HOME-BASED TYPING SERVICES

BUSINESS AND INDUSTRY PROFILE

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College of Business and Administration

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HOME-BASED TYPING SERVICES

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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.

HOME-BASED TYPING SERVICES
(SIC 7338)

GENERAL INDUSTRY INFORMATION

BUSINESS TYPE, INDUSTRY CHARACTERISTICS AND PROSPECTS

Nature of the Business

Home-Based Typing Services have been assigned the Standard Industrial Classification (SIC) Industry Number 7338. The Department of Labor reported in 1986 that of the 17.3 million people with home-based work, 55 percent were men that worked an average of 9.3 hours in a home-office setting, and 45 percent women working an average of 11.1 hours per week. The working hours tended to increase slightly as the age of the worker increased. There were approximately eight million Americans who worked at home at least eight hours per week. Approximately ten percent of those employed in a home-office setting worked for more than 35 hours per week.

Advantages/Disadvantages

Accounting for the growing appeal of home-based businesses are two main advantages. First, the home-office worker saves commuting time which works to the benefit of the employee. Secondly, and perhaps more significant, is having the independence of being one's own boss and the accompanying freedom and flexibility this provides.

However, there are also distinct disadvantages which impact home-based workers. First, the pay (often piece rate) is usually lower for the home-based worker than a full-time office employee's salary. In addition, the work flow is erratic, meaning that home-based workers catch the overflow and are extremely busy at times and unemployed during other periods. As a result, home workers are usually classified as self-employed. They pay self-employment taxes, which are almost two times as great as a traditional employee's contribution to social security. Many do not accumulate retirement, sick days, or vacation days. This type of business may also stunt career growth, as it is viewed by some personnel officers as less important than on-the-job experience. Finally, home-based workers may be distracted by children,
visitors, pets, etc., potentially resulting in unmet deadlines and loss of income.

Trends in the Industry

Home-based businesses have become more common in recent years due to the growth in popularity of high-speed typewriters, personal computers and printers and electronic mail systems. The trend is likely to be toward a mixture of office and home-based assignments with pay and benefits being equal. This should reduce the need for expansion at the regular office, provide more flexibility for the workers, and reduce the stress of being in the office for five days per week. This presents home-based typing services with an opportunity to contract out to a variety of presently established businesses.

MARKET OPPORTUNITIES IN VARIOUS SIZED COMMUNITIES

Marketing Plan

Before starting a home-based typing service, the owner(s) should develop a marketing plan. The plan is basically a blueprint for the business and 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 by contacting the local chamber of commerce, from the public library or from the city and county governments. Existing home-based typing services may be contacted to determine what services they offer and what they charge.

COSTS/FINANCIAL CONSIDERATIONS

COSTS AND TYPES OF ASSETS NEEDED TO START THE BUSINESS

Capital Requirements

Overall, investment factors to consider include the amount required for wages, six months of working capital, unforeseen expenses, supplies and equipment inventories, insurance coverage and building remodeling or improvements.

Average Balance Sheet Data

A review of the chart below reveals that the two largest assets are fixed assets and accounts receivable. Other non-current assets, such as leases or leasehold improvements, rank third. Net worth of the owner(s) amount to slightly over one-half. Other current debts include such things as wages payable, payroll taxes and miscellaneous accruals giving the business owner an idea of the approximate percentages associated within the start-up financing.

The breakdown of assets, liabilities, and net worth for SIC 7338, (which includes typing services) in 1987, according to Dun and Bradstreet, Inc., was as follows:

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>DEBTS AND NET WORTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and near cash 15.0%</td>
<td>Accounts payable 7.0%</td>
</tr>
<tr>
<td>Accounts receivable 27.0</td>
<td>Bank loans 5.0</td>
</tr>
<tr>
<td>Notes receivable 1.0</td>
<td>Other notes payable 0.0</td>
</tr>
<tr>
<td>Inventories 3.0</td>
<td>Other current debts 16.0</td>
</tr>
<tr>
<td>Other current assets 6.0</td>
<td>Total current debts 28.0</td>
</tr>
<tr>
<td>Total current asset 52.0</td>
<td>Other long-term debts 20.0</td>
</tr>
<tr>
<td>Fixed assets 29.0</td>
<td>Deferred credits 0.0</td>
</tr>
<tr>
<td>Other noncurrent assets 19.0</td>
<td>Net worth 52.0</td>
</tr>
<tr>
<td>Total assets 100.0%</td>
<td>Total debts/Net worth 100.0%</td>
</tr>
</tbody>
</table>

"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 and equipment.
"Accounts payable" are amounts owed to suppliers of inventories and equipment. "Loans" are amounts owed to suppliers of open market notes or equipment installment notes. "Other long-term notes" include both equipment and mortgage notes.

Equipment and Fixture Costs

A home-based typing service would probably purchase many of the items listed below. Estimated price ranges for this equipment are as follows:

<table>
<thead>
<tr>
<th>EQUIPMENT</th>
<th>PRICE RANGE</th>
<th>EQUIPMENT PRICE RANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Desk(s)</td>
<td>$100 - $300</td>
<td>Fax machine Up To $2000</td>
</tr>
<tr>
<td>Filing cabinet (s)</td>
<td>$50 - $200</td>
<td>Copy machine $500+</td>
</tr>
<tr>
<td>Electronic typewriter</td>
<td>$200 - $950</td>
<td>Answering mach. $100+</td>
</tr>
<tr>
<td>Personal computer</td>
<td>$500 - $3000</td>
<td>Printer(s) Up To $2000</td>
</tr>
</tbody>
</table>

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 comparing existing company data with industry averages to identify company strengths and weaknesses.

According to Dun and Bradstreet, the median key financial ratios for similar firms in SIC 7338, during 1987, were as follows:

Solvency Ratios

Quick Ratio (cash plus accounts receivable/current liabilities) 1.6 to 1.9
Current Ratio (current assets/current liabilities) 98
Total Debts to Net Worth

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 owners equity, which for small firms usually do not exceed 100 percent. Thus, owners have more at stake than creditors.
Efficiency Ratios

Collection Period (accounts receivable sales X 365)  19 days  
Sales-to-Inventory (net sales/inventory)             33 times  
Assets-to-Sales (total assets/annual net sales)      30% 

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) 7%  
Return on Net Worth (profit after taxes/net worth) 31% 

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 firm's 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 owners 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 home-based typing service should be operated from space that is set aside and used exclusively for income-generating activity. It could be a separate building, a garage, an office at the rear of the garage, or one of the bedrooms. If clients will be visiting the business regularly and become a nuisance to nearby residences it may be necessary to attempt to have the property rezoned to commercial or relocate the business.

Facility Requirements
The office should be maintained in a neat, orderly manner. It might include a desk, working space for a computer, printer and copier. Some may have a fax machine for transmitting messages electronically or a computer modem (which links a home computer with other computers). A telephone answering machine or service may prove useful as well.

Zoning

When selecting a location and a specific site for the business, consideration must be given to local zoning requirements. Many communities forbid, through zoning ordinances, the establishment of home-based businesses. It is essential to check these local restrictions prior to contracting to rent, lease or buy a property for the business.

Health and Safety Considerations

Health and safety requirements, many of which are mandated by the Occupational Safety and Health Administration (OSHA), are also important factors in the location of the business. Health and safety issues to consider include proper ventilation and fire extinguishing systems, as well as the use of hazardous materials.

EXPERIENCE AND TRAINING NEEDS

Experience and training requirements differ between owners and employees of a business. However, since only about 20% of home-based businesses have employees (besides the owner), an owner/employee distinction will not be made in this profile.

Home-based typists must be well trained in keyboarding skills and use of electronic typewriters and personal computers. Knowledge of a word processing program, a spreadsheet, a data base manager and a desktop publishing program are essential to this business.

In addition, training opportunities often exist at community colleges, business schools and universities. However, the majority of the training is generally obtained through previous job opportunities or self instruction.

KEYS TO SUCCESSFUL MANAGEMENT

Markets

In order to be successful, a home-based typing firm must know its
competition, be aware of the markets that it can cultivate, promote a helpful atmosphere for both clients and employees, and strive for profitable accounts. It should also be able to gauge the approximate saturation point in a given market area. Markets should be developed where growth potential exists and where the firm has a price or some other advantage.

Cost/Pricing Policies

Effective cost controls should be followed by the owners and employees. The firm's operating objective should be to develop a reputation for quality work at a fair price. The employees should be told what kind of goals, objectives and standards the business requires to keep costs under control.

Customer Relations

All employees in a home-based typing firm should be courteous to the clients. Besides 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. Flyers in grocery stores, local copying stores and colleges and universities are also ways to attract clients along with word of mouth as an excellent form of advertising and free referral. Whichever advertising method is chosen, it should be planned and targeted to the most appropriate audience to be effective. This may take basic marketing research depending on the businesses, sizes, location and owner's experience.

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

S Corporation -- 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.

The IRS estimates that 80 percent of home-based workers report income and expenses on the Long Form, 1040, as either a sole proprietorship, partnership, or S corporation and only 20 percent report income as a regular corporation. Nearly four out of five of such workers are taxed at the marginal 15 percent rate, meaning that taxable income is below $30,000 on joint returns.

As a result, maintaining a home office for income generation may offer tax benefits to the homeowner, since certain items may be prorated as to personal and business expenses. These include interest on the mortgage, ad valorem taxes, utilities and other legitimate business expenses.

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 client 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 (1-800-252-2923), 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 "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 (SBA 115) available from the Small Business Hotline.

Several sources of information are useful for improving, the level of profitability of a home-based typing service 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 home typing firms follows.

TRADE ASSOCIATION

DIRECTORIES AND REFERENCE BOOKS


Word Processing: Operating Applications and Administration. Bobbs-Merrill Company, 4300 West 62nd Street, Indianapolis, IN 46206.

PERIODICALS

The Office. Office Publications, Inc. Box 1231, 1600 Summer Street, Stamford, CT 06904. (203) 327-9670.


FINANCIAL RATIOS


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


GOVERNMENT ASSISTANCE


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