

# MISSISSIPPI MAGNOLIA NEWS

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**Economic Recovery**

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The Mississippi Magnolia News is a publication by the U.S. Small Business Administration's Mississippi District Office.

District Director:  
Janita Stewart

Editor:  
Gary Reed

Helping small businesses **start, grow and succeed.**



Your Small Business Resource

## SBA Launches New 100-Percent Guarantee ARC Loan Program to Help Struggling Businesses

Small businesses suffering financial hardship as a result of the slow economy may be eligible to receive temporary relief to keep their doors open and get their cash flow back on track through to a new loan program announced today by SBA Administrator Karen G. Mills.

On June 15<sup>th</sup>, SBA will began accepting loans for a temporary new program called America's Recovery Capital. "ARC" loans of up to \$35,000 are designed to provide a "bridge" for viable small businesses with immediate financial hardship – to keep their doors open until they get back on track.

"These ARC loans are another tool in the SBA toolkit which will provide critical support to small businesses struggling to make it through these tough economic times," said Admin-

istrator Karen G. Mills.

ARC loans are deferred-payment loans of up to \$35,000, available to established, viable, for-profit small businesses that need short-term help to make their principal and interest payments on existing and qualifying business debt. ARC loans are 100 percent guaranteed by the SBA and have no SBA fees associated with them.

ARC loans will be disbursed over a period of up to six months and will provide funds to be used for payments of principal and interest for existing, qualifying small business debt including mortgages, term and revolving lines of credit, capital leases, credit card obligations and notes payable to vendors, suppliers and utilities. SBA will pay the interest on ARC loans to the lenders at the

variable rate of Prime plus two percent.

Repayment will not begin until 12 months after the final disbursement. After the 12-month deferral period, borrowers will pay back the loan principal over a period of five years.

ARC loans will be made by commercial lenders, not SBA directly.

Small business owners and lenders may visit [http://www.sba.gov/idc/grou ps/public/documents/sba\\_ho mepage/rec\\_arcloan\\_faq\\_len ders.pdf](http://www.sba.gov/idc/grou ps/public/documents/sba_ho mepage/rec_arcloan_faq_len ders.pdf) to download a PDF containing answers to a host of questions regarding the ARC Loan Program.

## HOMEOWNERS, RENTERS AND BUSINESSES URGED TO PREPARE FOR DISASTER BEFORE IT STRIKES

As those living near the Gulf of Mexico and along the Eastern Seaboard prepare for another Atlantic Hurricane season, SBA is reminding small businesses, homeowners and renters to write down their emergency preparedness plan before disaster hits. The catastrophic events of the last few years demonstrate the need for preparedness at the individual level, to

diminish the risk to life and property. In the aftermath of last year's Midwest Floods, and Hurricanes Gustav and Ike—which pounded parts of Louisiana, Mississippi and Texas last summer—the SBA approved more than 23,000 disaster loans for a total of \$1.2 billion. Disaster preparedness for homes and businesses should include A solid emergency re-

sponse plan, adequate insurance, backup of vital records, and a Disaster Survival Kit.

Visit SBA's Disaster website at <http://www.sba.gov/services/disasterassistance/index.html>, and click on the business and/or homeowner/renter links on the right of the webpage for more information on SBA disaster loans available.



## MS District Office Welcomes 2009 Summer Intern, Jeremy L. Sanford

For the second consecutive year, the Mississippi District Office has enjoyed the benefit of an extra employee, at least temporarily. During these short summer months, Jeremy L. Sanford has added value to the work production of the Mississippi District Office. He performs a host of duties and does so to the highest degree of professionalism which includes greeting visitors into the office; answering the phone; prepares and mails out small business start-up kits; prepares information packets for lender bank visits, monthly 8(a) workshops and monthly loan clinics; merges bank files; updates resource lender lists, 8(a) contractor listing and procurement agency listing, among other duties. Special projects he's assisted with this summer include the 2009 Small Business Week Awards Event; the 8(a) Business Development Training Conference; and assisting with loan coding verification data.

Jeremy is the son of Mr. and Mrs. James Sanford of Jackson, Mississippi, and is currently a junior enrolled at Jackson State University majoring in Accounting. Jeremy plans are to become a Certified Public Accountant and has aspirations of becoming an Attorney.

## Dealer Floor Plan Financing Available through SBA Pilot Loan Program



On July 1<sup>st</sup>, auto, RV and other dealerships could apply for SBA-guaranteed floor plan financing, making it easier for these small businesses to borrow against their inventory and increase their cash flow.

The new pilot program is one of the many tools SBA made available to help increase access to capital and technical assistance to small business, and complements other steps already taken under the Recovery Act to help small businesses at this critical time.

"Floor plan financing can offer some dealerships the opportunity to get through these tough economic times by allowing them to keep their inventory and cash flow intact, as well as save the jobs these small businesses provide," said SBA Administrator Karen G. Mills.

Floor plan financing is a revolving line of credit that allows a dealership to obtain financing through SBA's 7(a) program for inventory that can be titled, such as autos, RVs, manufactured homes, boats and trailers. As each piece of collateral is sold by the dealer, the loan advance against that piece of collateral is repaid. As the loan is repaid, the dealer can borrow against the line of credit to add new inventory.

The DFP pilot program will run through Sept. 30, 2010, after which SBA will determine whether to extend it further. DFP loans can be made by any lender already participating in SBA loan programs. Lenders who are not already participating in SBA lending, can become an approved SBA lender if they are interested in offering DFP loans.

DFP loans will be available for a minimum of \$500,000 up to the \$2 million allowable under the 7(a) program. With a maximum repayment term of five years, the loans will come with a 60-75 percent government guarantee, depending on the type of collateral and the lenders advance rate against the wholesale price of the inventory. Borrowers will also benefit from the temporary elimination of fees on 7(a) loans made possible by the American Recovery and Reinvestment Act of 2009.

Borrowers interested in obtaining a DFP loan should contact their lender or the Mississippi SBA office to get a list of SBA-approved lenders in their area who may be participating in the program. Visit the Mississippi SBA office's website at <http://www.sba.gov/ms> for more information.



## IRS's Top Seven Tips for Taxpayers Who Have Started or Are Thinking of Starting a New Business

Anyone starting or thinking of starting a new business should be aware of their federal tax responsibilities. Here are the top seven things the IRS wants you to know if you plan on opening a new business this year.

1. First, you must decide what type of business entity you are going to establish. The type your business takes will determine which tax form you have to file. The most common types of business are the sole proprietorship, partnership, corporation

and S corporation.

2. The type of business you operate determines what taxes you must pay and how you pay them. The four general types of business taxes are income tax, self-employment tax, employment tax and excise tax.

3. An Employer Identification Number is used to identify a business entity. Generally, businesses need an EIN. Visit IRS.gov for more information about whether you will need an EIN. You can also apply for an

EIN online at IRS.gov.

4. Good records will help you ensure successful operation of your new business. You may choose any recordkeeping system suited to your business that clearly shows your income and expenses. Except in a few cases, the law does not require any special kind of records. However, the business you are in affects the type of records you need to keep for federal tax purposes.

(Continued on page 3)

## Show Me the Money

For fiscal year 2009 (October 1, 2008 – June 30, 2009), the Mississippi SBA office has guaranteed 453 loans to Mississippi small businesses totaling more than \$85.53 million. Minorities made up 17% of the loans with Women and Asians each garnering 14%.

To view a list of lenders, dollar volume and number of loans made through July 8th, go online to [www.sba.gov/ms](http://www.sba.gov/ms) and click "Show Me the Money" under Resources.

Entrepreneurs interested in starting a business or growing their existing business can attend a free SBA Loan Clinic in Jackson, MS or Gulfport, MS registering online at [http://www.sba.gov/idc/groups/pub/lic/documents/ms\\_jackson/ms\\_spot\\_onlineregistration.html](http://www.sba.gov/idc/groups/pub/lic/documents/ms_jackson/ms_spot_onlineregistration.html).

**Note: the SBA Loan Clinic scheduled August 4th in Jackson has been rescheduled to September 1st!**

Learn more about SBA loan program and their modification due to the America's Reinvestment Recovery Act at <http://www.sba.gov>.



## Changes to SBA 504 Loan Program Allows Businesses to Refinance Existing Debt, Expand, Create New Jobs

Small businesses seeking to expand will be able to refinance existing loans used to purchase real estate and other fixed assets as a result of permanent changes to the SBA's 504 Certified Development Company loan program.

The changes, authorized in the American Recovery and Reinvestment Act of 2009, allows small businesses to restructure eligible debt to help improve their cash flow which, in turn, will enhance their viability and support growth and job creation. The 504 loan program can be used to purchase business real estate or fixed assets, such as heavy equipment or machinery, and expand current development projects.

"Lower interest rates mean lower payments and less money going out the door each month in debt repayments," said SBA Mississippi Director Janita R. Stewart. "That means more cash on hand to keep their doors open, their employees working and to even expand and create more jobs."

The 504 loan program is administered through 271 Certified Development Companies across the nation.

The changes include:

For more information on the 504 loan program and eligibility requirements, go to [www.recovery.gov/](http://www.recovery.gov/) or [www.sba.gov/recovery](http://www.sba.gov/recovery).



*"Lower interest rates mean lower payments and less money going out the door each month in debt repayments," said Janita Stewart, SBA Mississippi District Director.*

## IRS's Top Seven Tips for Taxpayers Who Have Started or Are Thinking of Starting a New Business (Cont.)

5. Every business taxpayer must figure taxable income on an annual accounting period called a tax year. The calendar year and the fiscal year are the most common tax years used.

6. Each taxpayer must also use a consistent accounting method, which is a set of rules for determining when to report income and expenses. The most commonly used accounting methods are the cash method and an accrual

method. Under the cash method, you generally report income in the tax year you receive it and deduct expenses in the tax year you pay them. Under an accrual method, you generally report income in the tax year you earn it and deduct expenses in the tax year you incur them.

7. Visit the business section of [IRS.gov](http://IRS.gov) for resources to assist entrepreneurs with starting and operating a new business.

To get the latest IRS news and products and services, subscribe to e-News for Small Businesses at <http://www.irs.gov/businesses/small/> and click "Subscribe to e-News" at the bottom right of the page. Visit the IRS Small Business and Self-employed Tax Center at <http://www.irs.gov/businesses/small/index.html> for more information about starting and operating a new business.

## Free Counseling Available through SBA Resource Partners

**SBDC** — The Mississippi Small Business Development Centers provide a variety of business services to startups and existing businesses statewide including counseling, workshops and information services. Call 1-800-725-7232 or go online at [www.mssbdc.org](http://www.mssbdc.org) to find the SBDC office nearest to you. Also, visit [www.sba.gov/ms](http://www.sba.gov/ms) and click on the 'Events Calendar' on the right of the website to find a workshop near you.

**SCORE** — The Service Corps of Retired Executives, is America's premier source of free & confidential small business advice for entrepreneurs. SCORE has helped more than seven million small businesses. Visit their website at [www.scoregulfport.org](http://www.scoregulfport.org) or call 228) 863-0054 for information.

**Women's Business Center** — The Crudup-Ward Activity Center (CWAC) located in Forest,

MS and the Mississippi Action for Community Education, Inc. (MACE) located in Greenville, MS provide one-on-one business and financial counseling and technical assistance for women, and others, seeking to start a new business or improve their existing business. Call CWAC at (601) 469-3357 or MACE at (662) 335-3523 for more information.

**U. S. Small Business Administration**

Regions Plaza  
210 E. Capitol Street, Suite 900  
Jackson, MS 39201  
(601) 965-4378

One Hancock Plaza  
2510 14th Street, Suite 103  
Gulfport, MS 39501  
(228) 863-4449

Website: WWW.SBA.GOV/MS

*The U.S. Small Business Administration (SBA) was created on July 30, 1953 as an independent agency of the federal government to aid, counsel, assist and protect the interests of small business concerns, to preserve free competitive enterprise and to maintain and strengthen the overall economy of our nation. We recognize that small business is critical to our economic recovery and strength, to building America's future, and to helping the United States compete in today's global marketplace. Since its founding, the U.S. Small Business Administration has delivered about 20 million loans, loan guarantees, contracts, counseling sessions and other forms of assistance to small businesses. Although SBA has grown over the years, the bottom line mission remains the same. The SBA helps Americans start, build and grow businesses. Through an extensive network of field offices and partnerships with public and private organizations, SBA delivers its services to people throughout the United States, Puerto Rico, the U. S. Virgin Islands and Guam.*

## SBA District Office Honors Mississippi 2009 Small Business Winners



On June 16th, the Mississippi SBA District Office honored 10 small business entrepreneurs during its 2009 Small Business Award Ceremony held at the Mississippi e-Center @ JSU in Jackson, MS. Approximately 200 attendees joined SBA to celebrate the outstanding achievements of the award recipients while underscoring the economic impact of entrepreneurship to Mississippi.

Pictured above (l to r) are:

**Minority Small Business Champion of the Year** Cathye Ross-Amos of Ross Business Partnerships, LLC; Judith Adcock, SBA Gulfport Branch Manager; **Veteran Small Business Champion** Charles Harkless, Jr., Dept. of Transportation; **Entrepreneurial Success** Celeste Foster O'Keefe of The Dancel Group; **Small Business Person of the Year** Richard Moore of Eyevox; Janita Stewart, Mississippi SBA District Director; **Women in Business Champion** Mary

Canavan Werner of Tupelo Manufacturing Company; **Home-Base Business Champion** Shirley T. McLendon of Mi-Da Maps; **Small Business Journalist** John J. Woods of Magnolia Outdoor Communications; **Small Business Exporter (Team)** Erin Hayne & Nuno Goncalves Ferreira of NunoErin; and **Financial Services Champion** Thelma Larry Anderson of Central Mississippi Planning and Development District.

Helping small businesses **start, grow** and **succeed**.



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