego, Orange, Riverside, Imperial and San Bernardino, Los Angeles, Kern, and Fresno counties
- **Loan Range:** \$5,000 - \$50,000
- **Loans offered for** viable businesses that do not meet bank requirements
- **Rates:** Prime + 5% = **8.50%**
- **Terms:** 3- **5** years
- Post-loan technical assistance is required



OTHER SMALL BUSINESS LENDING RESOURCES

SBA WEBSITE

- www.sba.gov

TECHNICAL ASSISTANCE & CONSULTING

CITY OF LOS ANGELES

BUSINESS SOURCE CENTERS

- WWW.LABUSINESSSOURCE.ORG

SMALL BUSINESS DEVELOPMENT CENTER (SBDC)

- WWW.CALIFORNIASBDC.ORG

INTERNET-BASED RESOURCES

CROWD FUNDING:

- KIVAZip.org
- LendingClub.com
- Kickstarter.com
- IndieGoGo.com
- Razoo.com
- Equitynet.com
- Prosper.com
- Lendio.com



PREPARE FOR A BUSINESS LOAN

- Develop a relationship with your **Banker and SBA Resource partner**
- **Report ALL** income on your taxes
- Write a business plan and include 2-year assumptions and financial projections
- **Know the value of your home**
www.zillow.com
- **Know your credit score**
 - www.annualcreditreport.com
 - select Equifax



Don't Miss Out!

Opportunity is missed by most people because it is dressed in overalls and looks like work.

Thomas A. Edison



Initial Data		Scenario Facts:	
LOAN DATA		Personal Income:	\$500.00/mo – Disability Recipient
Loan amount:	\$70,000.00	Business Income:	\$20,000.00 – GROSS PROFIT
Annual interest rate:	7.250%	Credit:	Current modification on his home
Term in years:	7	<hr/>	
Payments per year:	12	Gross (business) profit divided by 12 months	
First payment due:	1/1/2015	<hr/>	
PERIODIC PAYMENT		\$1,666.67 - GROSS MONTHLY PROFIT	
Entered payment:		Subtract monthly loan payment	
Calculated payment:	\$1,065.06	\$1,065.06 - MONTHLY LOAN PAYMENT	
CALCULATIONS		Net (business) profit	\$ 601.60 +
Use payment of:	\$1,065.06	Net (personal) Income	\$ 500.00
1st payment in		Global Cash Flow	\$ 1,101.60

Can Jake pay a Driver, gas, maintenance, and personal expenses monthly?

RESTAURANT ~ EXAMPLE

- A father and daughter start a restaurant business together.
- Loan request of \$100,000
- Father has over 20 years of experience being a chef, poor credit, and 19% ownership.
- Daughter has strong credit, capital injection, and no industry experience.

Would the Daughter be a good applicant on her own?
Would the Father be a good applicant on his own?
Would they qualify better together?

MOBILE PET GROOMING ~ EXAMPLE

- Ricardo is applying for \$50,000 to purchase mobile pet grooming van
- Capital injection of \$9,000
- Over 10 years in industry experience
- Excellent credit
- Previous misdemeanor charge 8 years ago
- Mary (wife) works full-time as a manager at a pet grooming salon
- Homeowners with no equity

Can this borrower qualify for a loan?



Sales and Use Tax: *Simplifying Taxes for Your Business* presented by the Board of Equalization



About this Presentation

The contents of these slides do not constitute written advice from the Board of Equalization (BOE) under Revenue and Taxation Code, Section 6596.

This presentation is designed to illustrate general tax concepts, and does not address every situation. The BOE can provide written advice for all transactions, including unique and particular situations.

Requests for written advice can be emailed to the BOE at www.boe.ca.gov/info/email.html or mailed directly to the BOE field office nearest you.

Presentation Objectives

- Sales and use tax: What's taxable?
- Responsibilities as a seller in California
- How your business can avoid problems
- Where to find BOE resources and services

Sales

What exactly is a sale?



Tangible Personal Property (TPP)

TPP



Non-TPP



These examples are not meant to be all inclusive

Seller's Permit

- Allows businesses to make sales of tangible personal property in California
- Posted at each place of business

DISPLAY CONSPICUOUSLY AT PLACE OF BUSINESS FOR WHICH ISSUED

CALIFORNIA STATE BOARD OF EQUALIZATION

SELLER'S PERMIT

ACCOUNT NUMBER
09/07/2015 SR KH 900-000642

HELLO GOODBYE
700 H ST
SACRAMENTO, CA 95814-1216

NOTICE TO PERMITTEE:
You are required to obey all Federal and State laws that regulate or control your business. This permit does not allow you to do otherwise.

IS HEREBY AUTHORIZED PURSUANT TO SALES AND USE TAX LAW TO ENGAGE IN THE BUSINESS OF SELLING TANGIBLE PERSONAL PROPERTY AT THE ABOVE LOCATION. THIS PERMIT IS VALID ONLY AT THE ABOVE ADDRESS.

THIS PERMIT IS VALID UNTIL REVOKED OR CANCELED AND IS NOT TRANSFERABLE. IF YOU SELL YOUR BUSINESS OR DROP OUT OF A PARTNERSHIP, NOTIFY US OR YOU COULD BE RESPONSIBLE FOR SALES AND USE TAXES OWED BY THE NEW OPERATOR OF THE BUSINESS.

Not valid at any other address.

For general tax questions, please call our Customer Service Center at 1-800-400-7115 (TTY:711).
For information on your rights, contact the Taxpayers' Rights Advocate office at 1-888-324-2798 or 1-916-324-2798.

BOE-442-R REV. 16 (11-14)

Sales Tax

All sales are taxable unless specifically exempt by law.

- Definition
- Responsibilities

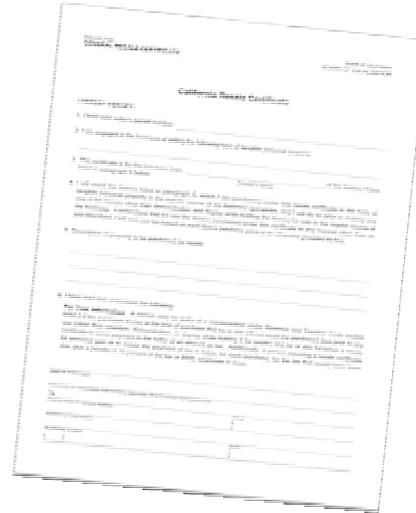


Common Sales Tax Exemptions and Deductions

- Sales for resale
- Non taxable sales of food products
- Labor (repair and installation)
- Sales to the U.S. Government
- Sales in interstate and foreign commerce
- Sales tax included in gross receipts

Sales for Resale

Resale Certificate



Food Products

Non Taxable

Taxable

- Groceries

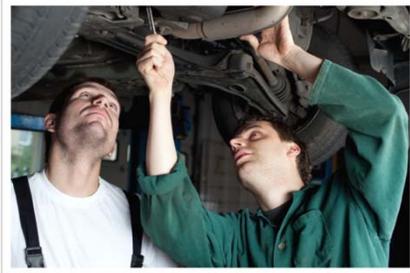
- Restaurants



Labor

Non Taxable

- Repair
- Installation



Taxable

- Fabrication
- Assembly



Sales to the U.S. Government

Non Taxable

- Federal agencies

Taxable

- Local and state agencies



Sales in Interstate and Foreign Commerce



- The sale occurs outside of California and the use occurs outside of California

Sales Tax Included in Gross Receipts

