

2011 April

IL Small Business  
Development Center (SBDC) &  
International Trade Center (ITC)  
at

Southern Illinois  
University Edwardsville  
Monthly Connection  
Kwa Mister  
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<http://www.illinoisbiz.biz/>

U.S. Small Business Administration



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# Monthly Connection

## Letter from the Director to the Community

Dear Friend,

Welcome to the Illinois Small Business Development Center located on the campus of Southern Illinois University Edwardsville and the East Saint Louis Higher Education Center. Since our inception in 1984, the office of the SBDC has a tradition of supporting small business development in the Southwestern Illinois Region.

As our centers are uniquely paired with the SIUE School of Business, we are positioned to deliver high quality services to our clients. Both centers operate with a qualified staff of graduate students, business specialist and faculty members which deploy in-depth assistance to clients respectfully. In addition, we are supported by the U.S. Small Business Administration (SBA), Illinois Department of Commerce and Economic Opportunity and the IEN Network.

I invite any business owner, pre-venture or existing, to register for one of our monthly Starting a Business in Illinois Workshops or visit either office for one-on-one confidential session.

Sincerely,

Kwa Mister

Director of the Illinois Small Business Development Center

## Small Business Basics Workshops & Other Events

"Starting a Business in Illinois" in Edwardsville,

Tuesday, April 5th (3pm - 5pm)

"Starting a Business in Illinois" in East St. Louis,

Thursday, April 21st (3pm - 5pm)

## Workshop Information

### Starting a Business in Illinois Workshops

This workshop is highly recommended for any prospective business owner and encouraged for any existing business. It covers the following topics: an orientation to Illinois SBDC services, financing options, business plan development, organizations in our area that assist with taxing and licensing, and overview of other requirements for starting a business in Illinois. After you attend Small Business Basics, you may continue your relationship with the Illinois SBDC at SIUE by setting up an appointment with a counselor. For more information or further assistance, please call 618-650-2929 or 618-482-8330, or visit <http://www.siue.edu/business/sbdc>

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## Websites of the Month

[www.irs.gov](http://www.irs.gov)

[www.entrepreneur.com](http://www.entrepreneur.com)

[www.business.gov](http://www.business.gov)

## Save the Date!! Business Matchmaking Conference

GO ONE-ON-ONE WITH LENDERS, GOVERNMENT AGENCIES AND LARGE PRIME CONTRACTORS!!

Representatives from lending institutions, federal agencies and government prime contractors will be on hand to network and meet with you. This event offers a unique opportunity for you to directly market your business to those within the contracting marketplace.

- Networking Opportunities
- Subcontracting Information
- Financing Information

International Trade/Export Information

When: Tuesday, May 24, 2011 9:00am to 4:00pm

Where: John A. Logan College, Centerville, IL

Registration opens April 10<sup>th</sup>

For more information: [www.imec.org](http://www.imec.org)

## Websites of the Month

Services to Help You Start, Grow and Succeed

<http://www.irs.gov/businesses/small>



Get Your Business Out of Debt and Avoid Bankruptcy

<http://www.entrepreneur.com>

**Entrepreneur**

The Official Business Link to The U.S. Government

<http://www.business.gov>

**Business.GOV**  
THE OFFICIAL BUSINESS LINK TO THE U.S. GOVERNMENT

## Time's Almost Up! Four Good Reasons for a Tax-Filing Extension

by Erin McDermott

Is your small business's annual tax-season game of Beat the Clock becoming too much of a nail-biter?

As rules have become more complex in recent years, the stigma of seeking a tax-filing extension has lessened, with more than 11 million U.S. taxpayers filing for one each year. The need to have extra time to file a return has grown as the complexity of the tax system has increased. "You have to look at the rules to believe it. Life has become so much more complicated," says Abraham Schneier, senior technical manager for taxation at the American Institute of CPAs and a certified financial planner. The IRS requires you to pay your taxes or make your estimates on time, but as for requesting an extension, "The IRS doesn't make much of a fuss these days, as long as you're paying them on time."

*The deadline for filing for an extension for corporations and partnerships is Tuesday, March 15—use [Form 7004](#). For individuals and sole proprietorships, the due date for [Form 4868](#) is Monday, April 18. (Tax Day is bumped back from the traditional April 15 this year because of Emancipation Day in Washington, D.C.) Both forms can be filed electronically. Once filed, you have six months to get your return to the IRS, making your new deadlines September 15 and October 18, respectively. (What about the higher threat of an audit if you file an extension? Accountants today dub that an old wives' tale.*

But being late with your return doesn't mean you don't have to pay on time. Uncle Sam expects a good-faith estimate of the amount due and a check for what you think you owe on your due date. If you underestimate, expect to be charged interest and penalties on the amount due until the date your return is filed. If you overestimate, don't expect a refund until the IRS gets your return.

One idea to protect yourself from penalties if you do underestimate comes from Judith Flaxman, an assistant professor of accounting at Temple University's Fox School of Business in Philadelphia, who is also a CPA with 24 years of experience preparing taxes for small businesses. Add the amount of next year's first-quarter estimated payment to your check for this year's estimated balance due. When you complete the extended return, indicate that all overpayment be applied to next year's taxes. That way if you were a few dollars short in your original estimate of tax due for the filing year, it just leaves you short on your first estimated payment and you can add more to your next estimate to make up the difference. (One other reminder: Make sure you let your state tax authority know, too, and file for an extension with them as well.)

Talking to some longtime CPAs and tax preparers, here are a few good reasons that their clients have needed to buy some extra time over the years:

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### **Article of the Month:**

[Time's Almost Up! Four Good Reasons for a Tax-Filing Extension](#)

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## Article of the Month:

[Time's Almost Up! Four Good Reasons for a Tax-Filing Extension](#)

### Reason 1: You don't have all of your documents

For small businesses, there's a mountain of paperwork when it comes to tax time—from receipts to depreciation calculations to employee expenses. The bane of many accountants' existence is the notoriously late [Form 1065](#), also known as Schedule K-1, which reports the income, losses, and deductions of partnerships. Because so much of the information required to put the form together depends on getting information from others, accountants say it can create an elaborate holding pattern, waiting for one party to come up with a number to permit the others to complete their final figures—a standoff that can even drag into the summer months. "CPAs are unable to give out incomplete information," Schneier says.

### Reason 2: Something happens to you, your business, or your accountant

In the aftermath of Hurricane Katrina in the late summer of 2005, the IRS extended several key deadlines for quarterly tax estimates until early 2006. Millions of individuals and businesses filed for extensions for the full year in the scramble to produce documents and calculate losses. Schneier described the nightmare one accountant faced after early-spring flooding took out her office in the middle of tax season—her clients' documents somehow survived the rising waters, but the disruption to the business made for extensive delays in tax preparation.

### Reason 3: You need more time to make some decisions or find more resources

For 2010 and 2011, Congress authorized taxpayers with traditional IRAs to roll over to a Roth IRA to take advantage of a one-time option to spread the tax from the conversion across 2011 and 2012. However, some may be hedging their bets on what tax rates will be—and will take the six-month IRS filing extension to determine if the conversion was the right decision, thereby retaining the option to switch back to the traditional IRA.

The same goes for small businesses that need to account for profit sharing but don't have the cash on hand to make the contribution. The profit-sharing contribution must be made by the due date of the return, so extending the return gives the business extra time to accumulate the required cash.

### Reason 4: You're still adapting to tax-law changes for 2010

The dawn of tax year 2010 brought with it many rules that some small businesses and entrepreneurs are still struggling to address. New laws that expanded deductions for startups—now up to \$10,000 for the initial year—and revised calculations for depreciation of equipment and real-estate property are just the start. There are also employer health-care credits for employees that make less than \$50,000, which require careful new computations, and a change in how health-care coverage for sole proprietorships affects calculation of self-employment taxes.

It's enough to make even seasoned accountants take a step back and widen the scope of what deductions may be in play. For small businesses, "a prudent owner will say 'There are a lot more things here for us to look at,'" says Temple's Flaxman. "Let's explore all the options provided by the tax laws and make sure we've taken greatest advantage of them."

## Loans That Fit

*Make sure you know all the options before you decide which loan is*

All businesses find themselves facing a variety of different circumstances under which they need more money than they have on hand.

### CREDIT CARDS

Many small business owners use business credit cards to pay for everyday purchases, office supplies, and small equipment. In addition to their obvious convenience, many cards offer rebates, discounts, and extended warranties on specific purchases, which can result in significant savings for your business. There are also cards that offer cash back or rewards points on all your purchases which could result in your business receiving cash at the end of the year or points to use to purchase additional items.

### BUSINESS LINES OF CREDIT

If your business experiences seasonal fluctuations or at times you need an occasional influx of capital, a business line of credit may be the right highly flexible product for you. Funds can typically be made available in cash or on a credit card. Also, with a line of credit, you only pay interest on what you use, so for instance if your company receives a \$50,000 line of credit and you utilize \$25,000, interest is only charged on the \$25,000 used. You have the ability to borrow up to your maximum line of credit limit and continue to borrow more as you pay back the loan amount.

### TERM LOANS

Banks will provide term loans, often presented as "working capital loans" or "accounts receivable loans," to small businesses to cover new vehicle purchases, new equipment purchases, and office expansion. Term loans are also a good debt consolidation tool should your business find the need to consolidate higher rate loans from other sources. Term loans can extend anywhere from three months to five years and, depending on your bank, your loan rate will likely be fixed. In order to obtain a term loan your bank will want to know the reason for the loan and will want to see reasonable financial projections to demonstrate that you will be able to repay it. . Many term loans offer the option of extending the loan if a certain percentage of principal is repaid at the end of the loan. For example, a payment of \$2,000 on a \$10,000 loan might allow you to extend the loan for three or four months.

### THE TRADITIONAL BUSINESS LOAN

For a large expense that you expect to pay off over a number of years, such as the purchase of commercial real estate or a new business, traditional business loans make the most sense. Traditional business loans usually require some form of collateral - a personal or business asset - to secure the debt. Business loans feature a variable or fixed interest rate and have terms ranging from several years to a decade or more. Many banks are placing increased emphasis on serving small businesses and are willing to work with small business owners to grant traditional business loans to even very small companies. Additionally, the Small Business Administration (SBA) offers a loan program which guarantees loans from participating third party lenders. The SBA prefers business owners who have an equity interest in their company, as well as sufficient collateral to secure the loan.

### BUSINESS HOME EQUITY LINES OF CREDIT

Many business owners and those who are starting new businesses find that tapping into the frequently skyrocketing equity of real estate they own is a convenient way to get the funding they need to grow or start a business. What's extremely attractive to many new small businesses or businesses with little to no business credit history is that your payment record is applied to your business credit rating, allowing your company to establish a credit history that will be beneficial when applying for additional business credit in the future. However it is important to note that funds for a business home equity line of credit must be used for your business.

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"Loans That Fit"

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## Event Flyer

“Starting a Business in  
Illinois Workshop”

## Thinking about starting a business?

Get Started the Right Way by Attending A

“Starting a Business in Illinois” Workshop

<u>Date</u>	<u>Time</u>	<u>Place</u>
Tuesday, April 5	3:00 p.m. to 5:00 p.m.	Edwardsville
Thursday, April 21	3:00 p.m. to 5:00 p.m.	East St. Louis

Pre-registration is required for all workshops.

The Edwardsville workshop will be held in the Willow room, on the second floor of Morris University Center (MUC). Attendees for Edwardsville should parking in Visitor Parking Lot B to avoid parking tickets. The East St. Louis workshop will be held in Building D, Room 2002. Attendees should parking in Visitor Parking Lot B to avoid parking tickets.

By attending a Starting a Business in Illinois Workshop you will learn about starting a for-profit business in Illinois, led by trained counselors of the Illinois Small Business Development Center (SBDC). Participants will learn how to develop a business plan, and time is allotted for specific questions regarding your venture. This course is highly recommended for anyone considering a new business venture, buying a turnkey operation or looking for more information. By investing \$10 (for administration costs) and two hours of time, attendees qualify for specialized, one-on-one counseling sessions (provided at no cost) and access to many resources available through SBDC.

**PRE-REGISTRATION IS REQUIRED FOR ALL WORKSHOPS AND SEMINARS.**

To register or for more information, call the Edwardsville SBDC at (618) 650-2929, Or the East Saint Louis SBDC at (618) 482-8330 You may also register online at [www.siue.edu/BUSINESS/sbdc](http://www.siue.edu/BUSINESS/sbdc).



**We are on the web!**

**[www.siu.edu/business/sbdc](http://www.siu.edu/business/sbdc)**



**Click on link below!!**

<http://www.facebook.com/home.php#/pages/Edwardsville-IL/Illinois-Small-Business-Development->

## **Contact Information**

### East St. Louis SBDC

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