Jerome E. Horton
Member
State Board of Equalization

In Collaboration With:

Julia Brownley
U.S. Congresswoman, 26th District

Hannah-Beth Jackson
State Senator, 19th Senate District

Das Williams
Assemblymember, 37th Assembly District

Dan Goodwin
Ventura County Assessor

Erik Nasarenko
Mayor, City of Ventura

Ventura Chamber of Commerce

WELCOME!
Ventura Business Resource Seminar & Expo

Jerome E. Horton
Member
California State Board of Equalization

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U.S. Congresswoman

26th District

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Assemblymember

California State Assembly, 37th District

WELCOME!

El Monte Business Resource Seminar & Expo

Dan Goodwin

Assessor

Ventura County

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City of Ventura

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Ventura Chamber of Commerce

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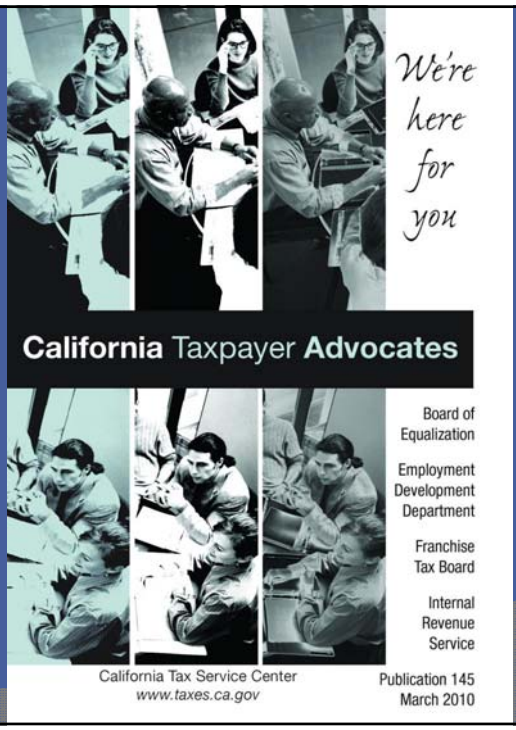
Dan Leddy
Taxpayers' Rights Advocate
916-445-0218
888-324-2798



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/tra/tra.htm* BOE—General *www.boe.ca.gov*	Advocate's Office 888-324-2798 Fax: 916-323-3319 BOE Customer Service 800-400-7115	Taxpayers' Rights Advocate Office, MIC:70 PO Box 942879 Sacramento, CA 94279-0070 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* EDD—General *www.edd.ca.gov*	Advocate's Office 866-594-4177 Fax: 916-654-6969 EDD Customer Service 888-745-3886	Taxpayer Advocate Office PO Box 826880, MIC:93 Sacramento, CA 94280-0001 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* FTB—General *www.ftb.ca.gov*	Advocate Hotline 800-883-5910 Fax: 916-843-6022 FTB Customer Service 800-852-5711	Executive Liaison Section PO Box 157 Rancho Cordova, CA 95741-0157 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* IRS—General *www.irs.gov*	National Taxpayer Advocate 877-777-4778 *Call / fax us locally* 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 IRS Customer Service 800-829-1040	Please call the local office nearest you or visit the IRS website for addresses

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 – Ventura
November 9, 2016

Presented by: ANNA MARIE CRUZ

CDC Small Business Finance

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.

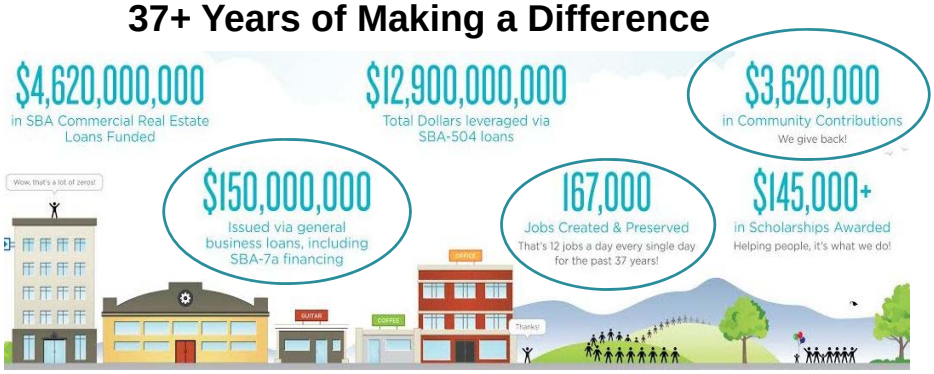
- 260+ CDC's in the country

Small Business Finance

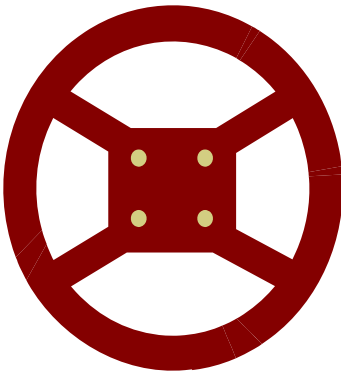
CDC SMALL BUSINESS FINANCE

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

37+ Years of Making a Difference



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?

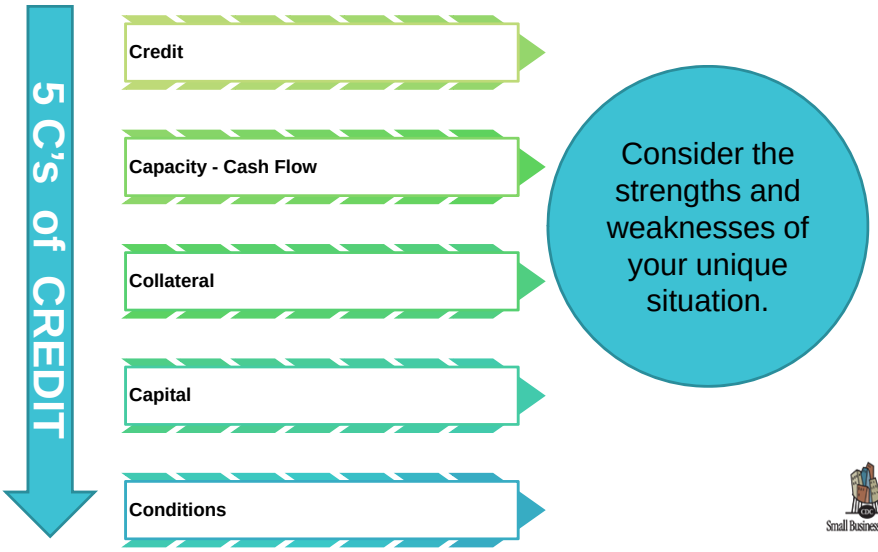
How will you use the funds?

How will you pay it back?

Borrowing **Is Not** For Everyone

Small Business Finance

WHAT DO WE EVALUATE?



CREDIT

Personal credit of:

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

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

Small Business Finance

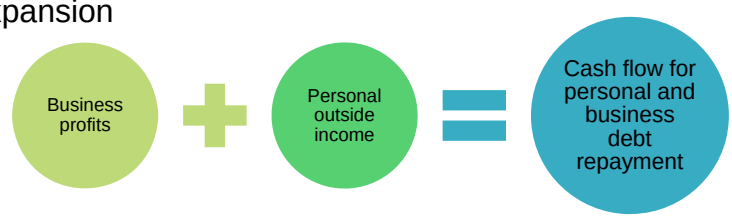
CAPACITY – GLOBAL CASH FLOW

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



Small Business Finance

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?

Small Business Finance

TYPES OF FINANCING

Alternative loan programs
are available when
Your Bank says "No"

Small Business Finance

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

CONTACT ME

Small Business Finance

RICHARD PALLAY JR

- rpallay@cdcloans.com
- **(626) 660-6970**
- 80 S. Lake Avenue, Suite 528
- Pasadena, CA 91101
- www.cdcloans.com

LOGISTICS ~ EXAMPLE

- Jake wants to expand his logistics business
- He is seeking a loan of $70,000 to purchase a second truck
- He believes the second truck will increase his income.
- Jake receives disability of $500 a month. His business show a net profit of $20,000 a year, he is currently doing a loan modification on his home.

Does Jake qualify for the loan?

Initial Data

LOAN DATA	
Loan amount:	**$70,000.00**
Annual interest rate:	**7.250%**
Term in years:	**7**
Payments per year:	12
First payment due:	1/1/2015
PERIODIC PAYMENT	
Entered payment:	
Calculated payment:	$1,065.06
CALCULATIONS	
Use payment of:	$1,065.06
1st payment in	

Scenario Facts:

Personal Income:
$500.00/mo – Disability Recipient
Business Income:
$20,000.00 – GROSS PROFIT
Credit:
Current modification on his home

Gross (business) profit divided by 12 months

$1,666.67 - GROSS MONTHLY PROFIT
Subtract monthly loan payment
$1,065.06 - MONTHLY LOAN PAYMENT

Net (business) profit	**$ 601.60**	**+**
Net (personal) Income	~~$ 500.00~~	
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, and19% 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

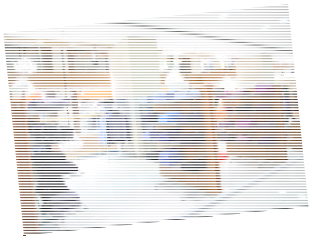
Sales

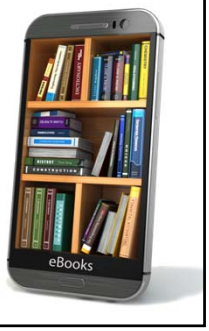
What exactly is a sale?

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.

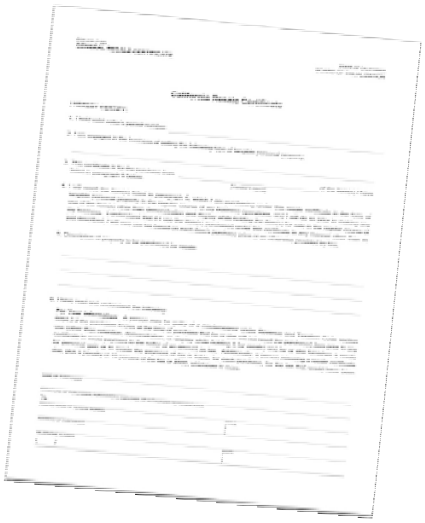
- Definition
- Responsibilities

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

- Groceries

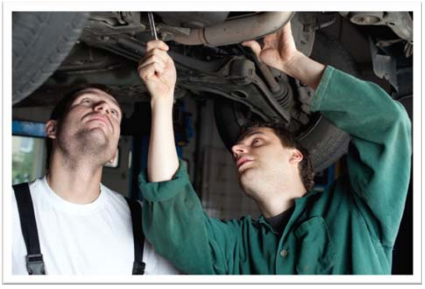
Taxable

- Restaurants

Labor

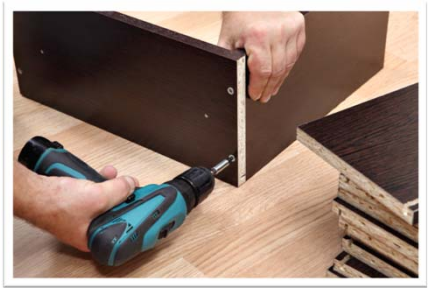
Non Taxable

- 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 <u>and</u> the use occurs outside of California

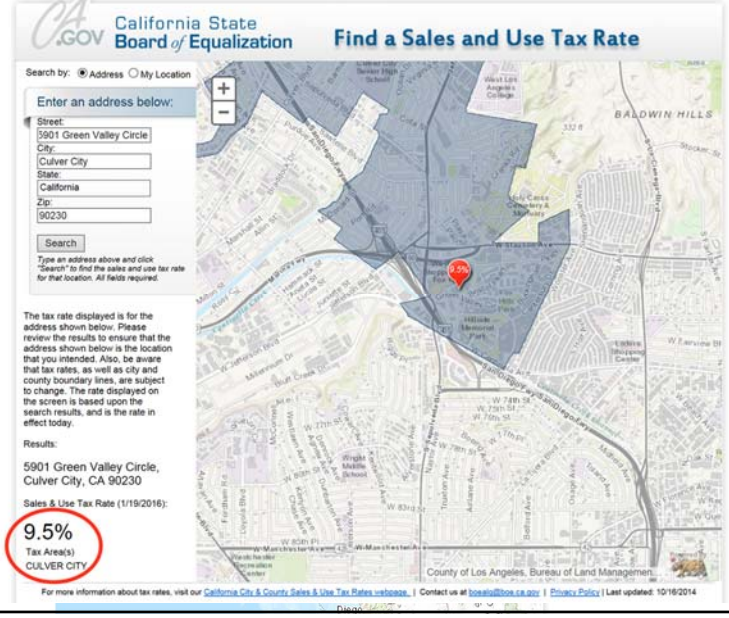
Sales Tax Included in Gross Receipts

Use Tax

- Definition
- Items removed from inventory (Use)
- Purchases from out of state retailers

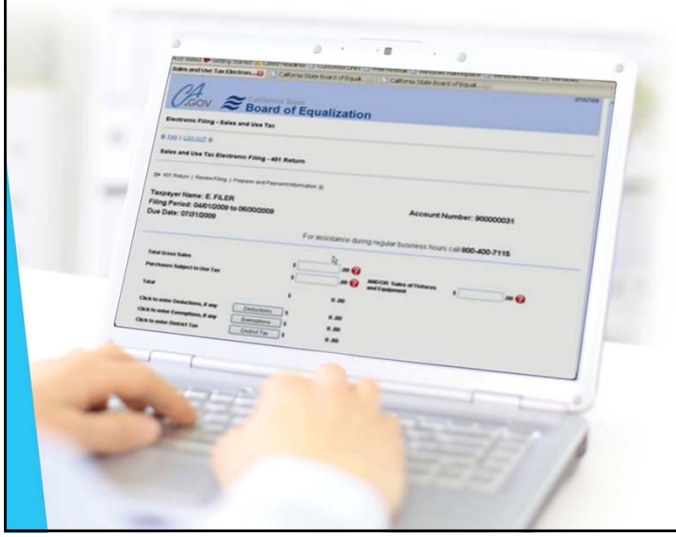
- Online purchases
- Catalog sales

Sales and Use Tax Rate



Taxpayer Responsibilities

Filing sales and use tax returns



Reporting basis

Avoiding:

- Interest
- Penalties
- Collection fees

Additional Licenses and Accounts Required by the BOE

- Cigarette license
- eWaste
- Tire fee
- Underground storage tank

Account Maintenance

Report changes:

- Ownership
- Location
- Mail and email address
- Closing your business

Recordkeeping

BOE Requirements

Resources and Services

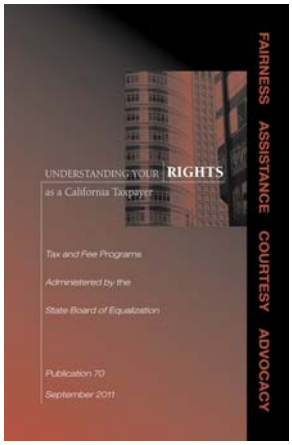
Call Center: (800) 400-7115

Open Monday - Friday, 8:00 a.m. – 5:00 p.m.

Taxpayers' Rights Advocate

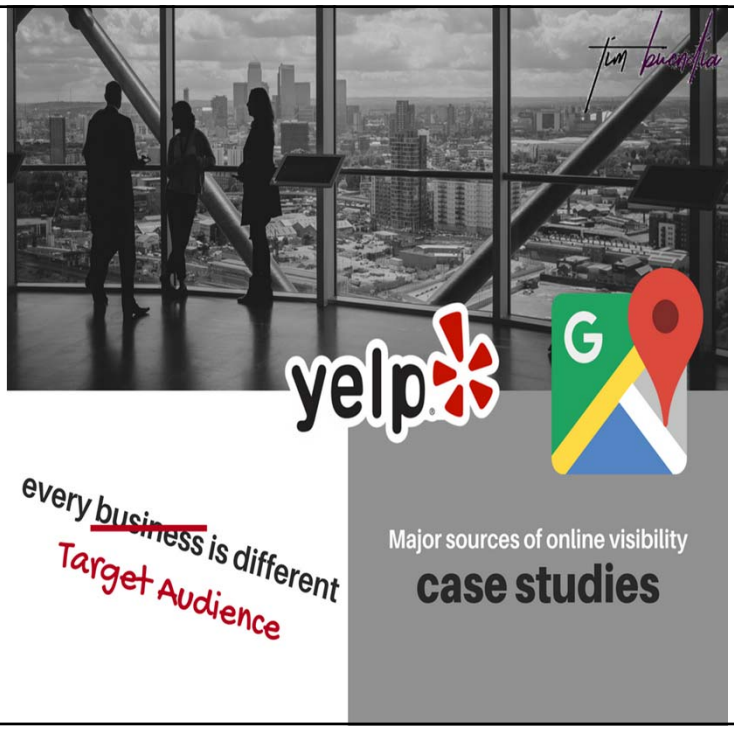
(888) 324-2798

If you are unable to resolve a disagreement with the BOE and you would like to know more about your rights under the law.



The BOE wishes you success in your business venture!

Tim Buendia
Why, where, and how should I invest my time online?
social
video
web
What kind of content should I create and how do I create it?


Tim Buendia
yelp
G
every business is different
Target Audience
Major sources of online visibility
case studies

Tim Buendia

CASE STUDY

4/23/2016

The food was fine. I don't know what they're thinking decorating with neon poster board. It looks like an early 90s elementary school classroom in there. A big reason to leave the house for breakfast is charming ambience. This place has none.

Tim Buendia

CASE STUDY

7/9/2016

1 check-in

Normally the food and service is great; but today the service was terrible! Don't know the reason but hopefully a fluke...

tim buendia

CASE STUDY

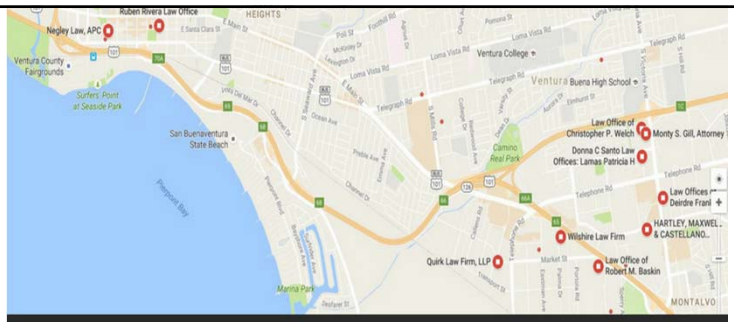
4/13/2016

1 check-in

I love checking out coffee shops, so tried this one based on pictures of the food.

Food was mediocre, server was nice, the more concerning part of the experience is the odor of urine that you get sitting in the booths adjacent to the wall of bathrooms. Wafting smells of it. Horrible thing to try to eat and smelling pee while your doing it.

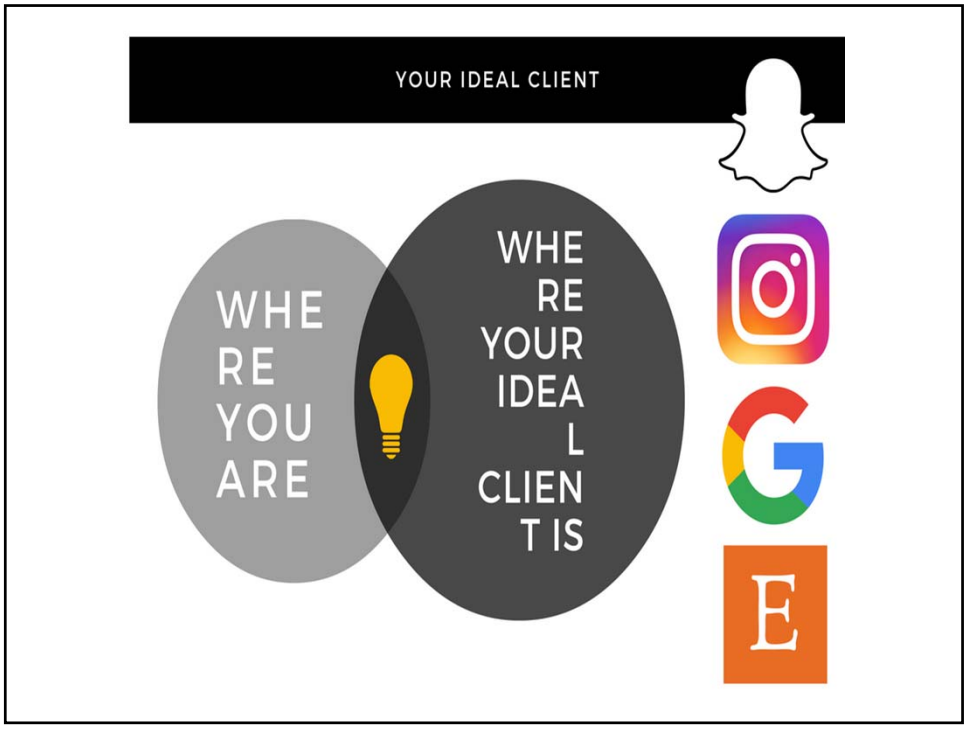
Probably would not go back here.



Yelp & Google Maps

It's like having a free business consultants

Claim your business	Reach out and explain
Balance the feedback	These people took time to give feedback
Upload great images	Be appreciative and pro-active


YOUR IDEAL CLIENT
WHE
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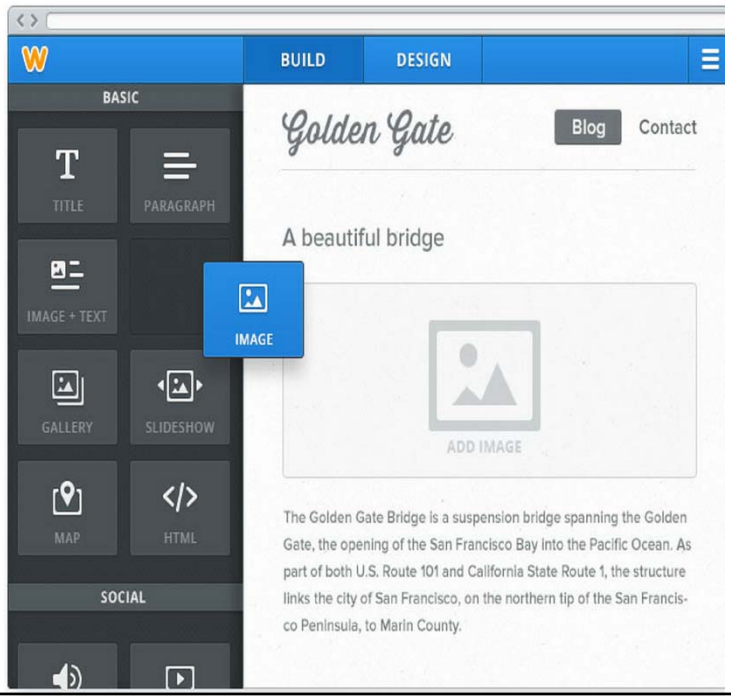
Tim Buendia
Your Website.
NOVEMBER 2016
NEVER BEEN EASIER & MORE INEXPENSIVE

weebly
GoDaddy
WiX
• Build in designs | Drag and drop
• Very easy & quick
• Professional hosting for about $10 dollars a month
The reasons to love it


BUILD
DESIGN
BASIC
TITLE
PARAGRAPH
IMAGE + TEXT
IMAGE
GALLERY
SLIDESHOW
MAP
HTML
SOCIAL
Golden Gate
Blog
Contact
A beautiful bridge
ADD IMAGE
The Golden Gate Bridge is a suspension bridge spanning the Golden Gate, the opening of the San Francisco Bay into the Pacific Ocean. As part of both U.S. Route 101 and California State Route 1, the structure links the city of San Francisco, on the northern tip of the San Francisco Peninsula, to Marin County.

easier than this

DIGITAL MEDIA

7 MINUTE STRESSTEST

2016

STATE OF CALIFORNIA
Franchise Tax Board

Forms of Ownership

Presented by

Small Business Education and Outreach Section

2016

STATE OF CALIFORNIA
Franchise Tax Board

Sole Proprietorships

STATE OF CALIFORNIA
Franchise Tax Board

Sole Proprietorship Characteristics

The simplest form of doing business.

No formal transfer of assets to start business.	Business' taxable year is the same as the owner's taxable year.

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Franchise Tax Board

Sole Proprietorship Characteristics

- Sole proprietors use Federal Schedule C to report the business' profit or loss on their Form 540 income tax returns whether distributed or not.
- Losses generally offset other income.
- Sole proprietor is not considered to be an employee of the business.

STATE OF CALIFORNIA
Franchise Tax Board

2016

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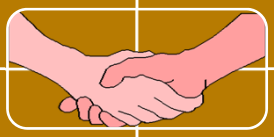
General Partnerships

STATE OF CALIFORNIA
Franchise Tax Board

Partnership Characteristics

Two or more persons carrying on a business for profit.

Flexible form of business and relatively easy to set up.



Partners decide the organization's structure and distribution of profits and losses.

A formal written agreement is advisable.

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Franchise Tax Board

Partnership Characteristics

- Not a separate taxable entity.
- Partnership files informational return using Form 565.
- Partners report profit or loss on their individual Form 540 income tax returns whether distributed or not.
- Losses may be limited.

STATE OF CALIFORNIA
Franchise Tax Board

Most Commonly Used Legal Entities

Corporations

Limited Liability Companies

There are other less common legal entities types available. For more information see our publication FTB 1123, *Forms of Ownership.*

STATE OF CALIFORNIA
Franchise Tax Board

California Legal Entities

Formed by filing the appropriate documents or forms with the California Secretary of State.

Corporation	Limited Liability Company
• Articles of Incorporation • Various Forms • Minimum Tax	• Articles of Organization • Form LLC-1 • Annual Tax and Fee

Taxed annually until formally dissolved or cancelled.

STATE OF CALIFORNIA
Franchise Tax Board

2016

STATE OF CALIFORNIA
Franchise Tax Board

C Corporations

STATE OF CALIFORNIA
Franchise Tax Board

C Corporation Characteristics

A separate legal entity owned by shareholders.

Must register with SOS before conducting business.

Can be costly to set up and maintain.

Option of choosing an income year other than the calendar year.

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Franchise Tax Board

C Corporation Characteristics

California Corporation
2014 Franchise or Income Tax Return
100

- Files using Form 100.
- Taxed annually on its earnings at a rate of 8.84% on net income.
- Subject to $800 minimum tax.
- Shareholders taxed on distributed dividends.

STATE OF CALIFORNIA
Franchise Tax Board

2016

STATE OF CALIFORNIA
Franchise Tax Board

S Corporations

STATE OF CALIFORNIA
Franchise Tax Board

S Corporation Characteristics

A separate legal entity owned by shareholders.

Must register with SOS before conducting business.

Election is made for S corporation status.

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Franchise Tax Board

S Corporation Characteristics

No more than 100 shareholders.

Only one class of stock.

Shareholder can only be individuals, estates, or certain trusts.

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Franchise Tax Board

S Corporation Characteristics

California S Corporation
2014 Franchise or Income Tax Return
100S

- A hybrid business entity.
- Files using Form 100S.
- State tax rate of 1.5% of net income. Not subject to federal tax.
- Subject to $800 minimum tax.
- Shareholders report profit or loss on their individual Form 540 income tax returns whether distributed or not.

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Limited Liability Companies (LLC)

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LLC Characteristics

- A separate legal entity owned by members.
- Must register with SOS before conducting business.
- A hybrid business entity.
- Restrictions may apply to professional services that require a license, certification, or registration.

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LLC Characteristics

IRS partnership classification: follow partnership rules.

For California only. A single member classification: follow sole proprietor rules.

IRS corporation classification: follow corporation rules.

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LLC Characteristics
Single Member and Partnership

- Single or partnership classified LLCs file using Form 568.
- Subject to $800 annual tax.
- Maybe subject to an LLC fee based on total income (gross income plus cost of goods).
- Members report their share of profit or loss on Form 540 income tax returns whether distributed or not.

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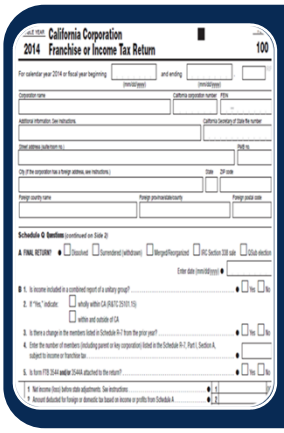
LLC Characteristics
C Corporation Classification


California Corporation
2014 Franchise or Income Tax Return
100

- C Corporation classified LLCs file using Form 100.
- Taxed annually on its earnings at a rate of 8.84% on net income.
- Subject to $800 minimum tax.
- Members receive profits and losses like C corporation shareholder.

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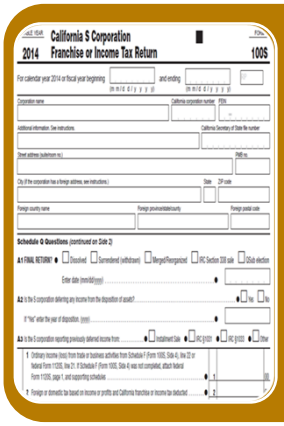
LLC Characteristics
S Corporation Election


California S Corporation
2014 Franchise or Income Tax Return
100S

- S Corporation classified LLCs file using Form 100S.
- State tax rate of 1.5% on net income. Not subject to federal tax.
- Subject to $800 minimum tax.
- Members report their share of profit or loss on Form 540 income tax returns whether distributed or not.

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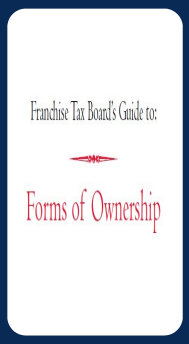
Forms of Ownership Information



FTB Publication 1123, *Franchise Tax Board's Guide to Forms of Ownership*

STATE OF CALIFORNIA
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Lucius Davis
FTB Small Business Liaison

Telephone	• 916.845.4669
Email	• Lucius.Davis@ftb.ca.gov

STATE OF CALIFORNIA
Franchise Tax Board

Lila Fedler
Technical Advisor to the Taxpayers Advocate

Telephone	• 916.845.7474
Email	• Lila.Fedler@ftb.ca.gov

STATE OF CALIFORNIA
Franchise Tax Board

Marc Narlesky
Technical Advisor to the Taxpayers Advocate

Telephone	• 916.845.4122
Email	• Brenda.Voet@ftb.ca.gov

STATE OF CALIFORNIA
Franchise Tax Board

Chris Smith
Tax Practitioner Liaison

Telephone	• 916.845.4304
Email	• Chris.Smith@ftb.ca.gov

STATE OF CALIFORNIA
Franchise Tax Board

Susan Maples
Taxpayers' Rights Advocate

Telephone	• 916.845.6724
Email	• Susan.Maples@ftb.ca.gov

STATE OF CALIFORNIA
Franchise Tax Board

Recordkeeping for Small Business/Self Employed Individuals

IRS

Date

Agenda

- Necessity of books and records
- Definition of books and records
- Specific types of records needed
- Maintaining books and records

IRS

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Necessity of Books and Records

- Monitor the business's progress
- Prepare financial statements
- Keep track of deductible expenses

IRS

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Necessity of Books and Records

- Prepare tax returns
- Prepare for examination
- Business
  - Verify expenses
  - Proof of payment not enough

IRS

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Books and Records

- Records
- Tax purpose of a record
- Accounting entry
- Accounting book
- Income statement
- Balance sheet

IRS

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UETA Definition of Electronic Books and Records

Uniform Electronic Transaction Act defines electronic records that, by electronic means, are:

- Created
- Generated
- Sent
- Communicated
- Received, or
- Stored

IRS

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Electronic Documentation and the Audit Process

- Records generally accepted by the IRS
- Follow rules when providing electronic records to the IRS
- Revenue Procedure 98-25

IRS

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Record Types Needed Gross Receipts

- Cash register tapes
- Receipt book
- Sales
- Invoices
- Credit charge slips
- Forms 1099

IRS

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Record Types Needed Purchases and Expenses

- Amount paid
- Amount was for business purchases

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Record Types Needed (Cont'd)

Charitable Contributions, Travel, Transportation, Entertainment, Gifts

- Amount
- Each date
- Description
- Explanation of business benefit gained

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Record Types Required Employment Taxes

- Names
- Addresses and
- Taxpayer identification numbers for individuals
  - who work for you or
  - performs services and receives payment

IRS

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Record Types Needed - Assets

- Property used in business must be substantiated
- Maintaining records that show
- When and how property acquired
- Purchase price, and
- Use of property

IRS

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Maintenance of Books and Records

- Use the method that works best
- Records should say:
  - what was received
  - from whom
  - for what reason
- Keep records timely

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Responsibility of Books and Records

- Taxpayer/business owner responsible for maintaining adequate books and records
- If paid preparer used, preparer's records needed also

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How Long to Keep Records

- Generally, three years from filing date to examine tax return
- Tax records must be kept at least until statute of limitations expires
- Certain tax returns much longer
- Keep source records (checks, receipts, and proof of business purpose) at least three years

IRS

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How Long to Keep Records (Cont'd)

•Until deduction no longer claimed
•Employment tax records, four years
•Assets, until sold or removed
•IRA contributions, permanently
•Broker statements, expiration of limitation period
•Improvements to residence, until sold
•Net operating losses, until statute of limitations expired on last tax return claiming a loss
•Follow state recordkeeping laws also

IRS

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IRS Resources

- Publication 15, Circular E - Employers Tax Guide
- Publication 463, Travel, Entertainment, Gift, and Car Expenses
- Publication 535, Business Expenses
- Publication 536, Net Operating Losses
- Publication 547, Casualties, Disasters and Thefts
- Publication 556, Examination of Returns, Appeal Rights & Claims

IRS

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IRS Resources

- Publication 594, The IRS Collection Process
- Publication 3498, The Examination Process
- Publication 5, Appeal Rights and Preparation of Protests for Unagreed Cases
- Circular 230, Regulations Governing the Practice of Attorneys, Certified Public Accountants, enrolled Agents, Enrolled Actuaries, and Appraisers before the Internal Revenue Service
- Publication 583, Starting a Business and Keeping Records

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IRS Resources (Cont'd.)

- Publication 225, Farmers Tax Guide
- Publication 1066-C, A Virtual Small Business Workshop CD
- Publication 2194, Disaster Losses Kit for Individuals
- Publication 2194B, Disaster Losses Kit for Businesses
- Publication 4758, Reconstructing Your Records
- Publication 4796, IRS Records at Your Fingertips
- Visit IRS.gov

IRS

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Today's Presenter

Beatriz Devis

Economic Development Specialist
Los Angeles District Office
U.S. Small Business Administration

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Introductions

- Who is in business?
- Who has ever owned a business?
- Turn to your neighbor and introduce yourself and quickly share your business idea

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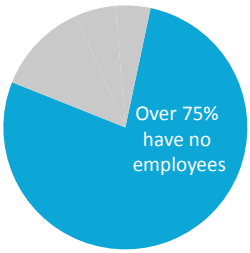
America is a nation of Small businesses

28 Million Small Businesses



- Nationally, there are approximately 28 million small businesses
- Over three-quarters of small businesses have no employees
- Small businesses:
  - Make up 99% of U.S. employer firms
  - Create 63% of the net new private sector jobs
  - Employ 48% of private sector workforce
  - Make up 98% of the firms exporting goods

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What can impact small business success?

- Lack of planning
- Poor management skills
- Poor credit
- Not enough money
- Failure to seek outside help
- Lack of resources
- Lack of support
- Ignoring the customer
- Lack of experience
- Poor cash management

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10 Talents that drive entrepreneurial success

Business Focus	1	6	Independent
Confidence	2	7	Knowledge-Seeker
Creative Thinker	3	8	Promoter
Delegator	4	9	Relationship-Builder
Determination	5	10	Risk-Taker

based on Gallup Assessment of 2,500 entrepreneurs

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Are you ready to be an entrepreneur?

- What do I want from this business? (money, independence, satisfaction…)
- Am I determined enough to realize my long term goals?
- Do I have the personal discipline?
- How will I handle disappointments?
- Do I have a support network?
- Am I comfortable with uncertainty and being uncomfortable?
- Am I prepared financially?

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Steps to Starting a Small Business

1. Determine your offering and market demand
2. Understand your competition
3. Determine your marketing strategy
4. Determine your start up costs
5. Meet your legal requirements
6. Prepare yourself financially
7. Develop your business plan
8. Get help

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1.Determine your offering and the market demand

The best business ideas come by identifying a need or solving a problem for customers.

Ask yourself:

- What do I want to sell?
- What will the product/service do?
- What problem does my product/service solve?
- How is it different from what currently exists?
- Who will buy it? How do I know? How will I find out?
- How much will they pay for it?

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2. Understand the competition

When you have a solid understanding of what currently exists, you are better able to identify gaps and unfulfilled needs.

Ask yourself:

- Who's already providing this product or service?
- How much do they charge?
- What are their strengths?
- What are their weaknesses?
- Who are their customers?
- What types of customers are they targeting?

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3. Determine your marketing strategy

Your business must attract enough customers to be profitable.

Ask yourself:

- Which customers will I target?
- What are their problems?
- How will customers find out about my business?
- How will I reach potential customers?
- What sets my business apart from the competitors?
- How much will I budget for marketing?

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4. Determine your start-up costs

Before you launch a new venture, you should take time to estimate the total amount of funds that will be needed. **Startup costs are divided into two main categories:**

$ One-time startup costs

Recurring monthly

Depending on how long it will take before you make your first sale, you should consider how much cash on hand you will need to carry you to your first sale.

$

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4. Determine your start-up costs

Initial costs may include:

- Rent/lease deposit
- Improvements/remodeling
- Web design/brand design
- Legal and professional fees
- Starting inventory
- Furniture/equipment
- Licenses/permits
- Software

Recurring costs may include:

- Telephone/utilities/internet/data
- Rent/Lease payments
- Advertising/marketing
- Salaries/payroll taxes
- Supplies
- Bookkeeping
- Insurance
- Software subscription services

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5. Meet your legal requirements

- **Your business must be organized as some form of entity**
- **The most common entities are:**
  - ✓ Sole Proprietorship
  - ✓ General or Limited Partnership
  - ✓ Corporation (S Corp or C Corp)
  - ✓ Limited Liability Company (LLC)
- **There are advantages and disadvantages to each form of organization so you should consult with a lawyer to learn what is best for your situation**

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5. Meet your legal requirements

State & Local Registration

- ✓ **Reserve or file a trade name**
- ✓ **Form and Register an entity**
  - File Articles of Organization or Articles of Incorporation
- ✓ **Register for Sales tax license**
- ✓ **Set up State wage withholding**
- ✓ **Establish Unemployment insurance accounts**

Federal Registration

- ✓ **Secure Federal Employer Identification Number (FEIN)**
  - Complete form SS-4 or
  - Call 800-829-4933

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5. Meet your legal requirements

www.irsvideos.gov

The IRS offers easy to understand IRS relevant training videos for businesses

TOPICS INCULDE:

- Affordable Care Act
- Bank Secrecy Act
- Business Expenses
- Business Income
- Changing Your Business
- Disaster Information
- Employers
- Filing/Paying Taxes
- IRS Audits
- IRS Liens
- Post-Filing Issues
- Resources
- Retirement Plans
- Scams & Fraud
- Small Biz Workshop
- Starting a Business

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6. Prepare yourself financially

Cash flow may be tight during the early stages of your business, therefore

1. Limit new debt or monthly payments
2. Save money
3. Get your personal finances in order
4. Live on less
5. Track your expenses
6. Budget by the month
7. Take into account your personal budget and calculate how much you need to survive at least the first six months of business

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7. Develop your business plan

A business plan

- Is a document that describes how your new business is going to achieve its goals
- Free counseling is available to help write the plan
- If you intend to apply for a loan to start your business, a lender will require a written business plan but –
  Loan or no loan, you should have some form of a business plan!
  Even if starting your business is just an idea!
  Living document ALWAYS changing!

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7. Develop your business plan

Key elements of your business plan include:

- Description of product/service
- Target Market
- Marketing strategy
- Financial information
- Business operations
- Key personnel

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8. Get Help

- **SBA District Office**
- **Resource Partners:**
  - Small Business Development Centers
  - Women's Business Centers
  - SCORE mentors
  - Veteran Business Opportunity Centers (VBOC)
- **Accountant/bookkeeper**
- **Lawyer**
- **Bankers/Lenders**
- **City, County, State Economic Development Resources**

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Employee or Independent Contractor

Employment Development Department
Taxpayer Education and Assistance Program

EDD Employment Development Department
State of California

Objectives

- Common misconceptions
- Employees or independent contractors
- Statutory and exempt employment
- Resources to help classify workers

Common Misconceptions

When is an individual an employee?

There are several common misconceptions which often lead to misclassifying workers as independent contractors.

Resource:

Independent Contractor Misconceptions (DE 573M)

Reasons to Properly Classify Workers

- Avoid reclassification audits and investigations by the EDD, IRS, and/or Department of Industrial Relations due to:
  - Worker claims – unemployment/injury.
  - Worker informants.
  - Competitor informants.
- Prevent additional taxes, penalties, and interest.

Misclassification Example

One worker, earning $20,000 for one year	Employer misclassifies worker as independent contractor.	Employer correctly classifies worker as employee.
UI (3.4 percent)* *New employer rate	**$238**	**$238**
ETT (0.1 percent)	**$7**	**$7**
SDI (0.9 percent)	**$180**	**(withheld from employee)**
PIT (6.0 percent)	**$1,200**	**withheld from employee)**
Total due for one year	**$1,625**** ****Plus penalty and interest**	**$245**

Types of Workers

- Employees
  - Common Law
  - Statutory
  - Exempt
- Independent Contractors

Resource:

Information Sheet: Employment (DE 231)

Common Law Guidelines

- **Common Law Employee:**
- An individual who performs services for you and is subject to your control regarding what will be done **and** how it will be done.

- **Independent Contractor:**
- An individual who performs services for you **but** you control only the result of the work.

Common Law Employment

- Common law evolved slowly over the years based on court decisions on individual cases.

- Common law rules of employment are the total of all court decisions on employment.

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Common Law Primary Factor

- The right of the principal to control the manner and means of accomplishing a desired result.
- The right to discharge a worker at will and without cause is strong evidence of right to control.

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Weighing the Factors

The importance or weight given each factor will vary, depending on the specific work situation, industry, and occupation.

Examining and Categorizing the Factors

FACTORS	EMPLOYEE	INDEPENDENT CONTRACTOR
Distinct trade or occupation	**No separately established business**	
Supervision		**Own methods**
Skill level		**Own expertise**
Tools and place of work	**Business provides**	
Length of time	**Continuous**	
Method of payment	**Guaranteed payment**	
Regular part of business	**Vital to business**	
Belief of parties		**Independent contractor**
Extent of actual control		**Worker sets schedule**
Services benefit principal	**Benefits owner's business**	
Profit or loss	**No investment or financial risk**	

Statutory Employees

Employee by law under a specific statute.

Examples include, but not limited to:

- ✓ Corporate officers
- ✓ Unlicensed contractors
- ✓ Certain Limited Liability Company (LLC) members

Resources:

- *Information Sheet: Statutory Employees* (DE 231SE)
- *Information Sheet: Limited Liability Entities* (DE 231LLC)

Exempt Employees

Certain employees are not subject to specific taxes or withholding provisions.

Examples include:

- ✓Domestic workers
- ✓Family members
- ✓Direct sellers
- ✓Real estate agents

Resource:
Information Sheet: Exempt Employment (DE 231EE)

Resources

- *Employment Determination Guide* (DE 38)
- *Determination of Employment Work Status for Purposes of State of California Employment Taxes and Personal Income Tax Withholding* (DE 1870)
- California Unemployment Insurance Appeals Board

  www.cuiab.ca.gov/index.asp

Employee or Independent Contractor Course at:
www.edd.ca.gov/Payroll_Taxes/Web_Based_Seminars.htm

Resources (Continued)

- Payroll Tax Seminars
  www.edd.ca.gov/Payroll_Tax_Seminars
- Taxpayer Assistance Center:
  1-888-745-3886

State Electronic Filing and Payment

e-Services for Business

- Fast, easy, and secure way to manage your payroll taxes online.
- View and edit your returns or reports prior to submission.
- Available 24 hours a day, 7 days a week.

https:eddservices.edd.ca.gov

Thank You.

Questions?

Employment Development Department
State of California

The EDD, an equal opportunity employer/program, is a partner in this event. Auxiliary aids and services are available upon request to individuals with disabilities.

Jerome E. Horton
Member
State Board of Equalization

In Collaboration With:

Julia Brownley
U.S. Congresswoman, 26th District

Hannah-Beth Jackson
State Senator, 19th Senate District

Das Williams
Assemblymember, 37th Assembly District

Dan Goodwin
Ventura County Assessor

Erik Nasarenko
Mayor, City of Ventura

Ventura Chamber of Commerce

WELCOME!

Ventura Business Resource Seminar & Expo