

LANDSCAPE, LAWN AND GARDEN SERVICES

BUSINESS AND INDUSTRY PROFILE

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SOUTHERN ILLINOIS UNIVERSITY AT CARBONDALE  
College of Business and Administration

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NOTE: Every effort has been made to ensure that the information contained in this booklet is comprehensive and accurate. However, this is not a legal document and should not be used exclusively to determine legal liability.

LANDSCAPE, LAWN AND GARDEN SERVICES  
(SIC 078)

## GENERAL INDUSTRY INFORMATION

## BUSINESS TYPE, INDUSTRY CHARACTERISTICS AND PROSPECTS

## Nature of the Business

Landscape services Industrial Classification (SIC) 0781 and lawn care service centers (SIC 0782) provide similar but distinct services. They differ, however, in terms of the individual expertise necessary to enter each industry and in the means by which the services are marketed. With some companies, combining both services capitalizes on the professional skills of company personnel and better serves the company's targeted markets.

Landscaping firms are often involved in contrasting but related services. Examples include: landscape architectural design, planting trees, laying ground cover, and installing shrubs; breeding or acquisition of plant life to carry out contracted services; and, lawn care services for customers.

Most lawn care firms deal primarily with the care and maintenance of lawns, trees, and shrubs that are in place. These firms concentrate their services on preventing plant life disease and promoting their growth.

Both lawn care and landscaping services are seasonal in nature. However, the trend has been toward firms aggressively searching for new types of services to provide customers in the traditionally slow months. One example is to provide snow removal to those customers who receive lawn care services.

## Trends in the Industry

An area which has impacted directly on the lawn care and landscaping industries in Illinois is the real estate industry. The exact value of landscaping and lawn care to a home can be debated. The Professional Landscapers of America estimate that the home owner's return at resale can be between \$800 and \$1200 over cost of improvements. However, there is no debate that the value of a home is enhanced through the use of landscaping and lawn care services. The use of lawn care and landscaping services tends to be common in areas where home sales are vigorous.

## Industry Growth

After a slow period due to the recession in the early 1980's, both the lawn care and the landscaping industries recovered to show strong growth through the remainder of the decade. According to

County Business Patterns, published by the U.S. Bureau of the Census, both segments of the industry showed growth in revenues from 11 to 15 percent through 1988, the last year such data was available. It was then estimated that over six million homes, nationwide, used lawn care services. This number is projected to grow into the next century.

#### MARKET OPPORTUNITIES IN VARIOUS SIZED COMMUNITIES

##### Marketing Plan

Before starting a landscape or lawn and garden service, the owner(s) should develop a marketing plan. A marketing plan is basically a blueprint for outlining possible customers for the business which should include important information about the venture. Topics that should be addressed include: whether or not the area can support the proposed venture; the existence of an unidentified market niche that may be exploited; the level of competition in the area; the current customer base population, income, and growth trends; competitive pricing strategies; and a variety of other facets of the business that owners or managers need to know to develop a viable and profitable business.

Assistance in developing a marketing plan may be obtained from many sources -some at cost, others for free. A few sources for assistance and information are:

- Small Business Development Centers located at colleges and universities throughout the state;
- Professional service companies such as accounting firms, private consultants, legal firms, etc.;
- Service organizations such as chambers of commerce or the Service Corps of Retired Executives (SCORE);
- Other public sources such as public libraries, college and university classes, etc.

##### Market Data

Market potential and demographic data (e.g., average household income, number of households, and number of businesses) may be obtained from the local chamber of commerce, the public library, or the city and county government. Existing local landscape, lawn and garden service firms may be contacted to determine what services they offer and what they charge.

##### FRANCHISING

Franchise opportunities exist for landscape, lawn and garden services and offer an alternative to starting a business from the ground floor. Franchising gives the entrepreneur an opportunity

to use the mass buying power, training programs, specific territory, experience, and name recognition of the franchisor to build a viable and profitable business.

Most franchisors provide a training program for their new franchise, but the extensiveness of these programs vary from company to company. Most of the franchising firms provide training at their home office for key managers. Video cassettes may be available to illustrate correct techniques for performing certain types of lawn, landscape or garden services. Ongoing training is usually provided, especially as new equipment, products and improved services products are introduced.

The franchisor charges a fee ranging from between \$15,000.00 and \$25,000.00. In return, the franchise is allowed to use the name, product, and marketing techniques developed by the franchisor. The franchise also benefits from advertising by the franchisor. Some franchisors will even finance some of the initial investment.

When investigating the possibility of entering a franchise agreement, it is important to do research on the background of the companies being considered. Some companies have a better record in the success rates of their franchises. While they generally out-perform the general population of new business enterprises, some franchisors are much more successful than others in promoting a successful business.

There are some drawbacks in starting a business as a franchise. One problem is the availability of franchises in the market area being considered. The lack of a franchise opportunity in a given area is not necessarily a problem with franchises, but may be an indicator of their success. All franchisors have defined areas to sell a franchise. These areas will be defined by the size of the potential market that the franchisor feels is viable. Within the market area, the franchisor will choose the strongest qualified candidate for that particular market.

Another drawback in any franchising agreement may be the percentage of income that must be paid to the franchisor. This percentage is usually between two and five percent and is taken from the franchise gross receipts.

Finally, the franchisor, while benefiting from any advertising by the company, must deal with any adverse publicity that the parent company or another --franchisee may generate. Sometimes the public does not make the distinction between one franchises quality control problems and another franchises excellent history.

#### COSTS/FINANCIAL CONSIDERATIONS

## COSTS AND TYPES OF ASSETS NEEDED TO START THE BUSINESS

## Investment Factors

Initial investment factors to consider include: the capital required to operate the business until the break-even point is reached; the capital needed for wages, the working capital needed for six months, unforeseen expenses, necessary supplies and equipment, the types of insurance coverage necessary and their cost, and the cost of building remodeling or improvements.

## Capital Requirements

Because of the variety of potential locations and markets throughout the state, it is difficult to estimate the capital needed to start a landscaping or lawn care business. However, some general costs can be estimated and may prove useful.

EQUIPMENT	\$ 25,000
SUPPLIES	15,000
LEASE (3 MONTHS)	9,500
FURNISHINGS	4,000
INSURANCE	3,000
CAPITAL RESERVE	45,000
TOTAL	\$101,500

The equipment line would include at least one good (perhaps used) truck, along with lawn mowers and other necessary implements. The supplies item includes all the plants, trees, seed, and the trimmings, such as wood chips and gravel, that the business needs to begin work. These totals are only estimates and are not meant to represent any particular market area. However, they do represent figures gathered from actual landscaping and lawn vendors and lessors. Generally speaking, the major problems that most new businesses have are under capitalization. Make every attempt to have sufficient reserves for the first few lean months or your business may never get off the ground.

## Average Balance Sheet Data

Dun and Bradstreet, Inc. annually provides income statements of average sized businesses in many industries. In 1989, the average size landscaping business had an annual net worth of \$226,800, with total assets of \$450,000. The income statement for this business is as follows:

ASSETS		LIABILITIES AND NET WORTH	
Cash and near cash	14.0%	Accounts payable	10.5%
Accounts receivable	26.0	Bank loans	7.2
Notes receivable	00.5	Other notes payable---	

Inventory	15.3	Other current debts	14.0
Total current assets	55.8	Total current debts	31.7
Fixed assets	27.4	Long-term debts	17.9
Other noncurrent assets	16.8	Net worth	50.4
Total assets	100.0%	Total debt and net worth	100.0%
Total assets:	\$450,000		

"Near cash" refers to checking or savings accounts that may be liquidated easily. "Other noncurrent assets" generally refers to intangible assets such as leaseholds or leasehold improvements. "Fixed assets" are a mixture of land and buildings, cleaning equipment, and delivery vehicles.

"Accounts payable" are amounts owed to suppliers of inventories and equipment. "Bank loans" are amounts owed to lenders of capital. "Other long-term debts" include both equipment and mortgage notes.

#### TYPICAL BUSINESS RATIOS FOR OTHER FIRMS IN THE INDUSTRY

The comparison of actual operations with typical, industry-wide ratios can be helpful in making decisions concerning service charges, mark-up, expense category allocations, and realistic profit expectations. These ratios are also helpful in preparing projected financial statements, cash flow projections, income statements, and balance sheets for loan purposes as well as comparing existing company data with industry averages to identify company strengths and weaknesses.

#### Solvency Ratios

Quick Ratio (cash + accounts receivable/current liabilities)  
1.3:1

Current Ratio (current assets/current liabilities)  
1.9:1

Total Debts to Net Worth  
87.0%

The quick ratio expresses the degree to which a company's current obligations (expenses) are covered by the most liquid current assets, i.e., cash and customer payments due the company. The current ratio is a rough indication of the "cushion" between current obligations and a firm's ability to pay them from current assets. Total debts to net worth compares total liabilities in the form of debt with owner equity, which for small firms usually does not exceed 100 percent. Thus, owners have more at stake than creditors.

#### Efficiency Ratios

Collection period (accounts receivable sales X 365)	37.5 days
Sales to Inventory (net sales/inventory)	24.5 times
Assets to Sales (total sales/annual net sales)	37.7%

The quality of the receivables (degree to which customers pay their bills on time) of a company can be determined through the collection period, with allowances made for possible variations in selling terms if the company differs from the industry. The sales to inventory relationship is a guide to the rapidity at which merchandise is being moved, which has a direct effect on the flow of funds into the business. The assets to sales ratio ties in sales and the total investment that is used to generate those sales. A firm can be "overtrading" (handling an excessive volume of sales in relation to investment) or "undertrading" (not generating sufficient sales to warrant the assets invested).

#### Profitability Ratios

Return on Sales (profit after taxes/annual net sales)	6.6%
Return on Net Worth (profit after taxes/net worth)	30.7%

Return on sales reveals the profits earned per dollar of sales and, therefore, measures the efficiency of the operation and is an indicator of the ability to withstand falling prices, rising costs and declining sales. Return on net worth (return on equity) is used to analyze the ability of the firm's management to realize an adequate return on the capital invested by the owner(s) of the firm. Generally, a relationship of at least 10 percent is regarded as a desirable objective for providing dividends plus funds for future growth.

### MANAGEMENT CONSIDERATIONS

#### DEVELOPMENT AND SITE LOCATION

##### Location

The potential business owner looking for a location for his or her landscaping or lawn care business needs to choose a site that is accessible to the public and that provides sufficient space for the trucks, products/services, and equipment. Ideally, this location should provide easy access to the potential customers and markets being served.

The building should have a storage area, an office and a waiting area where customers can be greeted. This area could have a table with graphic representations of a proposed landscape or a computer with graphic representation capabilities which can be

used to explore ideas with a customer.

Some landscape and lawn care firms maintain a nursery on their site. If this is contemplated, the required space needs to be increased and the specialized building needs may be required.

### Zoning

Whenever contemplating a site for a new business, the potential business owner must be aware of zoning codes which may impact on the site. The business owner must be certain that the potential site has all the improvements that are required for a lawn care or landscaping firm by code, or can at least be brought up to code.

### Health and Safety Considerations

One area that has been highly scrutinized is the use of chemical fertilizer and insecticide. The U.S. Food and Drug Administration (FDA) oversees the regulation of the landscape and lawn care industry. However, during April 1990 several public hearings were held by the U.S. Senate to acquire information on the environmental impact of the use of chemical insecticides and fertilizers. The entrepreneur who is considering this industry should be aware of the potential for future increased government regulation, and be fully aware of any impact this can have on the industry. Serious consideration should be given not to use any new fertilizers/insecticides that may be harmful to the environment. Managers/owners need to keep informed on the effect of new products on the environment through books, magazines, and/or conferences and workshops.

### EXPERIENCE AND TRAINING NEEDS

#### Management/Owner Training

Anyone starting in the landscape or lawn care business needs some managerial training in one form or another. Many community or technical colleges offer seminars in business management techniques. The Illinois Department of Commerce and Community Affairs (DCCA) Small Business Development Centers sponsor seminars throughout the state that provide information on topics ranging from accounting to taxes. A catalog is printed quarterly to list future training classes. The catalog is available by calling the Illinois Small Business Hotline at 1-800-252-2923.

One of the first things a new business owner must design is a basic financial record keeping system. Before the first job is obtained, a record keeping system must be developed for acquired materials, employees payroll, inventory control, and expenses.

If a new business owner is not familiar with basic bookkeeping, it would be wise to seek aid in setting up the system from a Certified Public Accountant (CPA).

### Employee Training

Any employee hired by a lawn care firm should be able to follow instructions, operate the machinery including lawnmowers, and be able to safely apply fertilizer and insecticide.

The landscape service firm may need an employee who is able to handle a variety of jobs ranging from landscape design to horticulture.

## KEYS TO SUCCESSFUL MANAGEMENT

### Markets

In order to be successful, the management of a landscape or lawn and garden service must know its competition, have a vision as to the markets that it can cultivate, promote a helpful atmosphere for both clients and employees, and strive for profitable customers and accounts. Management of a landscape, or lawn and garden service should be able to gauge the approximate saturation point (at which the market is not profitable) in a given market area. Markets should be developed where growth potential exists and where the firm has a price or some other advantage. Effective labor and supplies cost controls should be followed by the owners and employees. The firm's operating objective should be to develop a good reputation in the industry for quality work at a fair price.

### Organization

A well-run organization should have a clearly defined organizational structure with key personnel to work in the areas of management, engineering, marketing, and accounting/finance. In a small business, the responsibility for most of these roles ultimately rests with the owner/manager of the firm.

### Customer Relations

All employees with a landscape or lawn and garden service firm should be courteous to the clients. Outside of qualifications, this is the most critical issue for any business. If a firm is unable to maintain a friendly, courteous relationship with its customers, it will not be successful.

### Employee Relations

Employee attitudes and perceptions play a great role in the success of a business. Poor employee morale can impact on all areas of the

business, from customer relations to the quality of work. As a result, it is important to maintain a friendly, open relationship with employees at all times. In addition, it should be the policy of the firm to pay an adequate wage and to provide health care coverage, sick leave, promotional opportunities and other benefits. On the whole, these activities will help attract and retain well trained, high quality employees.

### Advertising

Spot radio ads, newspaper ads, telephone directory yellow pages listings, and direct contact (telephone or mailings) are some methods of advertising.

Service vans often bear company logos and/or a brief listing of services offered on their sides, along with a business telephone number. Billboards are used by some firms in the industry.

Many lawn care firms offer special prices in the spring and discounts to regular customers who contract for year-long services. Another relatively inexpensive way to advertise is the use of newspaper inserts and flyers. These allow the firm to target specific markets with the limited advertising dollar. The key is to find a way to let the public know that the firm is doing business.

## GENERAL START-UP ISSUES

### FINANCING METHODS

The ability to raise initial capital is critical for business start-ups. According to a survey conducted by Western Illinois University, one-half of entrepreneurs reported difficulties in obtaining financing, including both initial and working capital. The survey also found that entrepreneurs relied heavily on personal funds, in addition to investments from family and friends. In fact, the survey indicated that approximately one-half of initial funds came from these sources. On the average, bank loans accounted for nearly one-third of initial capital. Other private lenders, government agencies, venture capital and stock placements only rarely provided initial capital for businesses.

About one-half of both goods and service-producing firms surveyed had applied to lending institutions for credit. Only five percent of goods-producing firms had been denied credit more than once, while approximately 18 percent of service-producing firms reported credit denials. The most frequent reasons for credit denial included lack of adequate collateral and a policy of not lending to the type of business applying for credit. Since obtaining credit is difficult, many entrepreneurs find it necessary to finance a

business through a combination of sources of funds. Following are descriptions of several common types of financing.

### Equity Sources

Equity sources of funds are the entrepreneur's personal funds or assets or the funds or assets of other investors in the business. Banks often require a minimum equity investment of 20 to 25 percent.

Personal Savings or Insurance -- Individuals with bank passbooks, certificates of deposit, U.S. savings bonds, permanent life insurance (with a cash surrender value), or other savings should view these as a source of financing. Conversion of these savings (or borrowing funds using these savings as collateral) should be explored carefully to determine the effect on the family if funds are not repaid.

Personal or Family Investors -- Next to personal assets, this is the most commonly used source of equity financing and perhaps the one source most abused. A business owner who secures equity funds from family members or friends should enter the relationship on a strictly professional business basis. Potential family conflicts which might result from the business might be avoided by preparing a simple contract to designate the details of the business arrangement.

Personal Assets -- An individual may have accumulated some equity in personal assets such as a vacation home, a second vehicle, or recreation equipment such as a boat, camper, etc. People starting a new business and trying to finance the business could sell these assets to generate funds to capitalize the business. This offers the advantage of not having loan debt to repay during the early years of a business and also shows potential investors and lenders the commitment of the owner.

### Debt Financing

Entrepreneurs should be aware of typical lending practices, sources of funds and different types of credit (and their respective costs) before approaching lending sources.

Institutional Investors -- Banks, savings and loans, and commercial credit companies expect the small business owner to make a significant personal investment (equity) in the business prior to any lending activity. The lack of personal investment is viewed as a sign of greater risk and less commitment on the part of the owner. Smaller loans can sometimes be obtained through a bank's consumer loan division. Security in the form of a second mortgage on the borrower's house or a lien on property such as an auto is usually required.

Leasing Agents -- Leasing companies allow small start-up firms to obtain needed equipment with a small cash down payment and regular monthly payments. Leasing has advantages and disadvantages both for the leasing agent and the small business that rents equipment. Leasing companies may be able to use favorable federal tax advantages (such as depreciation allowances), and thus lease terms are often only slightly higher than if the asset were financed with a bank note. However, if the lease is an operating contract (not a lease to purchase), the leasing company retains ownership.

Trade Credit -- Although it is often overlooked, trade credit is a frequently used means of debt financing. Trade credit is extended from suppliers who accept deferred, rather than immediate, cash payment. Trade credit conceivably could be generous enough to allow use or resale of the product, so that the customer's cash can be used to pay the supplier.

Factoring Companies -- Another mechanism for assisting business owners is improving cash flow through factoring, or the sale of their accounts receivable. Factoring companies purchase accounts receivable from business owners. The business owner generally pays the factoring company a fee or percentage of the invoice (based on the strength of the receivable) for the transaction as well as interest costs of borrowing money, but can obtain cash without waiting the normal 60 to 90 days for payments.

#### Public Sources

Public sources of funds include federal, state or local governments which may loan money to small or emerging businesses at relatively low rates of interest as a method to improve the economy. Public sources also generally take a second position on the collateral so that the bank has first claim to the assets if the loan defaults. Although public funds have their limitations, entrepreneurs should explore such funds. Most public sources of funds require 20 to 25 percent owner equity, additional private bank financing, and some guarantee that job creation will occur.

Federal Sources -- An example of a public source of funds is the U.S. Small Business Administration (SBA), which offers a variety of loan programs to eligible existing and start-up small businesses which cannot borrow on reasonable terms from conventional lenders without government assistance.

Local Revolving Funds -- Many communities in Illinois use available economic development funds to establish revolving loan pools to promote business and industrial growth.

State Loans -- The Illinois Department of Commerce and Community Affairs offers several important financing programs to help start-up businesses. Each of these should be considered, along with their associated requirements. For more information on financing programs, contact the Illinois Small Business Hotline (1-800-252-2923).

#### FORM OF ORGANIZATION

There are three basic forms of business organization, each of which offers distinct advantages and disadvantages for a prospective business owner. The main considerations in selecting a form of organization include:

- Cost and complexity of formation;
- Tax and securities law implications;
- Need for attracting additional capital;
- Investors' liability for debt and taxes; and
- The goals and purpose of the enterprise.

Each of the following forms of business should be thoroughly discussed with an attorney and an accountant prior to selecting one.

**Sole Proprietorship** -- A sole proprietorship is owned and operated by an individual. Advantages of this form of organization include ease of formation and relative freedom from government controls and restrictions. Disadvantages include less access to capital and financial resources. Also, this form of business organization provides less protection with regard to personal liability. For instance, the owner may be required to sell personal property, including home, car, etc., to repay debts resulting from the business.

**Partnership** -- Generally, a partnership is defined as two or more individuals carrying on an association as co-owners of a business for profit. Typical partnership agreements are in writing and are prepared by an attorney. The agreement defines how much owner equity each partner must contribute, the extent to which each partner will work in the company and the share of the profits or losses to be received by each of them. It is desirable to have the agreement prepared by an attorney. As with sole proprietorship, a general partnership exposes the owners to personal liability. If the business is not successful and the partnership cannot pay all it owes, the general partners may be required to do so using their personal assets. Limited partners are exposed only to the extent of their investment in the partnership.

**Corporation** -- A corporation is a distinct legal entity and is

the most complex form of organization. A corporation may sell shares of stock, which are certificates indicating ownership, to as many people as is desirable. The shareholders then elect a board of directors, which selects a president and other officers who run the company on a day-to-day basis. Among the advantages of corporate formation are limited liability of the shareholder and ease of transferring ownership. Electing S Corporation status is another option when starting a business. In general, an S Corporation does not pay a tax on its income. Instead, the income and expenses of the corporation are divided among its shareholders, who then report this data on their own income tax returns. To qualify for S Corporation status, a corporation must meet several requirements, one of which limits the number of shareholders to 35. All shareholders must also consent to the S Corporation status.

For further information regarding S Corporations, contact the Internal Revenue Service (IRS) at 1-800-424-1040 or request a copy of Publication 589, Tax Information on S Corporations, by calling 1-800-424-3676.

#### LICENSING/REGISTRATION

Assumed Names Act -- Once a decision has been made regarding the form of organization for the business, it must be registered to legally conduct business in Illinois. Under the Illinois Assumed Name Act, sole proprietorships and partnerships must register with the county clerk if the name of the business will operate under a name other than the owner's full legal name (e.g., "John Doe" would not need to file; "John Doe's Cleaners" would). Limited partnerships and corporations are required to register with the Illinois Secretary of State's Office. More detailed information on business registration is contained in the "Starting a Small Business in Illinois" handbook, which can be obtained by contacting the Department of Commerce and Community Affairs' Small Business Hotline at 1-800-252-2923.

Certificate of Registration -- Most businesses must register with the appropriate state agency to submit tax or informational returns or to collect and remit sales taxes. In Illinois, business owners must contact the Department of Revenue to determine if an Illinois Business Taxpayer Certificate of Registration (Business Tax Number) is required for the business. Contact the Department of Revenue at either of the addresses listed under Information Sources.

Unemployment Insurance Liability -- Businesses that hire employees may be required to make unemployment insurance contributions to the state. Liability is determined by the Illinois Department of Employment Security (DES).

The form, "Report to Determine Liability," and instructions for completion are available through the Small Business Hotline or by contacting either of the-DES offices listed under Information Sources.

Local Regulations -- Most local jurisdictions require that business operation licenses be applied for and renewed annually. Where crowds of people are in attendance, fire codes concerning rest rooms and fire exits are in effect. Fire and safety inspections may be made periodically by the local fire and safety inspector. Contact the city or county clerk for information on licensing, inspections, sign restrictions, and other local regulations.

Federal Employer Identification Number (FEIN) -- Every partnership, corporation and S Corporation must have a FEIN to use as its taxpayer identification number. A sole proprietorship must also have a FEIN, if it pays wages to one or more employees or files any excise tax returns, including those for alcohol, tobacco or firearms. (Otherwise, a sole proprietor can use his or her social security number as a business taxpayer identification number.) To apply for a FEIN, use form SS-4, Application for Federal Employer Identification Number. To receive a FEIN application contact the IRS Hotline at 1-800-424-3676. The application is also included in the One Stop Business Start-Up Kit and can be obtained by calling the Illinois Small Business Hotline at 1-800-252-2923.

## TAXES

Taxation for small businesses can be quite simple or very complex, depending on the size and type of operation. The following list outlines the major taxes which may impact a business. Of course, the tax liability of each business will be different, based on sales volume, form of organization, etc.

### Business Taxation

Income Tax -- Every individual, corporation, trust, and estate residing in Illinois or earning or receiving income in Illinois must pay an income tax based on net income. A sole proprietor must pay individual income taxes on earnings from the business. In a partnership, each partner must pay taxes on the distributive share of partnership income. Corporations must pay a corporate income tax.

Franchise Fees -- In addition, corporations are assessed a franchise tax each year. Corporate franchise taxes are administered and collected by the Secretary of State's Office.

Replacement Tax -- Illinois does not have a personal property tax, but does have a personal property replacement income tax. The replacement tax is also applied to the net income of partnerships, corporations, and trusts. S Corporations are subject only to replacement tax.

#### Sales Taxes

Four categories of taxes comprise the state and local sales taxes. These are the Retailers' Occupation Tax, the Use Tax, the Service Occupation Tax and the Service Use Tax. State, county and municipal governments, and certain mass transit districts may levy Retailers' Occupation, Use and Service Occupation taxes, subject to criteria and rate limits established by Illinois law. Additional information regarding the various types of sales taxes may be obtained by contacting the Illinois Department of Revenue at 217-782-2972 or 1-800-732-8866.

A list of items which are exempt from Illinois Sales Tax is contained in "Starting a Small Business in Illinois" which can be obtained through the Illinois Small Business Hotline (1-800-252-2923). For further information on Sales Tax regulations or the Illinois Retailers' Tax Booklet (NUC-19), contact the Department of Revenue at 217-782-2972 or 1-800-732-8866.

#### Real Estate Taxes

All for-profit real estate owners are required to pay property taxes. The property tax rate is determined by local taxing districts and taxes are paid to the township or county tax collector in the year following assessment.

#### Withholding Taxes

Certain taxes, including state and federal income taxes and FICA (Social Security), must be withheld from employee wages and remitted to the government. You may be required to register with both the federal government and the State of Illinois for tax withholding purposes.

Federal Withholding -- To register with the federal government, contact the Internal Revenue Service at 1-800-424-3676 and request: Your Business Tax Kit (YBTK) for either a sole proprietorship, partnership or corporation; Tax Guide for Small Business (Publication 334); and Employer's Tax Guide (Publication 15).

State Withholding -- To register with the State of Illinois, contact the Illinois Department of Revenue Hotline at 1-800-732-8866 or write to the department at:

100 W. Randolph, Concourse 300  
Chicago, Illinois 60601  
312-814-5258

101 West Jefferson Street  
Springfield, Illinois 62794  
217-785-3707

## BUSINESS SERVICES

### Legal Counsel

Attorneys can provide services fundamental to the success of the business. A competent attorney can advise on such issues as choosing the most appropriate type of business organization; complying with local, - state and federal regulations; obtaining licenses and permits; preparing contracts; and resolving tax questions.

Attorneys also can provide professional help when dealing with other parties such as financial institutions, owners of possible business locations, union officials, governmental bodies, franchising companies, suppliers and customers. In addition, problems may arise requiring the services of an attorney, including collection problems with customers, disputes with creditors or employees, or expansion opportunities.

There are several methods for selecting an attorney. An initial course of action might be to seek recommendations from other business owners. Another method of finding an attorney is to contact the Illinois State Bar Association Lawyer Referral Service at 1-800-252-8916. The Martindale-Hubbel Law Directory may also be helpful. It contains a listing and rating of attorneys in your city; a copy may be found at the local library. The public library is also a source for reference books on legal topics. One such book is Small Business Legal Advisor by William A. Hancock, published by McGraw-Hill.

### Bookkeeping

Access to proper information is provided by a sound bookkeeping system. Functions of a good system include:

Receipts and Expenses -- Creating and maintaining an accounting system for the accurate and timely recording of the company's cash receipts, disbursements, sales and operating expenses.

Financial Statements -- Preparing periodic financial statements (balance sheet and profit and loss statement) and establishing systems that track accounts receivable and payments due.

These responsibilities may be undertaken from within or outside of the business, depending on the size and nature of the business

and the owner's experience and available time. An accountant, attorney or banker can help determine a firm's needs for a bookkeeper or bookkeeping service.

### Accounting

In addition to bookkeeping requirements, a need may arise for the services of a certified public accountant (CPA), an accountant who has passed a written examination prepared by the American Institute of Certified Public Accountants

and who has received a state license for the public practice of accountancy. Most CPAs provide the following services:

**Auditing** -- Although a bookkeeper employed by the firm may maintain accounting records and prepare financial statements, banks and other lenders frequently require an independent audit prior to granting a loan and during the loan repayment period.

**Tax Preparation** -- The tax services provided by CPAs include planning transactions for the lowest present and future tax liabilities, preparation of tax returns, conferences with taxing authorities who are examining prior years' tax returns and estate planning.

**Consulting** -- Some CPAs provide assistance in reducing costs, improving reports, installing or upgrading accounting systems, budgeting and forecasting, conducting financial analyses, controlling production, controlling quality, compensating personnel, and managing records.

The Independent Accountants Association of Illinois (IAAI), established in 1949, can refer a competent accountant to the potential Illinois small business person. Many of the IAAI accountants are "Enrolled Agents," licensed to represent a before the IRS should the client's tax return be audited. For more information, write the Independent Accountants Association of Illinois, Elk Grove Village, Illinois 60648, or call 312-593-1179.

### Insurance Coverage

A well planned insurance program is essential for protecting a business from unforeseen losses and significant financial burdens. In organizing an insurance program, there are three basic considerations: recognize the perils facing the business and the potential loss from each; investigate the methods by which the cost of coverage can be reduced, which includes "shopping" for appropriate insurance plans; and prepare an insurance plan that is compatible with the operation and goals of

the business. A qualified insurance agency or broker can explain options, recommend the best coverage and help save money.

Four types of insurance coverage are essential: fire, liability, vehicle and workers' compensation. Other desirable types of insurance coverage include business interruption, crime, and key employee.

#### INFORMATION SOURCES

There are a variety of resources available to assist with starting a business. Local libraries, chambers of commerce, community colleges, and universities are excellent sources of information.

##### SMALL BUSINESS HOTLINE

In Illinois, many of the forms needed to start a business may be obtained from the Illinois Small Business Hotline, a program of the Illinois Department of Commerce and Community Affairs Small Business Assistance Bureau. State business forms, permit and license information, and general business information, such as the "Starting a Small Business In Illinois Handbook" are available from the Small Business Hotline (1-800-252-2923).

##### BUSINESS DEVELOPMENT CENTER NETWORK

The Illinois Business Development Center Network and Service Corps of Retired Executives (SCORE) offices can provide technical assistance, business plan development, finance, marketing, management, international trade, government procurement, energy management, and commercialization of technology-related products. Additional information on these services is available through the Small Business Hotline.

##### SMALL BUSINESS RESOURCE CENTER

The Small Business Resource Center is a Chicago-based center that provides information on area Small Business Development Centers and other state and local service providers. For more information, call the Small Business Hotline.

The U.S. Small Business Administration offers many publications for a minimal fee. A list of these management aids is available from the Small Business Hotline.

Several sources of information are useful for improving the level of profitability of a landscape or lawn and garden services firm or for learning more about this type of operation. These include trade associations, reference books and directories, periodicals,

ratio studies, investment services, and government assistance. A list of these for the landscape or lawn and garden service industry is given below.

#### TRADE ASSOCIATIONS

American Society of Landscape Architects. 4401 Connecticut Avenue, N.W., Washington, DC 20008. (202) 686-2752.

#### DIRECTORIES AND REFERENCE BOOKS

American Society of Landscape Architects - Membership Roster. American Society of Landscape Architects, 4401 Connecticut Avenue, N.W., Washington, DC 20008. (202) 686-2752.

The Source Book of Franchise Opportunities. Bond, Robert E. and Bond, Christopher E. Dow Jones-Irwin, 1818 Ridge Rd., Homewood, IL 60430. (800) 634-3966.

#### PERIODICALS

Land: Landscape Architecture News Digest, also Landscape Architecture, American Society of Landscape Architects, 4401 Connecticut Avenue, N.W., Washington, DC 20008. (202) 686-2752.

#### FINANCIAL RATIOS

Almanac of Business and Industrial Financial Ratios. Prentice-Hall Inc., 1818 Ridge Rd., Englewood Cliffs, NJ 07632. (800) 922-0579 or (201) 592-2000.

Annual Statement Studies. Robert Morris Assoc., 1 Liberty Place, 1650 Market St., Philadelphia, PA 19103. (215) 851-9100.

Industry Norms and Key Business Ratios. Dun and Bradstreet Credit Services, 1 Diamond Hill Rd., Murray Hill, NJ 07974. (800) 223-0141 or (908) 665-5224.

#### GOVERNMENT PUBLICATIONS

CENDATA. U.S. Department of Commerce, Bureau of the Census, Executive Plaza, Room 315, Washington, DC 20233-0001. (301) 763-2074.

County Business Patterns - Illinois. U.S. Dept. of Commerce, Bureau of the Census. Order from: Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. (202) 783-3238. In Chicago: Government Printing Office Bookstore, 219 S. Dearborn, Chicago, IL 60604. (312) 353-5133.

Small Business Information Bibliography. Illinois Department of Commerce and Community Affairs, 620 E. Adams Street, Springfield, IL 62701. (217) 785-6193.

Statistics of Income Bulletin. Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. (202) 783-3238. In Chicago: Government Printing Office Bookstore, 219 S. Dearborn, Chicago, IL 60604. (312) 353-5133.

#### GOVERNMENT ASSISTANCE

Illinois Department of Commerce and Community Affairs, Small Business Assistance Bureau. Springfield Office: 620 East Adams, Springfield, IL 62701. (800) 252-2923 or (217) 785-7546. Chicago Office: 100 West Randolph St., Suite 3-400, Chicago, IL 60601. (312) 814-3263.

Illinois Department of Employment Security. Springfield Office: 1300 South Ninth St., P.O. Box 5657, Springfield, IL 62705. (217) 782-3846. Chicago Office: 401 South State St., Chicago, IL 60605. (312) 793-1911.

Illinois Department of Revenue. Springfield Office: 101 West Jefferson, Springfield, IL 62794. (800) 732-8866 or (217) 782-3336. Chicago Office: 100 West Randolph St., Chicago, IL 60601. (312) 814-5258.

U.S. Small Business Administration, Business Development Division. Springfield Office: 511 West Capitol, Springfield, IL 62705. (217) 492-4416. Chicago Office: 500 West Madison St., Suite 1250, Chicago, IL 60661. (312) 353-5428.

For more detailed information about the sources listed in this section, contact your local library for the following publications by category:

- Trade Associations -- Encyclopedia of Associations. Gale Research Company, Book Tower, Detroit, MI 48226.
- Directories and Reference Books -- Directories in Print. Gale Research Company, Book Tower, Detroit, MI 48226.
- Periodicals -- Gale Directory of Publications. Gale Research Company, Book Tower, Detroit, MI 48226.
- Financial Ratios and Government Publications -- Encyclopedia of Business Information Sources. Gale Research Company, Book Tower, Detroit, MI 48226.