

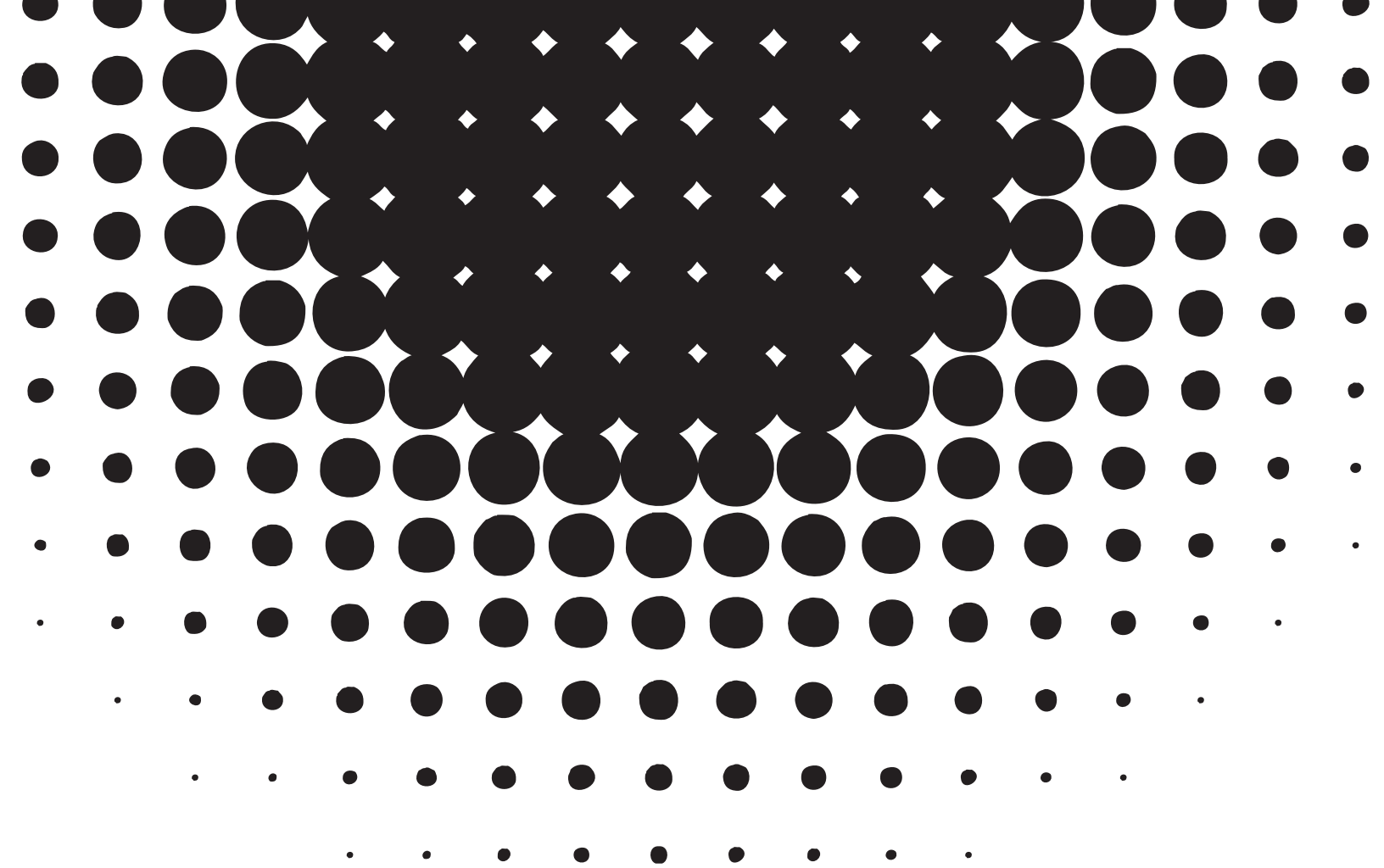
The background features a collage of black gears of various sizes and orientations, some with a sunburst pattern in the center. The scene is filled with black ink splatters and abstract circular patterns, creating a dynamic and industrial aesthetic. The overall color palette is primarily black and white, with a yellowish-gold tint in some areas.

LAMP
LEGAL ASSISTANCE TO
MICROENTERPRISES PROJECT

MINDING MY OWN BUSINESS

A legal toolkit to offer guidance to the young entrepreneur

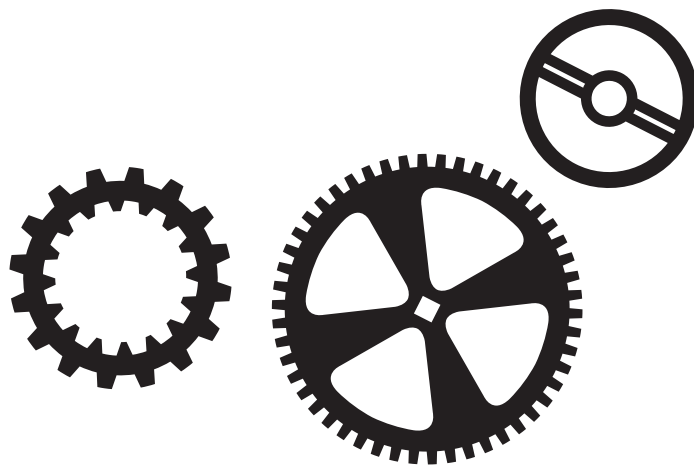






MINDING MY OWN BUSINESS

A legal toolkit to offer guidance to the young entrepreneur



FOREWARD & ACKNOWLEDGMENTS

This toolkit is designed to give Texas youth an overview of the opportunities and legal issues that come with starting and running your own business. We have designed these materials to outline some important steps along the way from making a business idea into a business operation.

The Legal Assistance to Micro-Enterprises Project (LAMP), a project of Texas RioGrande Legal Aid and Texas C-BAR, is supported by Bank of America, Frost National Bank, F.B. Heron Foundation, State Bar of Texas Tax Section, and State Bar of Texas Corporate Counsel Section. LAMP provides free legal assistance and representation, pro bono referrals, community education, and legal resources to income-eligible self-employed persons and microentrepreneurs in Texas. Texas C-BAR is a special project of Texas RioGrande Legal Aid, assisting nonprofits statewide with business law assistance through pro bono referrals, legal education manuals, and workshops.

The Texas Foster Youth Justice Project is a project of Texas RioGrande Legal Aid. It was created in 2007 with the support of Travis County Women Lawyers Association and the Texas Supreme Court's Permanent Judicial Commission for Children, Youth and Families with additional funding provided by the Texas Access to Justice Foundation. Texas Foster Youth Justice Project helps current and former foster youth in Texas understand their legal rights, and provides legal advice, assistance, guidance and representation in enforcing foster youth rights and resolving legal problems. Texas Foster Youth Justice Project also educates the general public about the legal needs and concerns of foster youth.

Texas C-BAR, LAMP and the Texas Foster Youth Justice Project brought this toolkit to you.

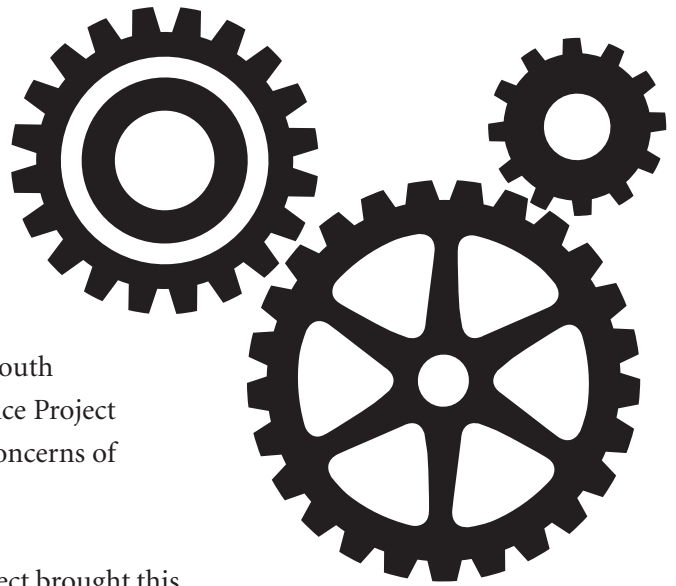


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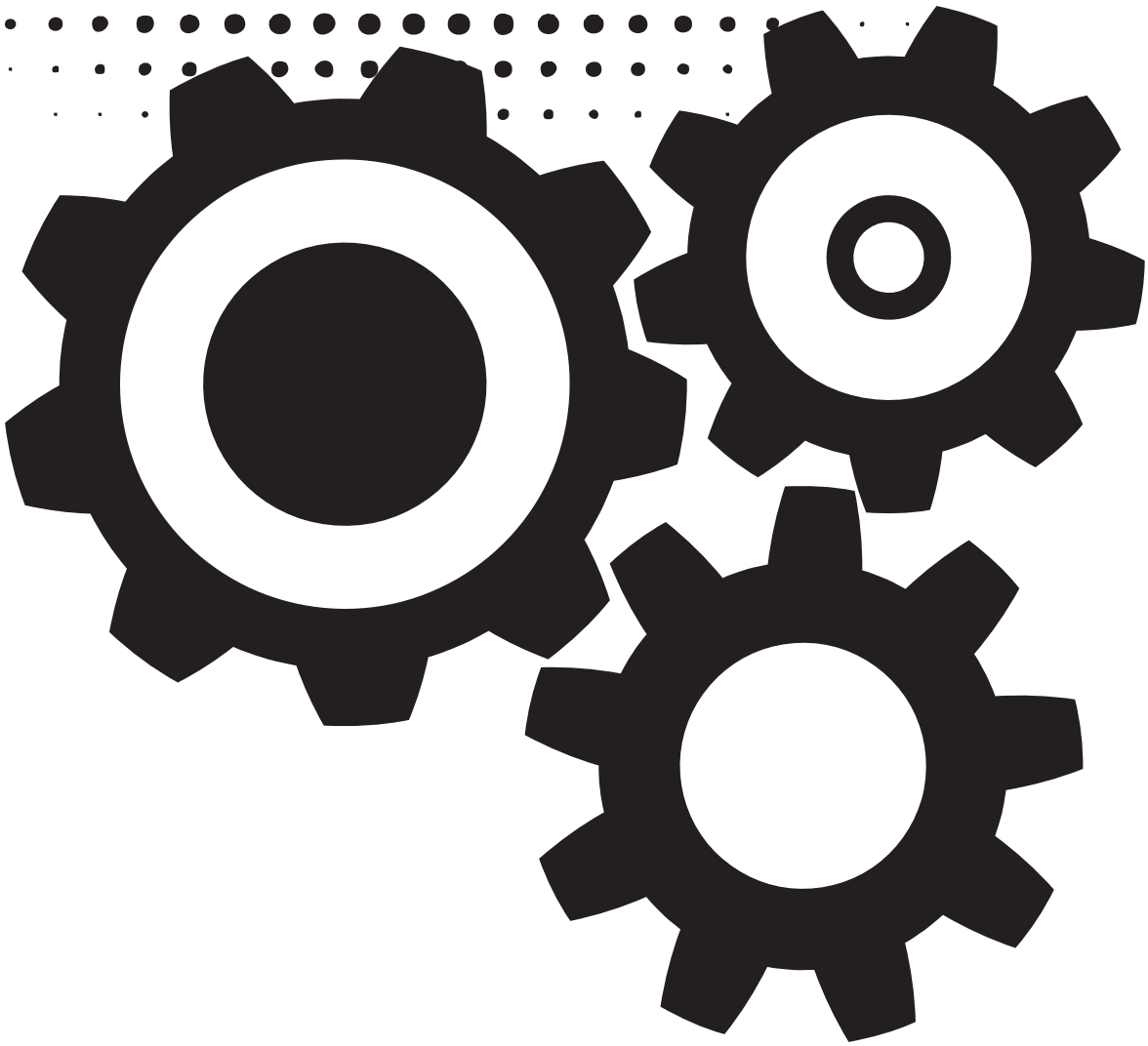
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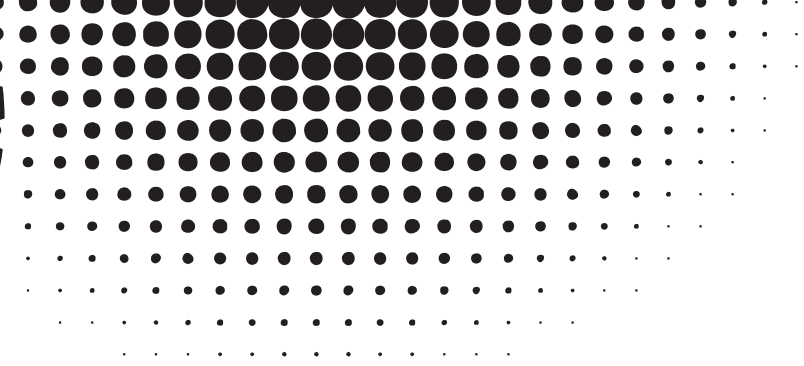
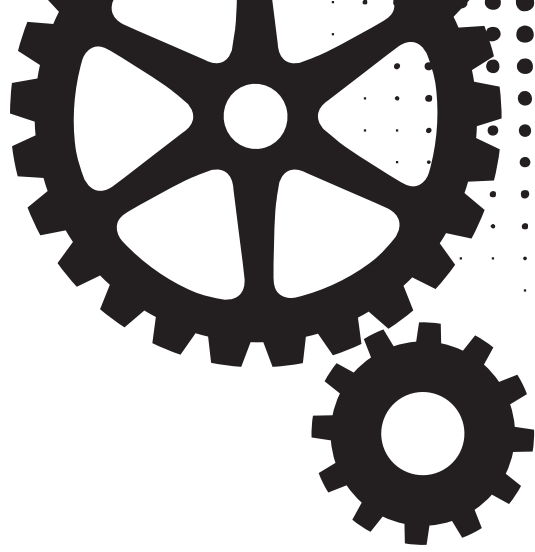
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SECTION I: FIRST AND FOREMOST



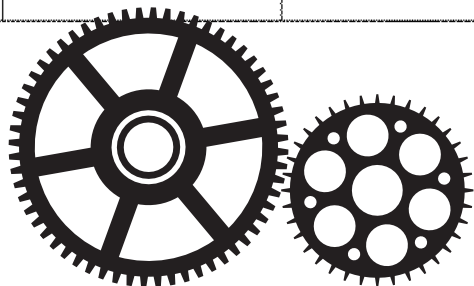


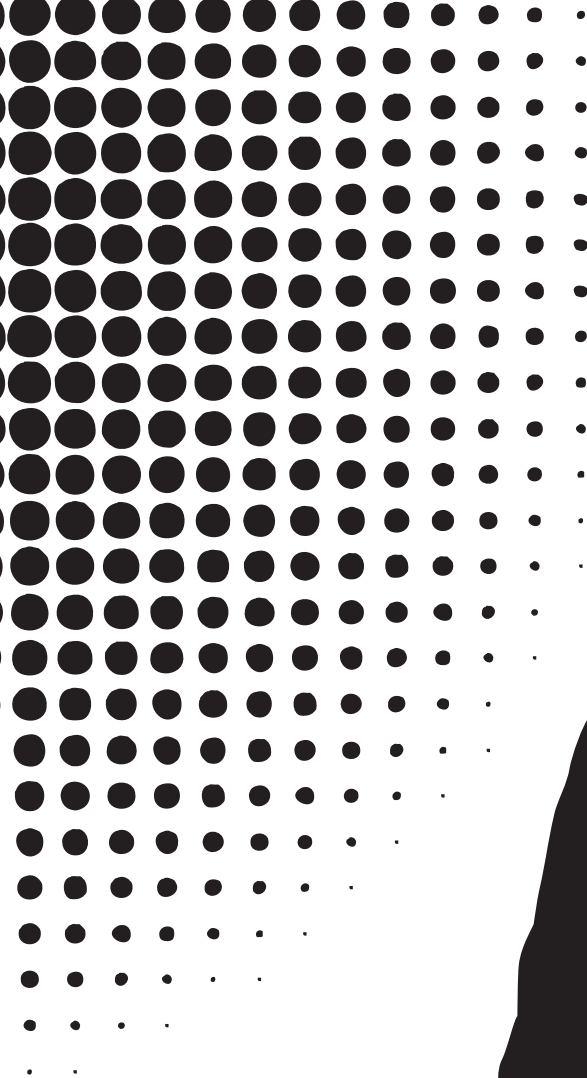
SECTION I: FIRST AND FOREMOST

BE ABLE TO ID YOURSELF

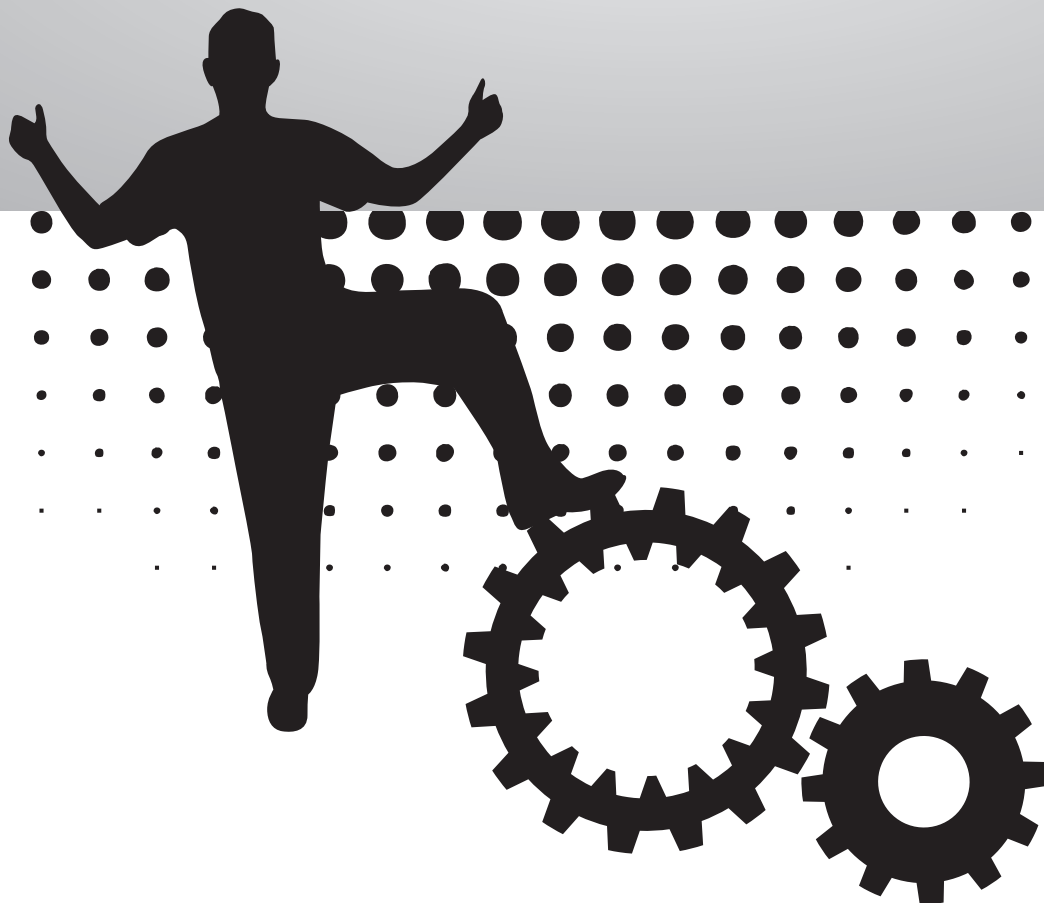
You must have acceptable forms of identification to conduct all kinds of public and private business. Also, you will need photo ID just to enter many public and private buildings. The chart below lists various forms of ID issued by the government and how to go about getting them. You must be at least 16 years old to get a driver's license, but there is no age limit on the other types of ID. Remember, government IDs are important and, in some cases, necessary to have.

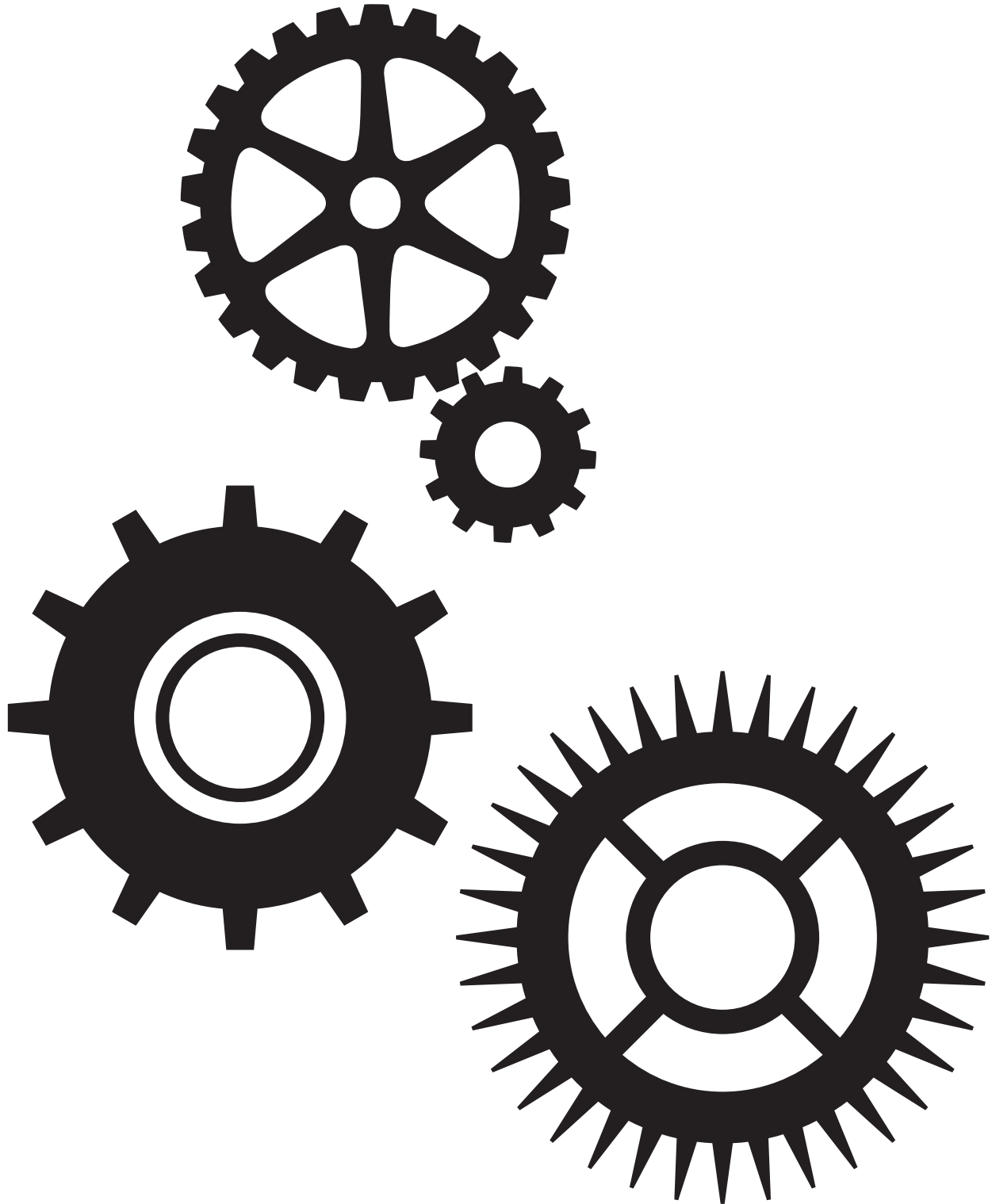
Document	Birth Certificate	Social Security	Driver's License/ ID	U.S. Passport	U.S. Passcard
Governmental Agency	Tx Dept of Health, Bureau of Vital Statistics	Social Security Administration	Texas Department of Safety	State Department	State Department (Valid for ground and sea travel in North America)
Contact Info	1100 West 49th Street Austin, TX 78756	Please check ssa.gov for locations around the state.	Texas DPS offices around state (512) 424-2600	Check local post office for passport locations and times.	Check local post office for passport locations and times.
What to bring	State Issued ID OR A family member with a picture ID OR two documents with your name (at least one having a signature)	Birth Certificate (age and citizenship verification) and a State issued ID	Birth Certificate, Social Security Card, Texas Inmate Card issued from TDCJ	Certified evidence of U.S. citizenship and Identification. Identification can include combination of witness and signature documents.	Certified evidence of U.S. citizenship and Identification. Identification can include combination of witness and signature documents.
Cost	\$22	Free	\$24 (DL); \$16 (ID)	\$100	\$45
Helpful Websites	For help go to: http://texasfosteryouth.org/birth_certificate_copy.html	For help go to: http://texasfosteryouth.org/social_security_card.html	www.txdps.state.tx.us	See travel.state.gov/ for more details.	See travel.state.gov/ for more





**SECTION II:
IN THE MEANTIME**





SECTION II: IN THE MEANTIME

STAY IN SCHOOL, GET A JOB, OR VOLUNTEER

It can take a while for even the most successful business idea to become profitable. In the meantime, you will need education, experience, and income as you develop your business. Although other activities may leave less time for developing your business idea, it is important that you gain skills, experience, and knowledge, and have the money to take your business idea into reality.

To find a job, you can look online (www.careerbuilder.com, www.monster.com, www.twc.state.tx.us, and www.hotjobs.com are some of the major sites), check the classified ads in the local newspaper or just visit places where you think you would like to work and ask if they are accepting applications. Whenever you visit a place about a job, remember to dress neatly because first impressions are very important. It will be important that you have the documentation covered in Section I, Part 1 – Be Able to Identify Yourself – when you apply for a job, because you will need proper identification and your Social Security number. Once you apply for a job, it is important to follow up with the business where you applied – following up shows interest, is very professional, and could set you apart from others who apply.

One problem facing many young people is that employers want to hire people with experience, but you may not have any work experience yet. A great way to gain experience is by volunteering with a group that interests you, like a charity, hospital, or church. By volunteering, you will get valuable experience, help your community, and get potential job references. Also, you may have to work in an entry-level job for a while that is not the type of job you really want to do. Even if it is not your first choice, entry-level positions are necessary to get on-the-job training and allow you the opportunity to get to meet others who may help promote you to a better position.



If you need assistance getting a job, there are many free programs that can help you.

- **Job Corps** is a free program that helps youth aged 16 to 24 learn a trade, obtain a high school diploma or GED certificate and find a permanent job. While in the Job Corps program you receive free housing, meals, basic medical care, and a living allowance. The program can last from 8 months to 2 years. To learn more about Job Corps in Texas and how you can apply, visit the Job Corps website at www.jobcorps.dol.gov or call (800) 733-5627.

- **YouthBuild** is a program that trains unemployed, out-of-school young adults aged 16-24 to build and repair affordable housing within their communities. You will receive a stipend (a form of payment or salary) while participating in YouthBuild. For more information visit www.youthbuild.org.
- **AmeriCorps** provides programs to youth aged 17 and older who work full time or part-time in nonprofit, faith-based, and government organizations. An allowance is provided to all young adults in the programs. Some programs provide housing. The programs last ten to twelve months. You may also be able to get additional money for college if you finish the AmeriCorps program. Visit www.americorps.gov or call (800) 942-2677 for more information.
- **Youth Rules** provides information to youths about laws that protect youths in the workplace, such as laws regarding what hours youths can work, what jobs youths can work, and safety in the workplace to help youths balance work, education, and being a kid. For more information visit www.youthrules.dol.gov/teens/default.htm.
- If you are a youth in foster care at age 16, the Texas Department of Family and Protective Services (DFSP) offers an Education and Training Voucher program that can help you pay for college education, books, and housing. To apply, call (877) 268-4063 or see www.dfps.state.tx.us/.
- If you need assistance getting a job you can contact the Texas Workforce Commission and local nonprofit agencies. They all offer multiple services, including job training, interviewing skills, career counseling, resume writing, and job placement services. If you are homeless or have an unstable living arrangement, you should ask them about transitional housing.

Texas Workforce Commission

Texas Workforce Commission

101 E. 15th Street

Austin, TX 78778

1-800-453-8140

www.texasworkforce.org/



BECOME FINANCIALLY LITERATE

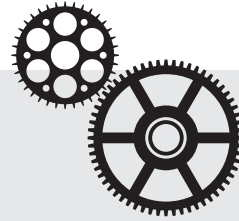
If you have a job, you should open a bank account where you can save money. When you are ready to start your small business, there will be costs that you will have to pay and having the money saved up in advance means you won't have to delay your business any longer. Usually banks require you to be 18 to open a bank account by yourself. If you are under 18, you will need to find a trusted adult who can be the “guardian” on the account until you turn 18. Once the account is set up, you should be able to make your own deposits and withdrawals. **The guardian on the account will also be able to deposit or withdraw money from your account – this is the reason to select someone you trust.**

Picking a Bank or Credit Union

There is probably a bank with a branch office near where you live or work. A “branch” simply means a bank location you can walk into and not simply an automated teller machine (ATM). Although so much banking these days can be done on the Internet, at an ATM, or over the phone, it is still useful to be able to walk into an actual place where you can speak face-to-face with a bank employee.

Questions to Ask Before Opening a Bank Account

The big part of choosing a bank or credit union is selecting the one that offers the best account for you, which really depends on what you need and what you will use it for. Don't assume that all banks are the same or offer the same accounts – they don't. It is important to remember that you are a customer who is purchasing the bank's services. You should be satisfied with the services being offered and should not be afraid to sit down with bank representatives and ask questions about the services they provide to account holders.



Reasons Why You Should Open a Bank Account For Yourself (and then another one for your business)

- Banks are good places to keep your money. They provide a safe and convenient way to take care of your income and your expenses.
- Bank accounts are insured by the FDIC (Federal Deposit Insurance Corporation) so your money is safe—up to \$250,000.
- Banks make it easy for you to keep separate accounts for personal and business expenses. It is important to keep them separate, especially for tax purposes.
- Checking accounts let you take out money by writing a check or using a debit or ATM card.
- When you pay with a check, the check becomes an automatic record that you made that payment.
- Your bank statements can help you keep better track of your money and expenses.
- Banks offer easy 24-hour access to your money with ATMs.
- If you put money into a savings account, you can usually earn interest on that money (interest is the money the bank pays you for keeping your money in their bank).
- It's a good, easy way to save money.

Ask yourself:

- Do you need to be able to write checks (to pay rent, bills, etc.)?
- Do you need checks cashed?
- How do you plan to get your cash out when you need it (ATM or visit a bank branch)?
- Are you good at keeping track of your balance?
- How much money do you have and expect to have? Will you need loans as well?

Ask the banks:

- Is there a minimum amount of money that you need to deposit in order to open a bank account?
- Do you have to keep a certain amount of money (a minimum balance) in the bank account at all times?
 - Are there any annual or monthly fees (service charges)? If so, how much are they and what are they for?

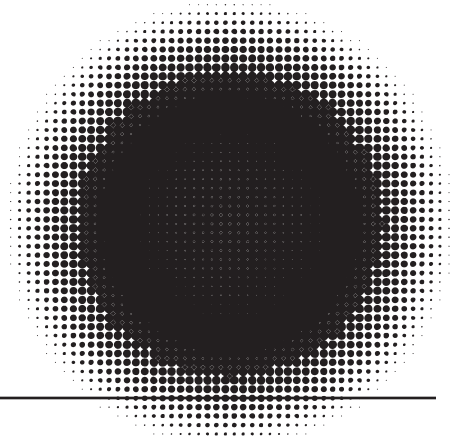
* Some banks charge you a monthly fee on certain accounts but many banks do not.

- Does the account include overdraft protection?

* This is a service that protects you if you write a check for more money than you have in your bank account. If you have an overdraft, the bank will charge you fees. These fees can *quickly* add up to hundreds of dollars. So you really need to know how the bank handles overdrafts, mainly because young adults are more likely to have overdrafts. On a related note, if your check “bounces” because you don’t have enough money in your account, and you do not have overdraft protection, the person to whom you wrote the check may charge you fees on top of what you owe them for the check amount.

If you don’t pay them, then the police can charge you with theft.

Bouncing checks can result in a criminal record, which may also keep you from getting a job or renting an apartment.



Other Things to Consider When Shopping Around for the Right Bank

- Does the bank have offices near your residence or business?
- Does the bank have staff that speak your language and who can provide you with assistance with which you feel comfortable?
- Is this a bank with which you already have a satisfactory relationship?
- Does the bank offer special banking services for small businesses, such as U.S. Small Business Administration sponsored loans or micro loans?

Opening a Bank Account

The actual process for opening a bank account may differ slightly from bank to bank and account to account. However, most banks will require that you provide them with two forms of identification, one of which has your picture on it, and will ask you to complete a signature authorization card and an account agreement. The bank may also run a credit check, which looks into your history of paying bills on time. For more information on forms of identification, please see Section I of this toolkit.

Checking and Savings Accounts

Banks usually offer two basic account types: checking and savings. Checking accounts should allow you to take money out more often without fees than a savings account, but savings accounts will pay you a greater interest rate for money that you have in your account. “Interest” is the money banks pay you for having money in your account at their bank, or the amount they charge you to borrow money. It probably makes sense to start with a checking account and, if there are no extra fees, to also open a savings account.

ONCE YOU START YOUR OWN BUSINESS:

KEEP YOUR BUSINESS BANK ACCOUNT SEPARATE FROM YOUR PERSONAL BANK ACCOUNT

It is easier for tax and accounting purposes, such as keeping track of business expenses that are tax deductible. It will also help your clients take your business more seriously.

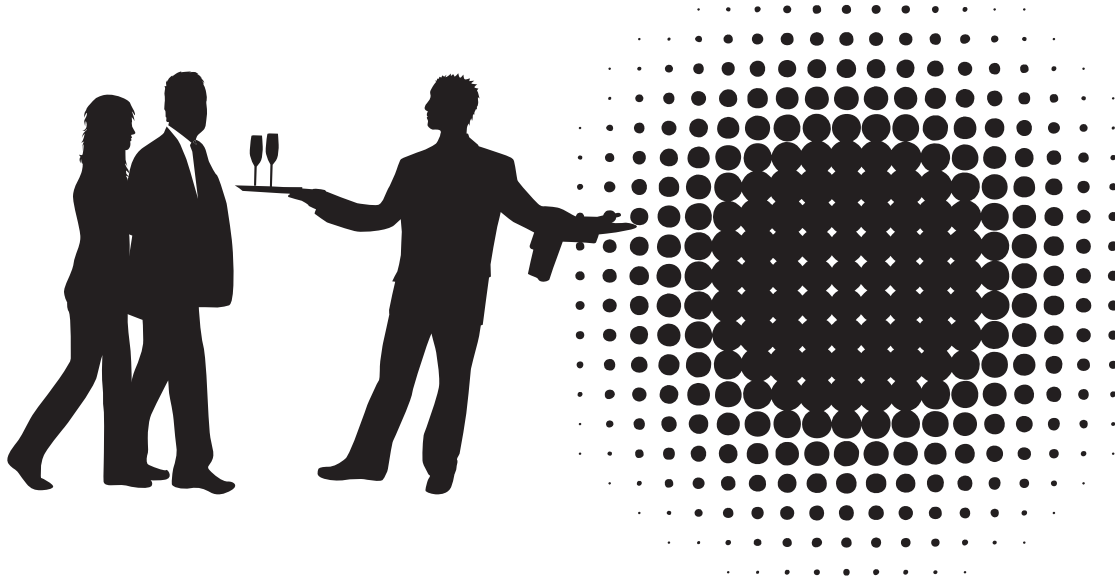
KEEP TRACK OF ALL TRANSACTIONS

It is important to keep up-to-date records of all the transactions you make with your bank accounts. Even though the bank keeps its own records and sends you a monthly statement, you need to keep your own records so that you know, at all times, how much money you have in your accounts so that you can keep your bank accounts balanced and not bounce any checks. Many banks offer online banking, so that customers can log in and check their accounts from a computer any time of the day or night, and look at the most recent bank activity that has posted to their account.

If you have a separate savings account, it will be easier for you to set aside money for important or expensive things, like saving for a car, emergencies, or your small business idea. By doing this, you can learn the concept of “paying yourself first” – that is, automatically putting some money into savings before you are tempted to spend it. Start small if you have to because a few dollars from each paycheck quickly adds up. Some organizations have individual development accounts to help you double your savings. For information contact RAISE Texas at (512) 477-4431 ext 129 or www.covenantcapital.org.

Using Direct Deposit

Direct deposit is when you arrange for your regular paycheck or other regular monthly payments that you receive to be automatically deposited into your bank account. This convenient service also helps you budget and save your money.



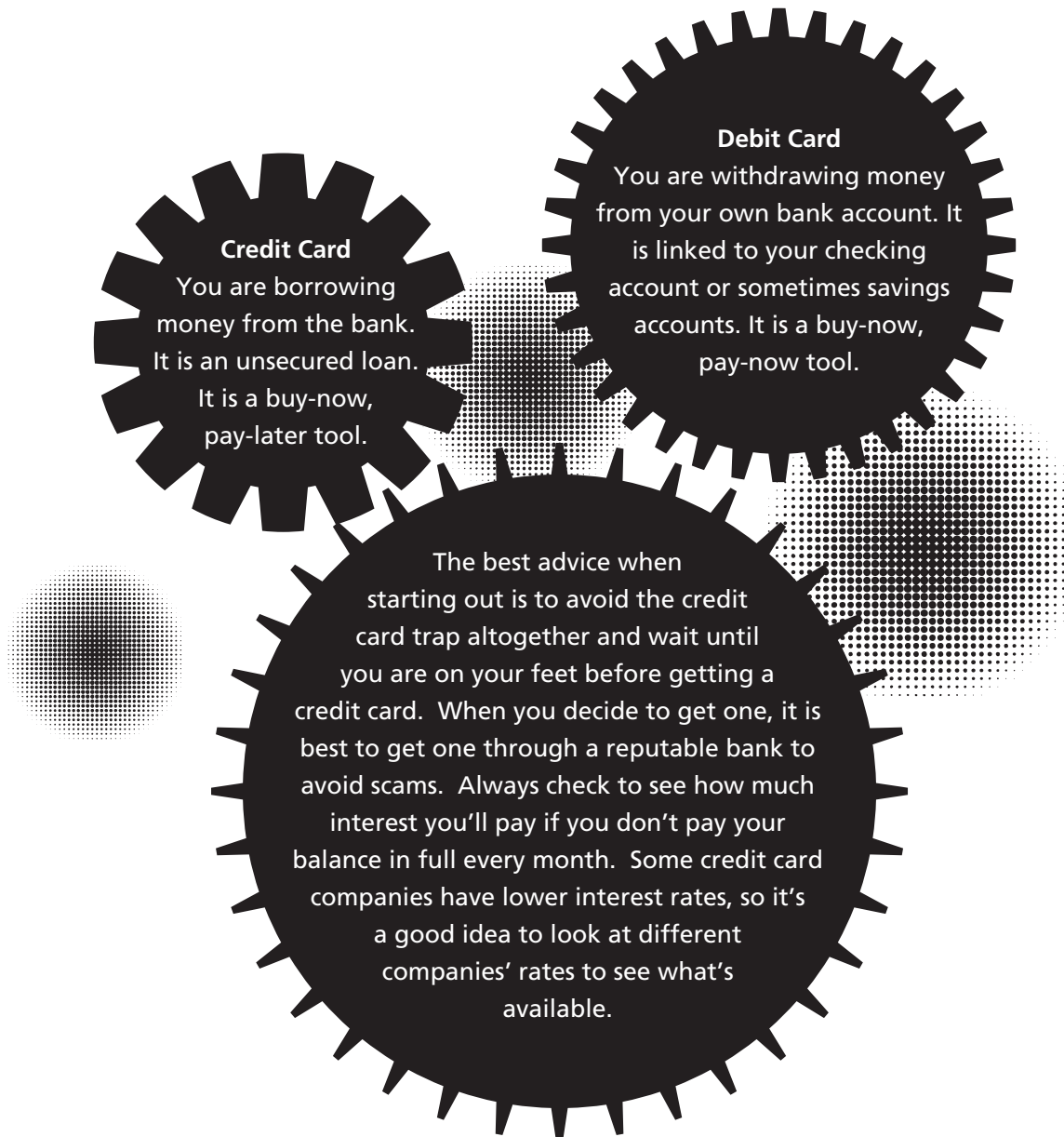
Debit Cards versus Credit Cards

Once you are an adult, and sometimes even sooner, you may be offered credit cards. Many young adults quickly get into trouble by getting these cards without understanding what will happen if they charge purchases and don't pay their bill in full each month. If you charge a purchase and do not pay your full credit card balance each month, you'll be charged a very high rate of interest on the unpaid amount. As a result, the amount you owe is likely to grow faster than you can repay it. Sometimes, you might even pay more in interest than you paid for whatever you bought with your credit card!

A debit card is slightly different from a credit card. Most ATM cards are debit cards. A debit card is like a charge card, meaning you can “charge” purchases, but the amount you charge is immediately taken out of your bank account. So with a debit card, you will not have a monthly bill to pay, but if you do not carefully track your spending, you could end up with an overdraft if you “charge” (or withdraw cash) and write checks for more than you have in your account.

No matter how you put money in or take it out of a bank, it is important to keep track often of how much money you have going in and how much you are spending —many banks offer online services to make this easier.

This chart highlights some of the major differences between credit cards and debit cards.



Money Orders

If you need to pay bills and do not have a checking account, you can get a money order at a grocery store or bank. This will cost money at the grocery store, but some banks include it in their services if you already have an account. Remember to keep a copy of the money order to prove you paid the bill.

MAKE UP YOUR MIND

Now that you are financially stable and have taken the time to set yourself up for success, it is time to do a self-assessment and really decide if starting your own business is right for you, and if so, what business you want to start.

Starting your own business is a lot of work. There won't be anyone else to tell you what time to clock in and out. You may need to continue working until your business can replace your current income. This is a lot of effort and you should be sure you are prepared to make that commitment now, before you start investing your time and money.

For a list of questions to ask yourself before you commit to starting your own business, visit www.kidz4kidz.biz and visit the “Are You Ready?” link in the section on starting a business.

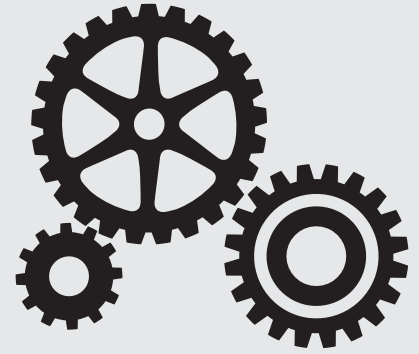
If you think you are prepared to take on the challenge of starting your own business, you now need to figure out what kind of business you want to start. You probably already have an idea of the business you would be best at or would enjoy the most. However, in addition to assessing your own interests, you also need to figure out if there are people who will be willing to buy the goods or services you will provide. Think about whether there are already a lot of other businesses providing the same goods or services. If so, it may be hard to win customers from them, unless you can think of a way to distinguish yourself from your competitors (will you charge less, can you do something extra no one else is offering and customers would want?). If there are not a lot (or any) other business providing the goods or services you are thinking of selling, you may want to ask yourself why not. Did someone else already try it and nobody was interested or are the start up costs too high?

Visit www.kidz4kidz.biz for more information on evaluating your business idea, including information on “Finding a Niche” and a “Checklist For Starting Your Business.”



SOME IDEAS TO GET YOU THINKING

Here is a partial list of good start-up business ideas for young people. Some can be done informally, even as a teen going to school or working. For a full list, visit the young entrepreneur website at www.youngentrepreneur.com.



Run Errands: People are busier than ever and want to enjoy their summers as much as possible, why not offer to run errands for them? It might as simple as picking up groceries, dropping off dry cleaning, and delivering packages. Also look to help seniors who aren't as mobile and need help on a regular basis.

Cater Parties: Are you handy in the kitchen or on the grill? Why not create a catering service and offer to supply food for all the parties that people hold? If you have a few friends who need some extra cash you can expand by also offering to serve the food in addition to making it.

Instructor / Tutor: What are you really good at that you can teach others? Can you help students in a particular school subject or teach people how to play the piano? You'll get to do what you're good at and love while making money at the same time. You may even end up helping friends or siblings of friends!

Painting Service: Painting has paid for many college educations and can help you earn additional income. You'll need to have some basic painting skills but your startup costs will be minimal. The customer will pay for the paint – you just need the brushes and tools.

Lawn Care / Landscaping: It's a perfect seasonal business that can pay well and make you enough money to cover your expenses during the year. The startup costs are relatively low and you get to work outdoors. It can also be a repeat customer business for the next year.

Cleaning Service: People always need to clean out their garage and other rooms in the house. Offer your services to help customers organize themselves and haul away the garbage.

Dog Walker: If you love dogs and the outdoors, what better way to make some extra money and work on your tan? It could also give you a part time business for the rest of the year to earn cash on the side.

Pet Sitter: A lot of people take seasonal vacations, and some people actually have jobs or lifestyles that require them to travel year round. Offering to watch their house or their pets can be a quick and easy way to make some money on a relaxed schedule that fits in with your life.

Car Washing: Everyone needs their car washed at some point and your startup costs involve a bucket, soap, and a few rags. Consider adding extra services like detailing and interior cleaning.

Sports Equipment Rentals: Rent bikes, scooters, rollerblades, and other sports equipment to people looking to have a day of fun. The startup costs are higher as you need to get the inventory but you can pick up used equipment for cheap to get you going.

Computer Helper: Are you a computer expert? If so why not offer your help out to people who aren't? Many adults could use help in learning how to use their computer and the Internet. You could also help them solve specific problems and offer a maintenance package.

More ideas can be found at <http://teenmoneymakingideas.com>.

WRITE A BUSINESS PLAN

The best way to hit the ground running when you start your business is to be prepared. An important part of that preparation will be thinking through every part of the business, from what goods or services the business will provide to who will purchase the goods and services, and how to let people know about your business. Just thinking these things through isn't always enough; the best preparation is to write it all down in a business plan.

Writing a good business plan will help you to think through **all** aspects of your business. Also, a business plan may be required by banks or investors for credit loans. The following section outlines what should go into a business plan.

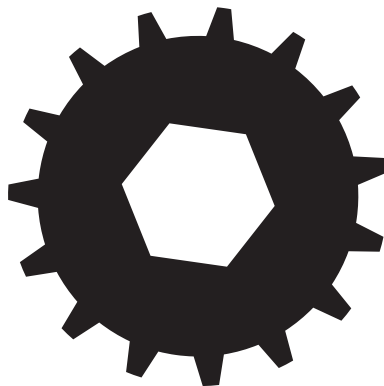
If you are interested in receiving some hands-on free mentoring as you create your business plan, you should contact the Service Corps of Retired Executives via <http://www.score.org> to locate an office near you and to schedule an appointment.

There are several websites that can help you navigate writing your own business plan, but beware of websites that require you to pay for resources – you should save your money and there are plenty of free resources to assist you, for example:

www.sba.gov

www.planware.org

www.ja.org



Some Important Tips Before You Start!

- The business plan should tell a compelling story about your business, explaining who, what, when, where, how, and why.
- The plan should be focused and clear. The plan should define your specific business objectives and goals.
- A good business plan is a living document that should be updated regularly as you work to develop your business.

The Components of a Good Business Plan:

I. Executive Summary

This section should:

- Provide an enthusiastic snapshot of your business, explaining who you are, what you plan to do and why.
- Be less than two pages.
- Be written LAST after you have written everything else. This is supposed to be a concise summary of your business plan, and you shouldn't be able to write it until you have thought through everything else.

II. Business Description & Vision

This section should include:

- A mission statement explaining the purpose of your business. Why should your business exist? Who needs it?
- Your business goals and objectives and how you envision the business growing.
- A brief history of the business, if any.
- A list of the key people who will be involved in the business. Are there key people whose support you need?

III. Definition of the Market

This section should:

- Describe the industry which your business will be part of. (For example, retail, technology, services)
- Identify your target market: who are the clients and customers you plan to reach? What are their needs?
- Describe what share of the market you anticipate having. To do this you have to figure out how many people in the area your business will serve would be interested in the goods or services your business will provide, and then figure out what percentage of that group you think will *actually* purchase your goods or services. Many factors can influence this, such as the amount of competition already in the area, or your budget for advertising. It is important to be realistic. Capturing 5% of an existing market is considered a huge accomplishment, and not easily (or quickly) done.

IV. Description of Products and Services

This section should:

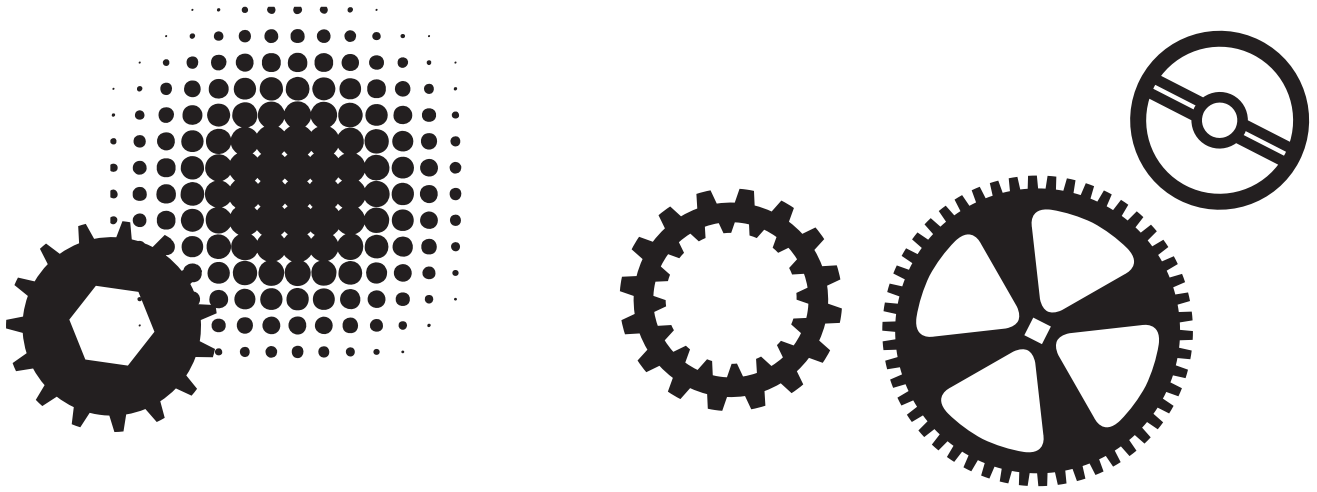
- Describe all of your products and services.
- Explain your anticipated pricing and how your products and services will be competitive in this market.
- To properly price your products and services it will be important to think through how expensive these things will be to provide to the customers. You want to cover your costs and earn a reasonable profit, but if you set your price too high, you might not attract any customers.
- If applicable, refer to a picture or brochure of your products, which should be included in the plan's appendix.

V. Organization and Management

This section should:

- Provide a description of how your business will be organized, meaning who will be the owners and employees of the business, and include an organization chart of this information if possible.
- Describe the legal structure of your business. For more information on business structures, please see Section III, Part 1– Business Structures –of this toolkit.
- Identify any licenses and/or permits that your business will need in order to operate, please see Section III, Part 2 – Licenses and Permits –of this toolkit.
- Provide a brief biography or description of key managers within the business.





VI. Marketing and Sales Strategy

This section should:

- Explain how you are planning your sales strategy, with regard to the 4 Ps: Pricing, Promotion, Products, and Place. All four of these things should work together to reach your target market.
 - * Pricing – are you going to price higher or lower than other comparable products or services? Who can afford to purchase from your business?
 - * Promotion – How will you advertise your business? For example, fliers, on-line, or referral promotions? Will this reach the people in your target market?
 - * Products – Who is the product for?
 - * Place – Where and how will you provide your products or services?

VII. Financial Management

This section should include:

For a new business:

- An estimate of start-up costs. Some examples of start-up costs are: tools, supplies, advertising material, and cost of incorporating. (See Section III, Part 2 –Business Structure)
- A projected balance sheet (going one year forward). A balance sheet keeps track of your business' assets (any resource owned by the company, including money as well as tools or supplies) and liabilities (an obligation of the business, oftentimes a promise to pay that has not been fulfilled in its entirety).
- A projected income statement (going one year forward). A projected income statement is basically like balancing your business' checkbook or predicting all the money your business will spend and make in a year.
- A projected cash flow statement (going one year forward). A projected cash flow looks at the business' intake and payment of actual cash. The amount of actual cash a business has is important to determine whether or not it can pay bills and remain viable.
- Sample Balance Sheet, Income Statement and Cash Flow Statement can be found on-line at <http://www.businessplans.org/guide.html>. While these may be difficult to do without experience and an education in accounting, it is a good idea to familiarize yourself with these concepts and styles of maintaining a record of the business' economic activity.

For an existing business:

- Balance sheets (for the last three years).
- Income statements (for the last three years).
- A cash flow statement (for the last year).

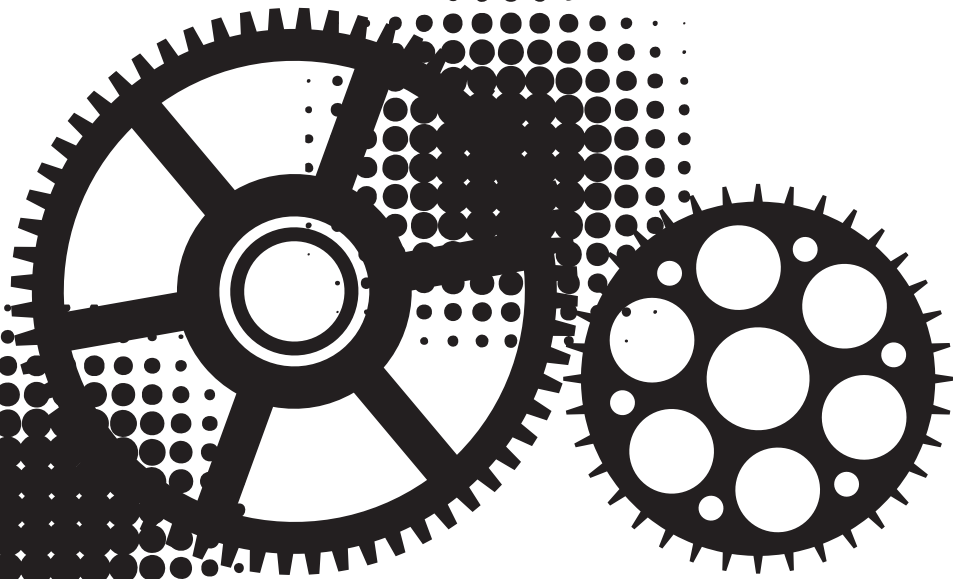
If you are applying for a loan:

- A current personal financial statement and your federal tax return (and if you are starting the company with anyone else, they will need to provide their own information as well).

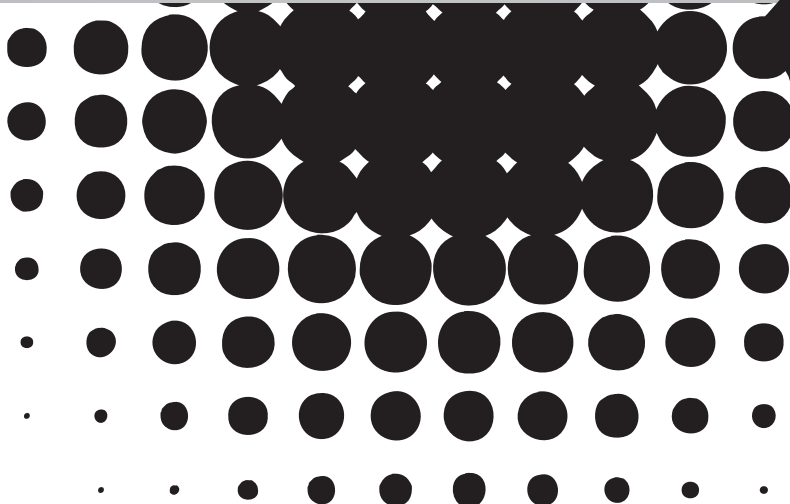
VIII. Appendices

- This section should include as attachments:
- Company brochures.
- Resumes of key employees.
- A list of business equipment.
- Copies of press articles and advertisements (if available).
- Pictures of your business location and products (optional).
- Information supporting the growth of your industry and/or products (optional).
- Copies of key business agreements, such as leases, contracts, etc.





**SECTION III:
GETTING STARTED**





SECTION III: GETTING STARTED

BUSINESS STRUCTURE

Choose a Business Structure.

Businesses in Texas are set up according to one of several legally recognized structures. This section of the toolkit describes some of the most common legal structures.

Your choice of a business structure affects:

- The amount of control you have over your business.
- How business decisions have to be made.
- How you can fund your business.
- How much of your personal funds are at risk.
- How much you will pay in taxes.

For most small businesses just beginning, it makes the most sense to be a sole proprietorship, because it is the simplest, cheapest form. However, learning about the various possibilities to structure your business early on can help you plan for your business' growth.



THINGS TO DO TO FORMALIZE YOUR BUSINESS

- Choose a business structure and register. For most small businesses, a sole proprietorship is the best option: it is cheapest and easiest.
- Maintain licenses and permits. (See Section III, Licenses and Permits.)
- Have written contracts with the people you work with.
- Keep accurate and complete accounting records.
 - File and pay taxes.
(See Section IV, Tax Issues.)
 - Follow employment laws.
 - Get insurance.

THE FOUR MOST COMMON BUSINESS STRUCTURES

1. Sole Proprietorship

This is the simplest and least expensive form of business to create. The owner is fully and personally responsible for all the obligations of the business, which means that if the business has debts or is sued, the owner's personal property can be used to satisfy the debt or judgment. Access to resources, including capital, may be limited. However, the owner is entitled to all of the profits of the business and has control over how to manage the business. The business and the owner are one legal entity. A sole proprietorship can be changed into a partnership, corporation, or LLC at a future time generally without incurring any additional taxes. It may be difficult to put a value on and sell a sole proprietorship.

Sole proprietors report their income and losses on their personal tax returns and generally pay self-employment tax and income tax on a quarterly basis. Sole proprietorships are not subject to the Texas Margin Tax. An accountant can help you with each of these issues.

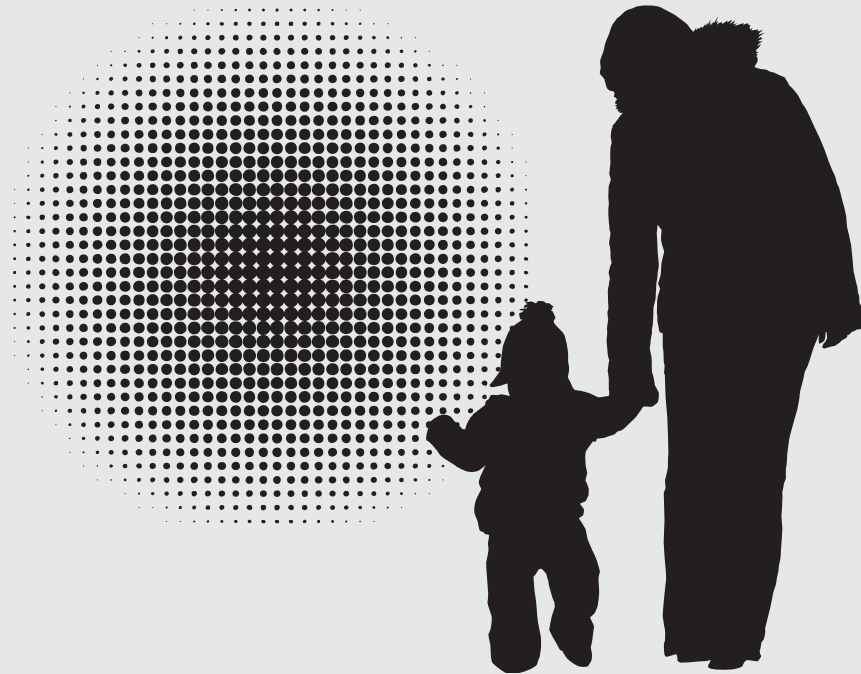
2. General Partnership

General partnerships are easily formed, require few formalities, and allow for flexible management. All that it takes to create a partnership is two or more persons operating a business for profit as co-owners. No written documents are required, though it is highly recommended that a Partnership Agreement be created for the partnership. The partners contribute money, labor, property, or skills to the partnership and participate in the management of the partnership. The partnership is an entity distinct from the partners. It can own property and engage in transactions independently from the partners. Like sole proprietorships, general partners can be found personally liable for the wrongs or debts of the general partnership. If one partner acts on behalf of the partnership, the other partner can be forced to pay for it, even if the partner was unaware of it.

General partnerships have an additional tax obstacle that Sole Proprietorships do not. A general partnership must obtain a federal Employer Identification Number (EIN) for tax filing purposes. An accountant should be consulted before filing a general partnership's taxes.

WHAT ABOUT A CO-OP?

A Co-op is an alternative business form that is gaining in popularity. A Co-op is formed when a group of people work together to meet common needs. It is run democratically – this would mean that everyone gets a say. If you have a group of friends you really like working with and you have an idea for a business that everyone wants to work together on, then perhaps forming a Co-op is right for you. For more information on Co-ops visit <http://www.ncba.coop>. For a Texas resource visit <http://thirdcoastworkers.coop/>.



3. Corporation

This structure involves ownership by one or more persons who own shares and have a financial interest in the business. Owning shares means that you have an ownership interest in the business based on your having provided money, property, or past services to the business. Shareholders have limited liability protection. This means that the liability of the shareholder is limited to the amount he or she has invested in the corporation.

Making your business a corporation requires more time, money, and work than a sole proprietorship or a partnership. A corporation must be formed according to the law of the state and the operation of a corporation is controlled by Bylaws that must be created when the corporation is formed. To create a corporation, legal papers must be filed and the filing fees alone total \$300. When starting your own business, a corporation will likely be a more complicated structure than is necessary. If it is the structure you are interested in, obtain legal and accounting assistance. The tax concerns with a corporation are complex and expert advice will be necessary.

4. Limited Liability Company (LLC)

Like corporations, LLCs are generally more complex and expensive than may be necessary when starting your own small business. An LLC is a business entity created under the Texas Business Organizations Code. The LLC's owners are called members. LLCs are a relatively new type of entity, which blend together aspects of partnerships and corporations. LLCs must be operated according to the rules set out in the Operating Agreement. Generally, all members participate in managing the LLC's business, though the members can agree to name one person (member or nonmember) to manage the business. If an LLC is the structure you are interested in, obtain legal and accounting assistance. The tax concerns with an LLC are complex and expert advice will be necessary.

LICENSES AND PERMITS

Get Licensed

Once you feel confident that you have a good business idea and there are no significant legal obstacles in your path, you will need to submit your license application to the appropriate agency. This is an official document and one of the first representations of your business. Be sure to pay special attention to the details when filling out the application. You can find links concerning licenses, permits, and registration in Texas at <http://www.texasonline.com/portal/tol/en/gov/9>. You can also get useful licensing information at <http://www.license.state.tx.us/>. You might also need to provide proof that you have:

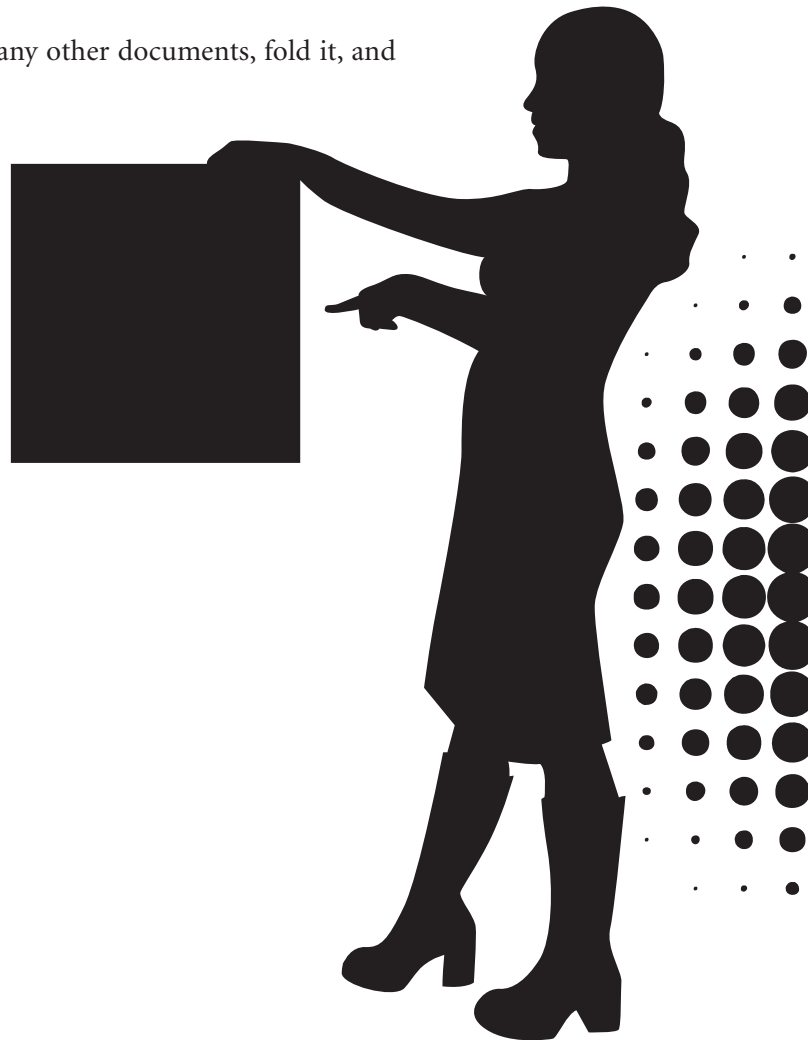
- Maintained a record of steady employment;
- Supported your dependents;
- Maintained a record of good conduct; and
- Paid all outstanding court costs, supervision fees, fines, and restitution ordered in any criminal case in which the applicant has been convicted.



Below is a list of application tips to help you get started.

Application Tips for Vocational and Business Licenses

- Identify the government agency that licenses your vocation or business.
- Call, visit, or go online to ask for a license application.
- Make several copies of the application form so that you can fill it out in draft form before filling out the final copy that you will submit.
- Carefully read the instructions for completing the application.
- Call the agency for an explanation about any part of the application that you do not understand.
- Complete all the questions and sections of the application form.
- Answer all questions truthfully.
- Check your answers and make sure you have not made any mistakes or left anything out.
- Sign the final copy and date it the day that you sign it.
- Include any applicable fees.
- Photocopy each document you submit with the original application, if any, and photocopy the completed application form.
- If you are submitting the application without any other documents, fold it, and mail it in a business envelope.
- If you are including documents, do not fold. Use a large envelope.
- Check the mailing address to be sure it is complete and correct.
- Weigh large envelopes at the Post Office for the correct amount of postage for mailing.
- Make a note of the date that you mail the application and keep it with your copies.



FINANCING YOUR BUSINESS

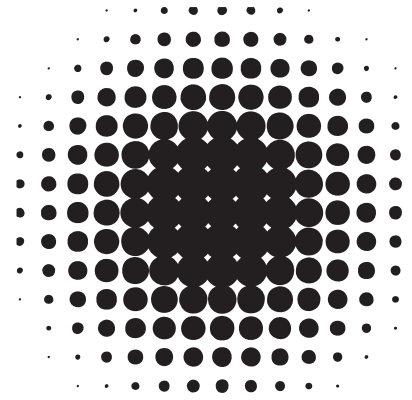
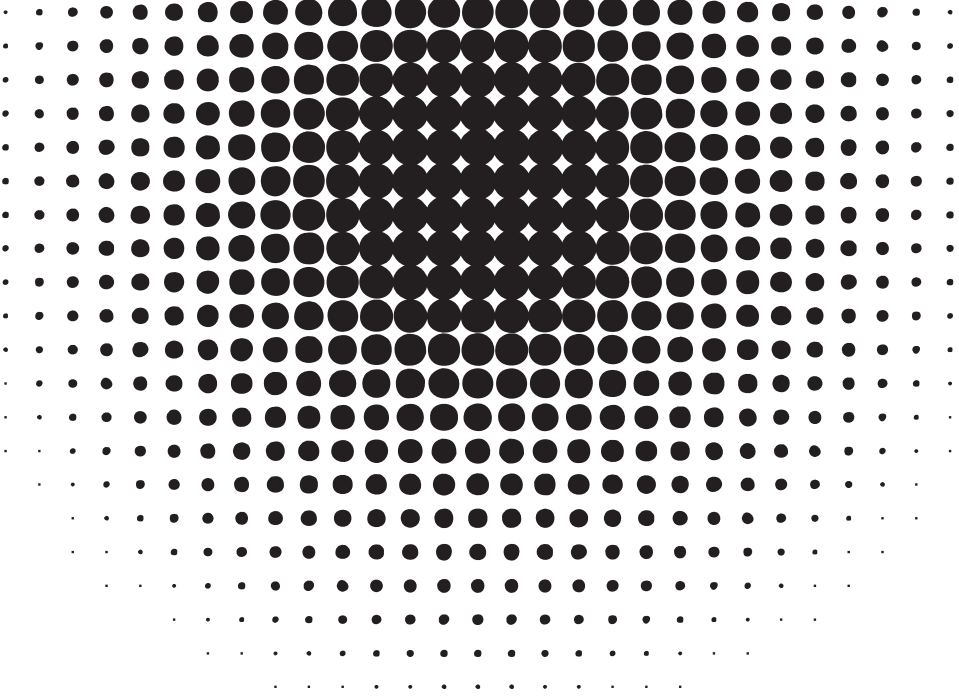
You may have already had to pay for some of the start up costs of your company, such as filing fees, permit and license fees, or fees associated with consulting a legal or accounting expert. To transform your business plan into an operating business, be prepared to spend some more money before you will start earning money on things such as advertising, buying tools and supplies, or property. You can get the money you need to pay for these start up costs from a variety of sources:

Personal Account — If you have been working at another job while preparing to start your own business, you may have enough money set aside to finance your small business operation. If you take this money, remember several things:

1. Keep your personal money separate from your business money. This is important for several reasons:
 - * So you can keep good accounting of the successes or hardships of your business. If your business is losing money, you want to know this right away. You might miss figuring that out if you are mingling business funds with money you use for personal things like rent and recreation.
 - * For tax purposes.
1. Start small. While a new business idea is exciting, it is important to remember that most businesses, if they are lucky enough to be successful, take time to start earning money. Invest only what you can afford to lose out of your own funds and make sure you have enough left over for personal needs like rent and bills.

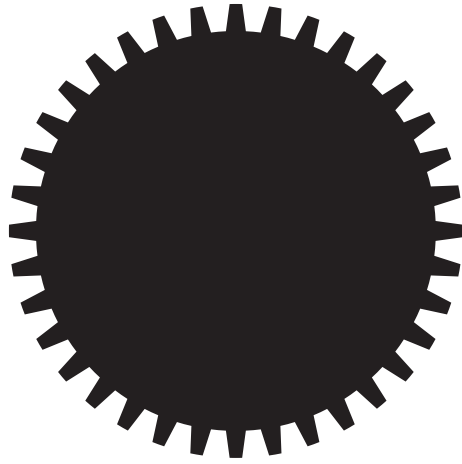
Loans — You can receive loans from a variety of sources, such as a bank, or friends or family. Generally, when someone loans you money, they expect you to pay it off over a period of time, usually with interest. Sometimes a lender, such as a bank, will require some form of collateral when lending money. Collateral is specific property you pledge to the bank that the bank gets to have in the event you don't pay back the loan on time under the conditions set out in the lending agreement. If you take out a loan to finance your business, remember the following things:

- Make your payments on time. Failure to make a payment can lead to credit problems, an escalated repayment schedule, or loss of collateral. It is important to maintain a positive financial standing to help your new business survive and grow.
- If you find yourself unable to pay back the loan, be sure to contact the lender right away and try to work out a repayment plan. Maybe you cannot pay the loan back right away, but can in a few weeks. So long as you are being honest and using your best efforts, a lender will likely want to work with you.
- Microloans, or small loans meant to help small businesses establish themselves, may be an ideal way to obtain start-up funds. For an example of an organization that provides microloans and other services, go to bigaustin.org.



**SECTION IV:
DON'T FORGET . . .**





SECTION IV: DON'T FORGET . . .

TAX ISSUES

File Tax Returns.

It's the law. If you don't file your tax returns and make payments on time, you may end up owing the government more money, including back taxes, penalties, and interest. If you have a formal business entity, the state may also close your business down by revoking its Certificate of Formation.

It's in your interest. It's good to be aware of how much money you're making and how much you're spending. Maybe you're making so much profit that it is time to expand, or maybe you're spending more money on your business than you planned. Either way, this is key information that any small businessperson should know.

You may get a refund. If you file, and it turns out that you've overpaid your taxes, you may get a refund.

You'll pay more into your Social Security account. If you don't pay into Social Security now, you and your family members cannot collect as much money when you retire or if you become disabled.

It may help with immigration status. Tax returns provide proof of income, employment, and good moral character, which you may need to adjust immigration status or to sponsor a relative.

It may help you buy a home. Tax returns also provide proof of income and employment, which you may need to qualify for a mortgage.

It may help you get a business loan. Banks will want to see past tax returns to determine how much money your business is making before loaning you money.

It may help you sell your business. If you decide to sell your business, potential buyers will want to see your tax returns so they can see how much money your business is really making.

When you should consider asking an expert to help with your taxes:

- 1) If you have any employees.
 - All businesses who have employees must obtain a federal EIN for tax filing and reporting purposes.
 - The business is required to withhold federal tax and must submit W-2 and W-3 forms to the IRS as well as Forms 940 and 941.
 - The business may be subject to state unemployment tax.
- 2) When you hire an independent contractor. You may need to issue a Form 1099-MISC.
- 3) To determine if you are subject to Texas Sales Taxes and the Texas Margin Tax.
- 4) To report the value of the business' income producing personal property and inventory to the Appraisal District.

For more detailed tax information check out “Record Keeping and Taxes: A Toolkit for Micro-Entrepreneurs” located in the resource section on the LAMP website at lamp.texasbar.org. You should consult with an accountant regarding any income tax filing requirements.



PROTECT YOUR WORK

Protect Your Work

There are laws that protect inventions, literary and artistic works, symbols, names, images, and designs that you may create in the process of developing and operating your business. Those “creations of the mind” are called “intellectual property.” The protections that are available for intellectual property break down into three main categories:

Trademark

A trademark is any word, name, symbol, or color that is used to identify and distinguish goods or services from those manufactured, sold, or offered by others, and to indicate the source of those goods and services. Business names and logos are examples of items that you may want identified exclusively with your business that can be trademarked.

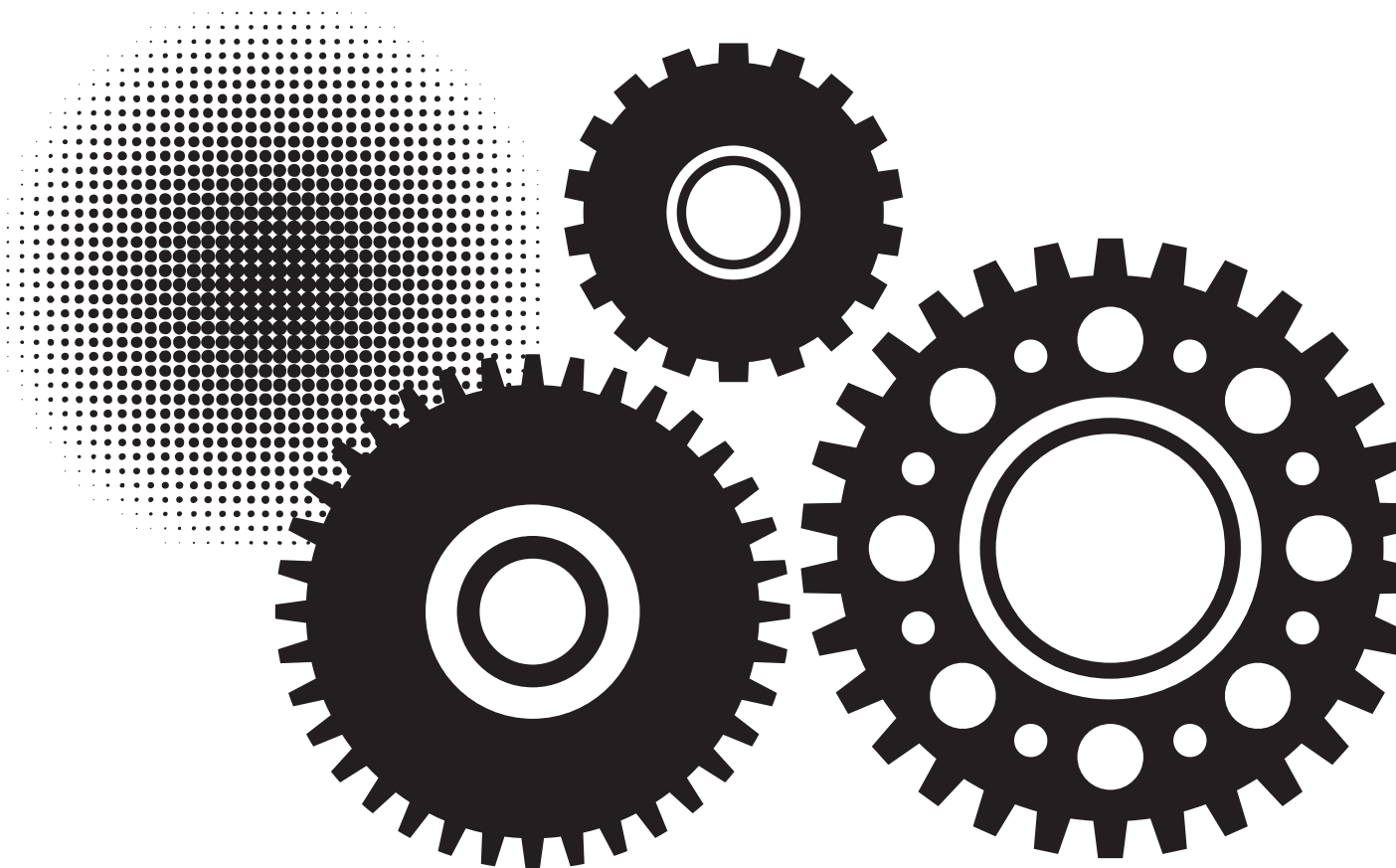
Patent

A patent is a legal right granted by the federal government that gives the owner of the patent the right to exclude others from making, using, offering to sell, selling, or importing into the U.S. an invention claimed in the patent (subject to the conditions and requirements under patent law). Any new and useful process, machine, composition of matter, or design improvement may be patentable.

Copyright

A copyright is a legal right to a literary, musical, dramatic, choreographic, pictorial, sculptural, motion picture, audio, audiovisual, software, or architectural work that prevents anyone besides the copyright owner from making copies, modifying, selling, performing, or displaying the work without permission.

Each of these different types of intellectual property rights has its own registration requirements. Please contact your local legal aid office for assistance with trademarks, patents, and copyrights.







SECTION V: ACCESS RESOURCES





SECTION V: ACCESS RESOURCES

HELPFUL WEBSITES

<http://www.lamp.texasbar.org>

<http://www.annualcreditreport.com>

<http://www.texasworkforce.org>

<http://www.texasonline.com/portal/tol/en/gov/9>

<http://www.score.org>

<http://www.business.gov/states/texas/>

<http://www.bigastin.org>

<http://www.idtheftcenter.org>

www.responsiblelending.org

www.sba.gov/teens/ideas.html

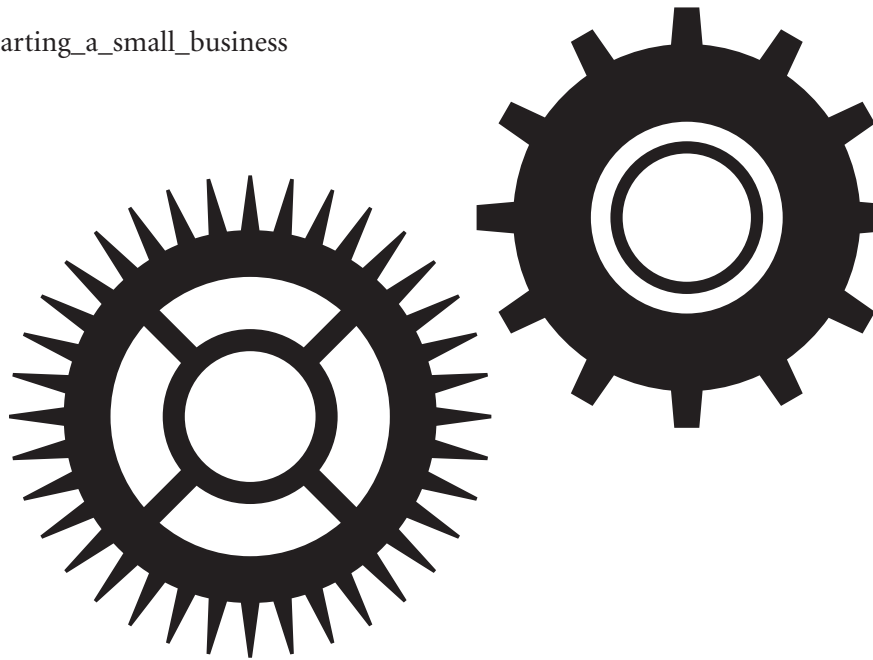
www.disability.gov/home/i_want_to/get_help_starting_a_small_business

www.ncfy.com/publications/pdf/lbd_ent.pdf

www.mindyourownbiz.org/default.shtml

www.score.org/resources_young.html

www.teenmoneymakingideas.com





LEGAL ASSISTANCE TO
MICROENTERPRISES PROJECT

Texas RioGrande Legal Aid
4920 N. IH-35, Austin, Texas 78751

email: info@texasbar.org
web: www.texasbar.org

