



LEGAL FOUNDATIONS

INFORMATION TO SHARE WITH THE COMMUNITY

A COUPLE OF THOUGHTS TO KEEP IN MIND WHEN WE START A BUSINESS IN THE US VS IN OUR HOME COUNTRIES

As new immigrants and in our new role of new business owners, it's possible that we don't know the laws, rules, and regulations. However, it is our job as a business owner and employer to know our responsibilities.

Registering a business in Minnesota is accessible to all, regardless of immigration status, and it offers benefits that might allow the business to thrive and give the owner peace of mind (such as becoming bankable, obtaining financing, signing contracts, and protecting the owner from legal action, among others.)

“NOT KNOWING THE RULES OR LAWS DOES NOT PROTECT US FROM THE CONSEQUENCES OF NOT FOLLOWING THEM” — EXPERT INTERVIEW



Prior experiences and regulations shape our perceptions of owning and operating a business.

- In our countries, rules could be inconsistent, and complex. Processes are bureaucratic and take too much time. We are used to finding work-arounds the rules or hoping that they are not being enforced
- We might be used to that in our home countries there is little to no support for the business owners. In the US, it's different.

“We tend to take shortcuts, ignore them, and give una mordida is a natural way of doing business. In the USA rules tend to be more straightforward” - Expert interview

EL NOTARIO in the United States does not have the knowledge to advise or responsibility to you or your business.

- In Latin-America, “el notario” is a high-level lawyer with the power to do/rule/advise. In Minnesota (in USA in general), a public notary is someone who verifies that the person signing a document has documents to prove who they are or that a copy is identical to the original. It does not require business or higher-level legal training, and as such public notaries in the United States cannot provide the same knowledge and advise as “el notario” in Latin-America.

SO, HOW DO YOU PREPARE YOURSELF FOR SUCCESS?

→ Educate yourself and find support:

- Connect with economic development organizations in your county and find resources in your industry. They are here to help!
- Surround yourself with professionals with the knowledge and expertise to help you (a lawyer, an accountant, a tax advisor). It is an expense that will save you money and trouble in the long run.

→ Update your mindset and do the right thing: if there is a requirement for your business, research and follow it; be mindful and stay educated about tax-saving strategies and contracts. Consider the following:

- Is it legal? Be sure to follow the laws to protect yourself and your business.
- Keep your books clean and straight. All transactions should be recorded, instead of paying in cash to keep them off the books.



“

KEEPING THE BOOKS, DOING TAXES CLEAN, NOT PAYING EMPLOYEES IN CASH — ALL WILL HELP TO DEMONSTRATE YOU ARE A SERIOUS BUSINESS OWNER AND WILL HELP YOU WHEN YOU ARE TALKING WITH THE BANK” - EXPERT INTERVIEW

REGISTERING YOUR BUSINESS IS FAST AND STRAIGHTFORWARD

YOU CAN DO IT!

STEP 1	Find or obtain a Social Security Number (SSN) or Individual Tax Identification Number (ITIN)	The fundamental building block of your business is your personal tax ID number. Immigration status is NOT a barrier to registering a business in MN.	prepareandprosper.org
	Reserve your business name	Create an account at the MN Secretary of State site: Requires a working email address and physical address Reserve a name “a prueba de balas” – that identifies the business and is unique Until the business is registered, keep the name reservation “active” by renewing it annually.	www.sos.state.mn.us
STEP 3	Register your business with the State of MN	Select your business structure; for a small business, you can register as a Limited Liability Company (LLC), for example. There are other options too, such a Solo Proprietor or an S-Corp.	www.sos.state.mn.us
	Request a Federal Tax Number (EIN)	EIN request form, complete the following: <ul style="list-style-type: none"> • Copy the exact name for the business as it is registered in the Secretary of State website • You will need to provide you name exactly as it appears on your SSN or ITIN • It will ask you about the “purpose for the number; select “to start a business” or “for banking process” • With SSN, the form can be done online • With ITIN, the form must be done on paper, using the SSN form and it needs to be mailed. Enter “Sole Proprietor”; where it asks for the SSN, enter the ITIN 	www.irs.gov/businesses/small-businesses-self-employed/employer-id-numbers
STEP 5	Request a MN Department of Revenue tax number	You will need a MN Dept of Revenue number if you collect sales taxes. To get a tax number, you will need your EIN and your ITIN (long form) or SSN	www.revenue.state.mn.us/guide/who-needs-register

Notes:

There are fees associated with the process. These fees are payable directly to each organization. This is a process that could be done by the business owner, instead of giving your personal information to others. Be aware of companies offering you these services. Know who you trust. The process is only available in English.

REGISTRATION, LICENSES, PERMITS TO OPERATE THREE DIFFERENT THINGS

- *"It's not advisable to do business with your SSN or your ITIN. Because you will be disclosing it to suppliers and for contacts"*
- Other benefits are to be able to access finances, obtain insurance, and have larger contracts – that will allow the business to grow.

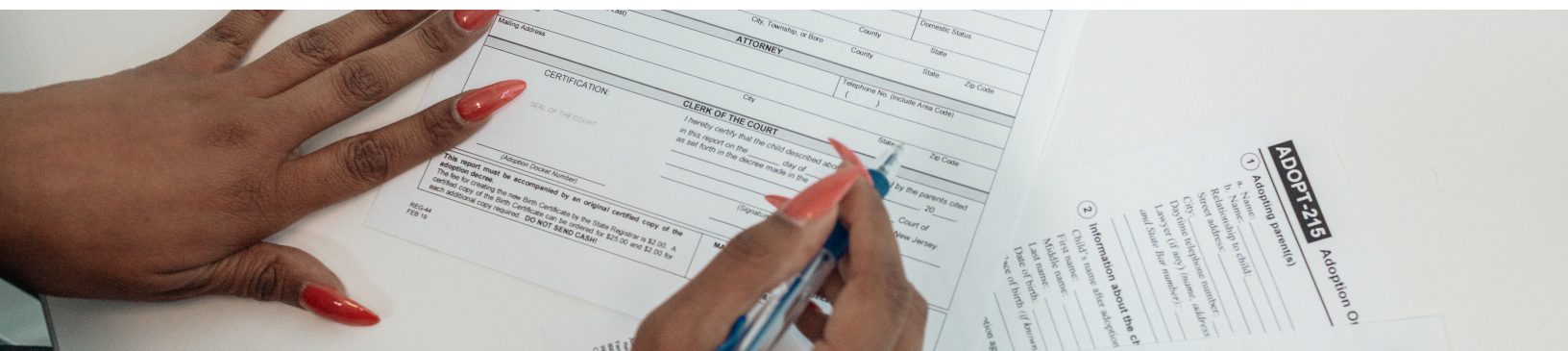


Many businesses require licenses to operate. **If your business requires a license and you don't obtain it, there are fines.**

- Be aware: some businesses start operating on a tiny scale (at home cooking selling to friends, taking care of one kid, help a friend buy a house) and before they know it have a large business (selling food or a daycare) but they have not taken the right steps. "I have always done it like this and I have not had a problem".
- Professional services (if it requires 1-4+ years of study) probably needs requires a license. Common examples include: (use bullet points) residential construction, health and beauty, hairstylists, real estate, preparation of food, liquor, daycare.
- Check your industry standards and keep your licenses up to date.

Finally, **stores require permits for operation**

- EACH city has its regulations -what worked in St Peter does not necessarily work in St Paul.
- Do not sign a lease without confirming with the city if your business can operate in the location.
- If you are buying an existing business, confirm BEFORE signing what licenses they have and if they are transferable to you.





RESOURCES

ECONOMIC DEVELOPMENT ORGANIZATIONS

LEDC
ledcmetro.org

Elevate Hennepin
www.elevatehennepin.org

Hennepin
www.hennepin.us/economic-development

For other counties, search:
"county + economic development"

LEGAL RESOURCES

Legal Corps – Legal help for low-income entrepreneurs, by volunteer lawyers
[Free Business Legal Help to Low-Income Entrepreneurs | LegalCORPS](http://www.legalcorps.org)
www.legalcorps.org



LICENSES

Should I get a license or a permit? (English)
[Licenses and Permits / Minnesota Department of Employment and Economic Development \(mn.gov\)](http://mn.gov/deed/business/starting-business/legal-regulatory/)
(mn.gov/deed/business/starting-business/legal-regulatory/)

Permit to sell foods in MN without a license
[Cottage Food Producer Registration | Minnesota Department of Agriculture \(state.mn.us\)](http://state.mn.us)
(application available in Spanish)

ADVISING AND MENTORING

SCORE - Free Business Mentoring, Learning and Business Development

Twin Cities, Northern and Central MN, Northwest and Western WI
[Twin Cities | SCORE](http://www.score.org/twincities)
www.score.org/twincities

South Central MN
Serving Nicollet, Blue Earth, Faribault, Freeborn, Steele, Waseca and Rice Counties
[South Central MN | SCORE](http://www.score.org/southcentralminnesota)
www.score.org/southcentralminnesota

BECOMING BANKABLE AND OBTAINING FINANCING FOR THEIR BUSINESS

To obtain financing from a bank for a Limited Liability Company (LLC)

- Owner's credit history – **THE starting point**
- Demonstrating a trajectory with the business – **what you have done**
 - Show your accounting books, balance sheet, P&L, your taxes
- A business plan – **what you will do in the future**
 - Show the bank that you have a plan that will allow you to pay them back

The bank will want to know your business and you as a person – Character.

“The bank wants to charge you 8% and make sure they will get their money back: is the business owner organized, is he putting work in their business, does it have a trajectory, does he know what he is doing, the plan is realistic, etc”

KNOW ABOUT THE CORPORATE TRANSPARENCY ACT

- Ley de Transparencia Corporativa a new federal act has been enacted to reduce money laundering. It requires all business to report who the owners are (a 5 min report).
 - There are penalties of no reporting.
 - There is no exchange of information between the Department of Treasury and the Dept of Revenue or Homeland security.

“ I UNDERSTAND THAT THIS MIGHT BE SCARY TO SOME UNDOCUMENTED BUSINESS OWNERS. BUT THERE ARE PENALTIES FOR THOSE WHO DON'T REPORT.” — EXPERTS INTERVIEW

“THEY ARE NOT GOING TO REPORT TO THE IRS OR TO IMMIGRATION” - WORKSHOP PRESENTER



COMMON MISTAKES TO BE AWARE OF AND **REMEMBER** EVERYTHING IS NEGOTIABLE

→ Be aware and pause:

- Signing a contract/leasing too fast
 - Signing a contract where the business owner feels cornered
 - Not having done due diligence
 - check licensing requirements
 - have options
 - prior owner's or renter's history
 - If/when you feel pressured to sign a contract – pause!
 - Everything is negotiable if you have done your homework
 - what are you willing to lose
 - what is the other part of the position
 - Signing without consulting a lawyer
- Not planning the terms of the partnership (exit plan)
- Operating without a license,
- Following well-intentioned, misinformed advice – el notario, el amigo



Consult a lawyer before signing any contract, especially before leasing a location

Guidelines to hire a Lawyer:

- Current license to practice in Minnesota
- Initial Consultation: duration, cost, outcome
- Specific experience in business
 - What percentage of your work is business law?
 - How long you have been practicing in BUSINESS law?
- How cost will be calculated? per hour, total amount, contingency (results), hybrid
- Contact person that will manage the case.
 - How will you access the lawyer?
- Estimated duration of the case – (“it depends”)
 - How long will the case take? A week or 3 years?
 - What steps are involved in the process