MARINAS

BUSINESS AND INDUSTRY PROFILE

Published by the

ILLINOIS DEPARTMENT OF COMMERCE AND COMMUNITY AFFAIRS
620 East Adams Street
Springfield, Illinois 62701
217-785-6193

In Cooperation With

U.S. DEPARTMENT OF COMMERCE
Economic Development Administration

SOUTHERN ILLINOIS UNIVERSITY AT CARBONDALE
College of Business and Administration

This publication was authored by Lynn Andersen Lindberg, Business Research Management Services Institute and Donald Vaughn, Professor of Finance, both of Southern Illinois University. The publication was edited by Bob Slemmons, Office of Urban Assistance, Department of Commerce and Community Affairs.

The statements, findings, conclusions, and recommendations are those of the author(s) and do not necessarily reflect the views of the department or the Economic Development Administration.
TABLE OF CONTENTS

CHAPTER ONE   - GENERAL INDUSTRY INFORMATION

Business Type, Industry Characteristics and Prospects ........1
Market Opportunities in Various Sized Communities.............2

CHAPTER TWO   - COSTS/FINANCIAL CONSIDERATIONS

Costs and Types of Assets Needed to Start the Business.......2
Typical Business Ratios for Other Firms in the Industry ......4

CHAPTER THREE - MANAGEMENT CONSIDERATIONS

Development and Site Location..................................5
Experience and Training Needs..................................6
Keys to Successful Management..................................6

CHAPTER FOUR  - GENERAL START-UP ISSUES

Financing Methods..............................................7
Form of Organization...........................................9
Licensing/Registration..........................................10
Taxes...........................................................11
Business Services.............................................12

CHAPTER FIVE  - INFORMATION SOURCES

Small Business Hotline........................................14
Business Development Center Network.............................14
Small Business Resource Center................................14
Trade Associations.............................................14
Directories and Reference Books.................................15
Periodicals........................................................15
Financial Ratios................................................15
Government Publications........................................15
Government Assistance..........................................16
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.

MARINAS
(SIC 4493)

GENERAL INDUSTRY INFORMATION

BUSINESS TYPE, INDUSTRY CHARACTERISTICS AND PROSPECTS

Nature of the Business

Marinas have been assigned the Standard Industrial Classification (SIC) number 4493 (Industry Group Number 449). Other types of firms that provide service incidental to water transportation include towing, tugboat services and water transportation services not elsewhere classified.

Marinas usually perform several types of boat and boat owner services. Some of the most popular services are: rental of space for storage and safekeeping of boats; boat leasing; gasoline and diesel fuel sales; a shop which stocks food, fishing gear, camping items, textiles, and miscellaneous items; a small restaurant; a motel; and a boatyard for incidental repair of boats or their mechanical components. At a minimum, the marina should have facilities for gasoline and diesel fuel sales and a store.

Trends in the Industry

It is likely that business generated by marinas may prove to be flat in the short run but may revive vigorously with an upswing in the economy. Several large firms in the boat building industry have recently acquired smaller firms. This type of activity usually points toward expected increased demand in the industry.

The demand for boats and the services incidental to their use depends heavily on the population characteristics. Males in their early to mid 30s appear to be the principal buyers of small water pleasure craft. Older families, that have years of experience in boating, frequently buy the larger luxury boats.
These are too large for auto towing and backyard storage, so it is for this group of boat owners, which will increase in numbers over the next ten to 20 years, that additional marina slips are needed.

Industry Growth

Beginning in 1982, the sale of pleasure boats began to grow by about 16 percent annually, reaching about $13.3 billion in 1985. The number of retailers that predominantly sell marine items declined from about 15,000 in 1980 to roughly 12,000 by 1985. Since that time, however, the industry appears to have been undergoing a strong revitalization.

Because of the number of years in which the country was in a recession, revenues for boat marinas declined as did their physical and financial conditions. Some were closed voluntarily, others were condemned due to their poor upkeep, and still others shrank in size. The recent trend has been for wealthy investors to acquire some marinas, especially in the Middle Atlantic and East Coast regions, renovate them, form a cooperative, and sell a slip to a boat owner in much the same way that a condo apartment is sold. The going price is upward of $4,000, and some go for about four times this price.

Increased interest rates, oil prices, and costs of labor (higher minimum wage) can lead to a slowdown in sales of autos, houses, and other consumer durables, such as boats. The potential business owner should examine current and forecasted economic trends in determining the potential for industry growth.

MARKET OPPORTUNITIES IN VARIOUS SIZED COMMUNITIES

Marketing Plan

Before starting a marina, the owner(s) should develop a marketing plan. A marketing plan is basically a blueprint for outlining potential customers and should include important information about the business. Topics that should be addressed include: whether the area can support the proposed business; 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, public library, or city and county governments. Existing marinas may be contacted to determine what services are offered and what they charge.

COSTS/FINANCIAL CONSIDERATIONS

COSTS AND TYPES OF ASSETS NEEDED TO START THE BUSINESS

Investment Factors

Initial investment factors to consider include: the amount of capital required to operate the business until the break-even point is reached, capital needed for wages, working capital needed for six months, capital for 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

A small marina might be able to start with total assets of about $250,000. Some 40 percent of this amount might be owner supplied with the balance coming from a wide array of debt. Annual revenues from such an operation should average from 1.5 to 1.7 times the investment in assets. Typically, debt runs about 150 percent of equity in this industry.

Cash and cash equivalent would be held in such items as bank demand deposits, savings institutions’ share accounts, or money market accounts. Intangibles are small in this industry and are for such things as leasehold and leasehold improvements, organizational costs, etc. Docking slips require an initial investment of about $20,000 per boat slip and average about $700 annually for repair.

Average Expenses

The Almanac of Business and Industrial Financial Ratios provides
expense breakdowns for corporations representative of major SIC industry groups using Internal Revenue Service (IRS) published data. The following expenses, broken down as a percentage of revenues, are extracted from its 1989 publication for firms with under $100,000 in assets and for those with assets ranging from $100,000 to $250,000.

<table>
<thead>
<tr>
<th>EXPENSE ITEMS</th>
<th>COMPANIES WITH ASSETS OF $100,000-25$00,000</th>
<th>COMPANIES WITH ASSETS OF UNDER $100,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of operations</td>
<td>44.7%</td>
<td>44.0%</td>
</tr>
<tr>
<td>Compensation of officers</td>
<td>21.3</td>
<td>5.9</td>
</tr>
<tr>
<td>Repairs</td>
<td>1.9</td>
<td>4.4</td>
</tr>
<tr>
<td>Bad debts</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Rent on business property</td>
<td>3.0</td>
<td>1.2</td>
</tr>
<tr>
<td>Taxes (excl federal tax)</td>
<td>3.2</td>
<td>4.7</td>
</tr>
<tr>
<td>Interest</td>
<td>1.5</td>
<td>2.0</td>
</tr>
<tr>
<td>Depreciation/amortization</td>
<td>2.4</td>
<td>5.3</td>
</tr>
<tr>
<td>Advertising</td>
<td>0.9</td>
<td>0.1</td>
</tr>
<tr>
<td>Pensions &amp; benefit plans</td>
<td>7.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Other expenses</td>
<td>15.1%</td>
<td>35.9%</td>
</tr>
</tbody>
</table>

Average Balance Sheet Data

Understanding the usual breakdown in assets and liabilities for a given type of firm is helpful in projecting the needs of a given business. Two sources of data provide balance sheet information on a large group of industries. These are Robert Morris Associates Annual Statement Studies and Dun & Bradstreet, Inc., Industry Norms and Key Business Ratios. Figures from the former source are suggested as being average for the industry.

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>LIABILITIES AND NET WORTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; near cash</td>
<td>8.0%</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>12.0%</td>
</tr>
<tr>
<td>Inventory</td>
<td>26.0%</td>
</tr>
<tr>
<td>Other current assets</td>
<td>1.0%</td>
</tr>
<tr>
<td>Total current assets</td>
<td>47.0%</td>
</tr>
<tr>
<td>Fixed assets</td>
<td>47.0%</td>
</tr>
<tr>
<td>Intangibles</td>
<td>2.0%</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>4.0%</td>
</tr>
<tr>
<td>Total assets</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

"Near cash" refers to checking or savings accounts that may be liquidated easily to cash. "Other non-current 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, 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 in comparing with existing company data to identify company strengths and weaknesses.

According to Dun and Bradstreet, Inc., the median key financial ratios for marina firms in 1987 were as follows:

Solvency Ratios
Quick ratio (cash + accounts receivable/current liabilities) .6 to 1
Current ratio (current assets/current liabilities) 1.5 to 1
Total debts to net worth 190%

The quick ratio expresses the degree to which a company's current obligations (expenses) are covered by the most liquid 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 23 days
Sales to inventory (net sales/inventory) 5 times
Assets to sales (total assets/annual net sales) 63%

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 tax/annual net sales)         3.3%
Return on net worth (profit after taxes/net worth)         13.0%

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 is used to analyze the ability of the firm's management to realize an adequate return on the capital invested by the owners of the firm. Generally, a relationship of at least ten percent is regarded as a desirable objective for providing dividends plus funds for future growth.

Depreciation of tangible fixed assets in this industry averages about 3.5 percent of revenues, while compensation paid to owners amounts to about seven percent. For a small marina with $250,000 in assets, sales should average about $400,000. Some seven percent of this (as owners' compensation) would be $28,000. Most small marinas are owned and operated by several family members. This may be adequate compensation, at most, for two or three family members.

MANAGEMENT CONSIDERATIONS

DEVELOPMENT AND SITE LOCATION

Location

Ideally, to assure adequate patronage, the location should be within one to two hours drive from a metro location. In cold, northern climates, it may be necessary to own enough equipment to move the large boats stored at the marina to inside, land-storage facilities.

Marinas are often located in a small inlet, which is often enlarged, adjacent to a large lake or swiftly flowing river or along one of the major innercoastal waterways not usually adversely affected by summer droughts. Others are located on islands, gulfs, or other areas with direct, ocean access. The boatdock slips are leased to owners of small boats or to owners of mid-sized pleasure craft. Fishing should be average to good in the region, and one or more major roads should lead to the area.
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 in a marina should be courteous to the customers. 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, if possible, 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

An effective means of advertising the marina location and facilities must be developed. Advertising should include listing the marina in a regional telephone directory, printed brochures displayed in local motel chains or comfort stations along nearby major highways, and direct mailings to nearby registered boat owners or to patrons of previous years. Listing the marina in one of several recreational circulars is also important. These circulars are often placed on racks at information stations as motorists enter the state on major highways.

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.

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 20-25 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 these should be thoroughly discussed with an attorney and an accountant prior to selecting one of the following forms of business.

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 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 client before the IRS should the client's tax return be audited. For more information, write the Independent Accountants Association of Illinois, P.O. Box 1506, Galesburg, IL 61402, or call 309-342-5400.

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 marina or for learning more about this type of operation. These include trade associations, directories and reference books, periodicals, financial ratios, and government publications/assistance. A list of these for the marina industry is given below.

TRADE ASSOCIATIONS

American Boat Builders and Repairers Association. 715 Boylston Street, Boston, MA 02116. 617-266-6800.

American Boat and Yacht Council. 405 Headquarters Dr., Millersville, MD 21108. 301-923-3932.


Boat Owners Association of the United States. 880 South Picket Street, Alexandria, VA 22304. 703-823-9550.


DIRECTORIES AND REFERENCE BOOKS


PERIODICALS


Pleasure Boating Magazine. 1995 NE 150th St., North Miami, FL 33181. 305-945-7403.

Motor Boating and Sailing. Hearst Publications, 224 W. 57th St.,
New York, NY 10019. 212-649-3059.

FINANCIAL RATIOS


GOVERNMENT PUBLICATIONS


GOVERNMENT ASSISTANCE


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.


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


