



CROSSROADS BANK



**STARTING YOUR  
TEXAS SMALL BUSINESS**

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# WHY START A SMALL BUSINESS?

## Benefits of Small Business Ownership

### Independence

Owning a small business gives you the autonomy to make decisions that shape your business's future. This allows you to set your own schedule, providing flexibility to work hours that suit your life. You can make strategic decisions, from choosing your business model to selecting your target market, without needing approval from higher-ups. You can create your company culture that reflects on your values and vision, attracting like-minded employees and customers. Small business owners can also adapt faster to market changes and customer needs without the delays often found in larger organizations.

### Financial Rewards

The financial benefits of owning a small business can be substantial. Unlike salaried positions, where income is capped, your earnings as a business owner can grow with your business's success. As your business grows, you build equity that increases your net worth and becomes a valuable asset for future aspirations or retirement. Business owners can also take advantage of tax deductions and benefits, such as deductions for business expenses, home office costs, and vehicle use, reducing tax liabilities. Profits generated from your business can be reinvested to drive further growth or diversified into other investment opportunities, enhancing your financial stability and wealth.

### Personal Satisfaction

Rewards of small business ownership extend beyond financial gains. Realizing your vision by creating a business that aligns with your passions and interests can be... Very rewarding to say the least. Owning a business allows you to impact your community by providing jobs, supporting local events, and contributing to the local economy. The learning journey of business ownership, from mastering new skills to overcoming challenges, offers opportunities for personal growth. You're able to create a legacy that can be passed down to future generations, leaving a lasting impact on your family and community.







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# DEVELOPING A BUSINESS PLAN

## Market Research

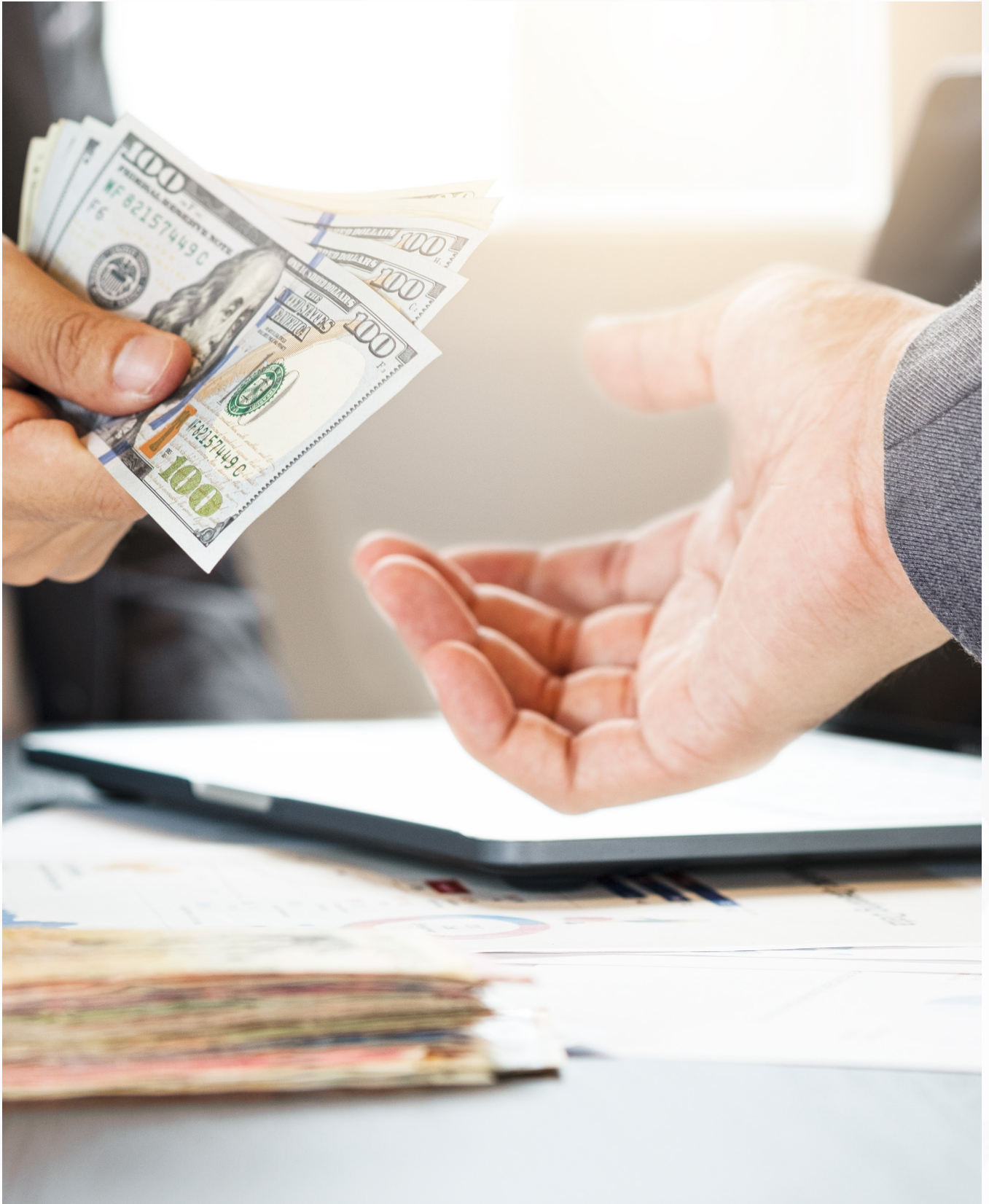
Understanding your target market, competition, and industry trends matters. Market research helps you identify who your customers are, what they want, and how they behave. Analyzing competitors allows you to see what works in your industry and where there might be gaps or opportunities. Staying informed about industry trends helps businesses remain relevant and adaptive.

## Business Model

Defining how your business will generate revenue and deliver value is the most important decision when forming your company. Your business model should outline the products or services you will offer, pricing strategy, and ways you will effectively reach or serve customers. It should also detail how you will uniquely differentiate your business from competitors and consistently provide value.

## Financial Projections

Financial projections should include estimated income, expenses, and profits over time. These forecasts help you plan future growth, secure funding, and manage cash flow. Accurate projections are also crucial for identifying potential financial challenges and developing strategies to address them. Regularly reviewing these projections ensures your business stays on track and adapts to changing market conditions.





# CHOOSING A BUSINESS STRUCTURE



## Limited Liability Company (LLC)

An LLC offers liability protection and flexibility. Owners, known as members, are protected from personal liability for business debts and claims. An LLC can have one or many members and provides flexibility in management and profit distribution. This structure combines the benefits of a corporation and a partnership, making it a popular choice for many small businesses.

## Sole Proprietorship

Sole proprietorship is simple to establish but comes with personal liability. As the sole owner, you have control over the business and are responsible for all debts and obligations. This structure is often best for small, low-risk businesses.

## Partnership

Partnership involves shared responsibility and resources between two or more owners. This structure allows for pooling skills and resources but can lead to conflicts. Partners share profits and losses and are both liable for the business's obligations. Clear agreements are essential for a successful partnership.

## Corporation

Forming a corporation involves creating a separate legal entity from its owners, known as shareholders. This separation provides liability protection, meaning shareholders are not personally liable for the corporation's debts. Corporations can raise capital easier by issuing stock, attracting investors and facilitating growth. Corporations can exist perpetually, beyond involvement of their original owners. But, corporations face more regulations and reporting requirements and may face double taxation, where the corporation's profits and the shareholders' dividends are taxed. Despite challenges, the advantages of liability protection, capital-raising ability, and perpetual existence make corporations an attractive option for businesses aiming for growth and long-term success.



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# REGISTERING YOUR BUSINESS

## Choosing a Business Name

Selecting the right business name is important. It should reflect your brand and be memorable. Once you have a name in mind, the next steps are essential to ensure its uniqueness and legal protection.

## Checking Availability

Be sure that your business name is not already in use. This involves searching state and federal databases, as well as checking domain name availability for your business website. A 1-of-1 name prevents confusion and potential legal issues with existing businesses, especially once you begin to start profiting.

## Trademark Considerations

Protect your business name and brand legally by registering a trademark. This gives you exclusive rights to your business name and logo, preventing others from using a similar name that could confuse customers. Trademark registration can be done at the state or federal level, depending on the scope of business.



# PROTECTED BUSINESS NAME GOOD-TO-GO?

## NEXT STEP IS TO REGISTER YOUR BUSINESS.



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### **State Requirements**

Follow Texas-specific registration processes. This typically includes registering your business name with the Texas Secretary of State, obtaining necessary permits and licenses, and complying with local regulations. The specifics can vary depending on your business type and location, check with local authorities.

### **Federal Requirements**

Obtain necessary federal registrations and compliance. Depending on your business type, you may need to get an Employer Identification Number (EIN) from the IRS, comply with federal tax obligations, and meet industry-specific regulations. Ensuring compliance with federal requirements helps avoid legal issues and keeps your business in good standing.





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# OBTAINING LICENSES & PERMITS



## Federal Licenses and Permits

Identify if your business requires any federal licenses or permits based on your industry. Certain industries, such as agriculture, alcohol, aviation, firearms, and transportation, are regulated at the federal level. Check with the appropriate federal agency to determine the specific requirements for your business. Obtaining the necessary federal licenses and permits ensures that your business operates legally and avoids potential fines or shutdowns.



## State Licenses and Permits

Research and obtain the necessary state licenses for your business operations in Texas. The Texas Department of Licensing and Regulation (TDLR) provides information on the various licenses required for different business activities. Depending on your business type, you might need specific professional licenses, environmental permits, or health and safety permits. Compliance with state licensing requirements is crucial for operating your business legally in Texas.



## Local Licenses and Permits

Obtain relevant city or county permits. Local governments may require permits for zoning, building, signage, health, and safety. Contact your city or county clerk's office to find out which permits apply to your business. Meeting local licensing and permit requirements helps you avoid fines and ensures that your business operations are approved.





# UNDERSTANDING TAX OBLIGATIONS

## Federal Taxes

### Employer Identification Number (EIN)

Obtain an EIN from the IRS for tax filing and business identification. An EIN is required for hiring employees, opening business bank accounts, and filing federal tax returns. It serves as an identifier for your business.

### Income Tax

Understand your federal income tax obligations. All businesses must file an annual income tax return. The specific forms and filing requirements depend on your business structure, such as sole proprietorship, partnership, LLC, or corporation. It's important to keep accurate records of your income and expenses to report your earnings correctly.

### Self-Employment Tax

Learn about tax requirements for self-employed individuals. If you operate as a sole proprietor, partner, or LLC member, you may need to pay self-employment tax, which covers Social Security and Medicare contributions. This tax is calculated based on your net earnings from self-employment and is filed with your annual income tax return.





# STATE & LOCAL TAXES

## **Sales Tax**

In Texas, businesses selling physical goods or taxable services must obtain a sales tax permit from the Texas Comptroller of Public Accounts. You are required to collect sales tax from customers and remit it to the state. Understanding which products and services are taxable and maintaining accurate sales records is important for compliance.

## **Property Tax**

Understand property tax responsibilities for business-owned properties. In Texas, businesses must pay property tax on real estate and certain types of business personal property. Property taxes are assessed by local county appraisal districts based on the value of the property.



# SETTING UP BUSINESS BANKING

## Choosing the Right Bank Account

Evaluate different banks to find the best fit for your business needs. Consider factors such as fees, account features, customer service, and the availability of branches or ATMs. Comparing various banks can help you select one that offers the most advantageous terms and services for your business operations.

## Business Checking Accounts

Open a business checking account for daily transactions and financial management. A business checking account helps separate your personal and business finances, making it easier to track expenses, manage cash flow, and prepare for tax time. Look for an account with low fees, convenient access, and features that suit your transaction volume and business activities.

## Savings Accounts

Consider business savings accounts for emergency funds and future investments. A savings account can provide a secure place to store funds for unexpected expenses or planned investments. Compare interest rates and terms to maximize your returns while keeping funds accessible when needed.

## Online Banking Services

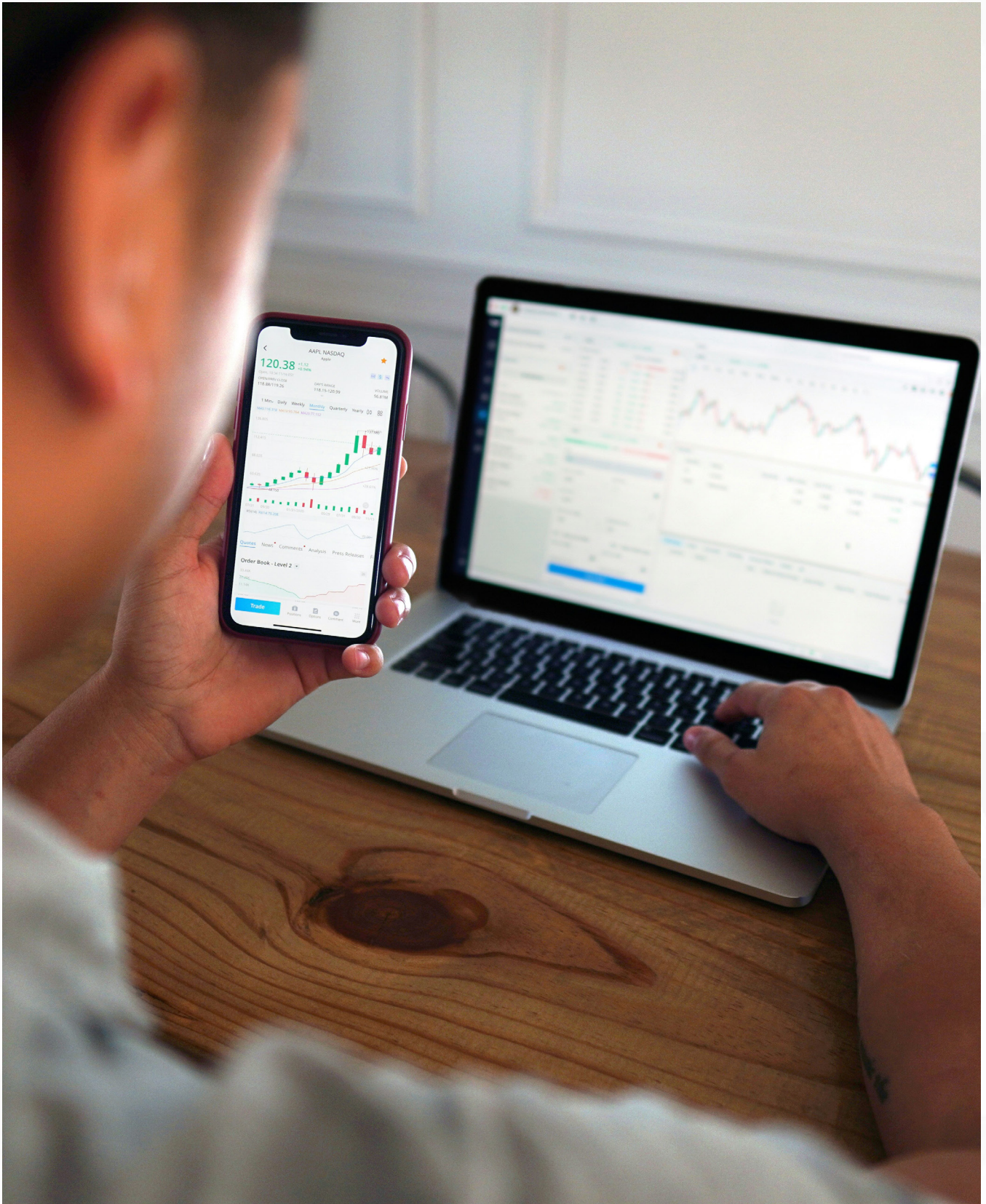
Use online banking tools for account management and transactions. Online banking allows you to monitor your accounts, transfer funds, pay bills, and manage cash flow from anywhere. Look for banks that offer online and mobile banking platforms with features that streamline your financial operations.

## Managing Cash Flow

Implement strategies to maintain healthy cash flow and ensure business sustainability. Cash flow management involves monitoring income and expenses, planning seasonal fluctuations, and ensuring you have liquidity to meet your obligations. Techniques such as invoicing, managing inventory, and controlling expenses helps maintain positive cash flow and support your business growth.









# SECURING FUNDING

## Types of Funding

### Self-Funding

Use personal savings or assets to start your business. Self-funding, also known as bootstrapping, involves using your own money to finance your business. This method allows you to retain full ownership of your business without incurring debt or giving up equity. However, it also involves personal financial risk.

### Loans

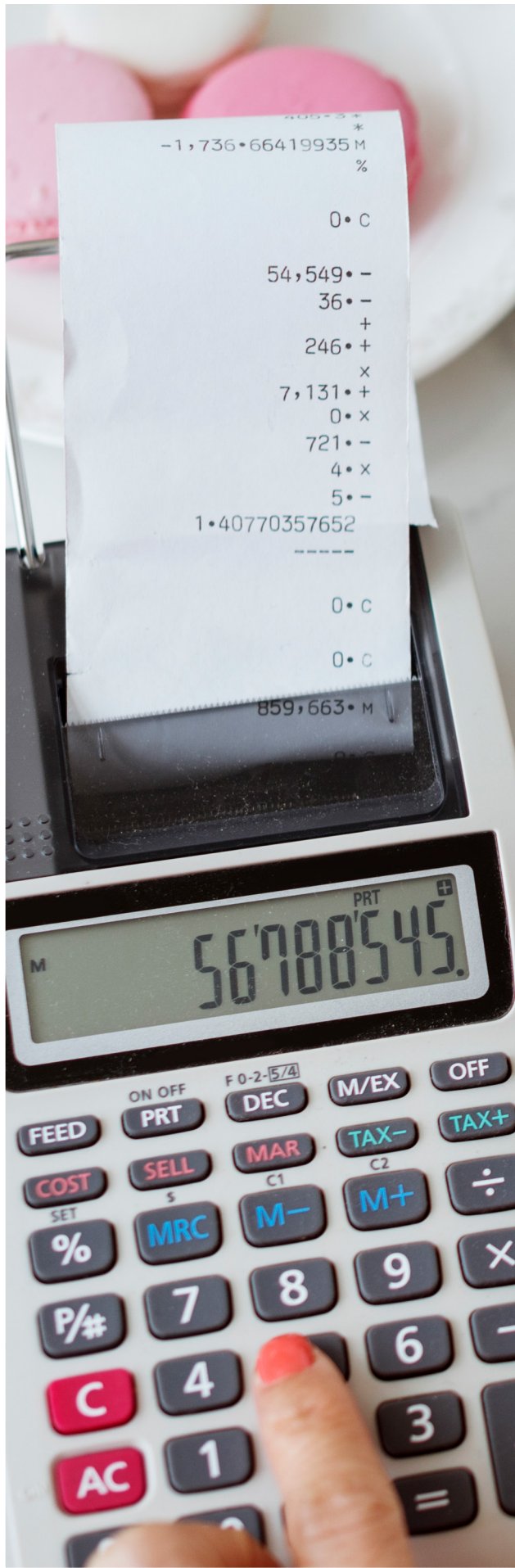
Apply for business loans from banks or financial institutions. Business loans can provide the capital needed to start or expand business. Loans typically require a solid business plan, good credit, and collateral. Interest rates and repayment terms vary. Compare options and understand the terms before committing.

### Grants

Seek out grants available for small businesses. Grants are funds provided by government agencies, non-profits, and private organizations that do not need to be repaid. They are often competitive and may require specific qualifications or be targeted toward particular industries or demographics. Research and apply for grants that match your business profile.

### Investors

Attract investors to fund your business in exchange for equity. Investors can provide significant capital and valuable expertise and connections. However, bringing on investors means sharing ownership and possibly giving up some control over business decisions. Types of investors include venture capitalists, angel investors, and crowdfunding platforms.





## Applying for a Loan

### Preparing Your Application

Gather all necessary information and documents. A well-prepared loan application increases your chances of approval. This includes having a detailed business plan, financial projections, and a clear explanation of how the loan will be used. Be prepared to discuss your business's financial health, market opportunity, and management team.

### Required Documentation

Ensure you have financial statements, business plans, and other required documents. Most lenders require a variety of documents to assess your creditworthiness and business viability. Commonly required documents include personal and business tax returns, balance sheets, income statements, cash flow statements, and a comprehensive business plan. Having these documents organized and ready can expedite the loan application process and demonstrate your preparedness and professionalism to lenders.



# MANAGING YOUR FINANCES

## Bookkeeping and Accounting

Keep accurate financial records and manage your business accounts. Proper bookkeeping involves recording all transactions, categorizing expenses, and maintaining records. Using accounting software can streamline this process, ensuring that your financial data is accurate and up-to-date. Bookkeeping is crucial for making informed business decisions and preparing for tax filings.







## Financial Statements

### Balance Sheet

Monitor your business's financial health. A balance sheet provides a snapshot of your assets, liabilities, and equity at a specific point in time. It helps understand your business's financial position, assess liquidity, and financial stability.

### Income Statement

An income statement, also known as a profit and loss statement, shows your business's performance over a period. It details revenues, costs of goods sold, operating expenses, and net profit. Regularly reviewing income statements helps you identify trends, control costs, and make strategic decisions.

### Budgeting and Forecasting

Create budgets and financial forecasts to plan for future growth and stability. A budget outlines your expected income and expenses, helping manage finances and allocate resources. Financial forecasting involves predicting future financial performance based on historical data and market trends. Both budgeting and forecasting are essential for setting financial goals, planning for growth, and navigating financial uncertainties. Regularly updating and reviewing budgets/forecasts can help you stay on track and make adjustments as needed.



## **HIRING EMPLOYEES**

### **Understanding Employment Laws**

Comply with federal and state employment regulations to avoid legal issues. Understanding employment laws is crucial for maintaining a lawful and ethical workplace. These regulations cover various aspects, including minimum wage, overtime pay, anti-discrimination policies, workplace safety, and employee rights. Staying informed about laws helps protect your business from lawsuits and penalties. Regularly reviewing and updating your employment practices ensures ongoing compliance and a fair working environment.

### **Recruiting and Hiring**

Develop recruitment strategies to attract and hire the right talent. Successful recruitment involves identifying the skills and qualifications needed for your business and creating clear job descriptions. Utilize multiple channels to reach potential candidates, such as online job boards, social media, and professional networks. Implement a thorough screening process, including interviews, background checks, and reference checks, to select the best candidates.

### **Employee Benefits and Payroll**

Set up employee benefits and payroll systems to manage compensation and incentives. Offering competitive employee benefits, such as health insurance, retirement plans, and paid time off, can attract top talent. Establishing a reliable payroll system ensures that employees are paid on time, while also managing deductions for taxes and benefits. Compliance with payroll regulations, such as wage laws and tax reporting, is essential to avoid legal issues.

### **Employee Development**

Investing in employee training and development is essential for maintaining a skilled and motivated workforce. Regular training programs help employees stay updated with industry trends, enhance their skills, and improve job performance. Providing opportunities for professional growth through workshops, courses, and certifications can lead to higher employee satisfaction and retention. Encouraging continuous learning fosters a culture of innovation and adaptability, ensuring your business remains competitive.





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# RECOMMENDED RESOURCES

## **Small Business Administration (SBA)**

Provides comprehensive guides, resources, and support for starting small businesses.

[SBA Website](#)

## **Texas Secretary of State**

Offers information on business registration, name availability checks, and state-specific licensing requirements.

[Texas Secretary of State Website](#)

## **IRS Business Section**

Offers tax-related information, forms, and guidance for small businesses.

[IRS Business Section](#)

## **Texas Comptroller of Public Accounts**

Provides details on state taxes, including sales tax permits and property tax requirements.

[Texas Comptroller Website](#)

## **Texas Workforce Commission**

Offers resources for understanding employment laws, recruiting, and workforce development.

[Texas Workforce Commission Website](#)

## **U.S. Patent and Trademark Office (USPTO)**

Offers tools and information for trademark registration and intellectual property protection.

[USPTO Website](#)

## **Texas Department of Licensing and Regulation (TDLR)**

Provides information on state licensing requirements for various business activities.

[TDLR Website](#)

## **Local Small Business Development Centers (SBDCs)**

Offer free business consulting and low-cost training services.

[Find an SBDC](#)

## **Texas Economic Development**

Provides resources for business planning, funding, and economic development in Texas.

[Texas Economic Development Website](#)

## **Online Business Banking Services**

Various banks offer online tools for managing business accounts, transactions, and cash flow.

Example: Chase Business Banking

## **Grants.gov**

A database of federal grant opportunities for small businesses.

[Grants.gov Website](#)

## **Texas Business License Office**

Provides guidance on obtaining necessary local licenses and permits.

Contact your local city or county clerk's office for specific requirements.

## TEMPLATES AND FORMS

### Business Plan Template Loan Application Checklist



## CONTACT US

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For further assistance or questions, feel free to contact us at Crossroads Bank. Our team is here to support you every step of the way.

**(361) 703-5103**

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