



A publication of the Nevada Department of Business and Industry

W2 or 1099?



INDEPENDENT CONTRACTOR OR EMPLOYEE?

Proper classification benefits all

When a person is hired by your company to perform services, he or she must be classified as either an employee or an independent contractor. In some instances, the determination can be difficult. Both federal and state laws apply, and the two might not always perfectly align. In fact, there are times where for the purpose of federal tax law, they are considered an independent contractor, but an employee for state law purposes.

While there are different tests for determining employee vs. independent contractor status, common to both Nevada state law and federal law is whether the worker or the company controls the manner in which the work is performed. The more control the employer exerts over where, when and how the work is to be completed, the more likely the worker is an employee.

Employers and workers alike benefit from proper classification. While an employer may find going the independent contractor route saves money and time in the short run by avoiding the cost of payroll taxes, benefits, unemployment and workers compensation insurance, the potential penalties can be even more costly.

Businesses that improperly classify their workers are vulnerable to administrative

penalties and civil action. According to Nevada Labor Commissioner Thoran Towler, misclassified employees that file a wage claim commonly work overtime hours and are not paid for those hours. In addition to paying unpaid wages and penalties, the employer can be subject to fines and fees up to \$5,000 per violation. For cases that are filed civilly, Towler believes the courts have taken a conservative approach and usually find a worker is an employee unless it was clearly shown that a business to business relationship exists.

Another area of concern is the failure to provide appropriate and necessary workers' compensation insurance. According to the Nevada Attorney General's office, some employers who have been prosecuted, mistakenly believed they could circumvent the requirement to provide workers' comp by misclassifying their workers or by entering into a written contract with the worker. This misconception did not preclude employers from being criminally prosecuted. In addition, if an employer-employee relationship exists, the employer will pay a premium penalty for the uninsured timeframe, but also any costs relating to an uninsured claim; a cost that can be significant depending on the severity of the injury.

From the worker's perspective, unlike employees, independent contractors are not covered by federal or state wage and hour laws and are ineligible for employee benefits such as health insurance and participation in a company sponsored retirement plan. In addition, an independent contractor must be knowledgeable about filing and paying taxes with a 1099. These workers can also be vulnerable to unpaid medical claims arising from injuries while on the job.

While companies are not prohibited from employing independent contractors, before doing so, should review all applicable state and federal laws and regulations. Employers should also routinely review independent contractor arrangements to determine if the status of the relationship has changed and take the appropriate steps to stay in compliance. Companies operating in Nevada can reduce their exposure to risk and do the right thing for their workers by performing the appropriate research and classifying workers properly from the day you say, "You're hired!"



P2 / Access to Capital:

Angel investors provide nontraditional funding, expertise to start ups



P3 / Governor's Conference on Small Business:

3rd annual event provides opportunities for learning, marketing your services



P5 / Ask an Expert:

Houston Pullen of UNLV answers questions about business plans and why you need one



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Spotlight: Nevada Small Business Development Center offers statewide comprehensive services

ACCESS TO CAPITAL CORNER:

Can an Angel Investor Help Your Business Soar to Success?



The first place a new startup business looking for capital might approach is their local bank. Although traditional lenders are loosening their grip as the economy improves, they are still not as open to funding startups, especially those that require large amounts of capital. So what is a new business to do? Perhaps an angel investor is right for the job. So what is an angel investor and what do they do?

Angel investors are often entrepreneurs themselves or have expertise in an area that might be helpful to a new company. Once an angel or angel group (also known as a syndicate) has enough confidence in a company's business proposal, they might offer funds to finance their business.

The Reno Angels are a group of accredited investors in northern Nevada that provide equity capital to early and mid-stage entrepreneurial companies.

Dave Archer, co-founder of the group says that angel funding is not for most companies. "We are looking for companies with high-growth potential; something innovative like the next Google or Apple with a potential to grow ten times."

It is quite a challenge to find a company that will do just that, says Archer. "You might make an investment in 10 companies, seven will fail and two will be modestly successful. The tenth one will be the hit."

Angels tend to invest in companies where they can add value beyond their money. Archer says that most angel investors he knows do not make a huge return. "I like to talk with a group and see what's out there," he said.

Reno Angel members have a wide variety of experience in different industries. They provide mentorship and coaching to the companies they invest in. Members also serve as board members, provide contacts and assist with strategic planning and fundraising.

WHAT IS AN ANGEL INVESTOR LOOKING FOR?

Angels review the valuation an entrepreneur places on their company. Many times, that valuation will not be in alignment with the investor's calculation which can kill a deal. Entrepreneurs need to be able to explain how they came up with the numbers. The valuation has to be agreeable to both sides as well as the projections of where the company is headed.

Entrepreneurs need to have a good understanding of who their competition is. "Yours [business] better be cheaper and faster," said Archer.

Business owners should have a good Executive Summary and financials. According to Archer, it should be 2 to 3 pages of 'dynamite' info. There is no single great business plan model but there are common elements.

When a company is starting out, there is a tendency for the business owner to do all the work. As the enterprise grows, it becomes more and more difficult to oversee everything. At this point, it is time to consider building a senior team to help you. Angel investors look for a good management team that is not only highly qualified, but also coachable. "Having a good management team in place can do wonders," said Archer.

For more information on Reno Angels, visit their website at www.RenoAngels.org

LOOKING FOR CAPITAL BUT DON'T KNOW WHERE TO START?

The **Access to Capital Directory** is a comprehensive listing of products and resources available to Nevada businesses.

View online at [http://business.nv.gov/Business/Access to Capital/Access to Capital/](http://business.nv.gov/Business/Access%20to%20Capital/Access%20to%20Capital/)

2014 Governor's Conference on Small Business Coming to Las Vegas September 19

The 3rd annual Governor's Conference on Small Business, hosted by the State of Nevada Department of Business and Industry, is a comprehensive small business resource event designed for entrepreneurs seeking to start or grow an existing business.

Conference participants will have the opportunity to hear from industry leaders and experts during six informative and interactive panel discussions and can interface with 100+ service providers, development authorities and government entities at the Business Resource Expo. A luncheon featuring special guest speakers and a keynote address by Governor Brian Sandoval will conclude the conference.

EXHIBITOR OPPORTUNITIES NOW AVAILABLE

Exhibitor registration is now open! Exhibitors will have access to more than 600 local attendees seeking information about products and resources. To take advantage of special early bird rates, registration and payment must be received by August 1.

Exhibitor booths include a table, 2 chairs, table draping, and continental breakfast. Booths at the nonprofit and B2B rates also include 2 tickets to the luncheon.

To download the exhibitor registration form, or for more information, visit <http://business.nv.gov>.

2014 Exhibitor Rates

Before August 1

B2B/Corp.- \$300

Nonprofit- \$200

After August 1

B2B/ Corp.- \$350

Nonprofit- \$250



2013 Governor's Conference on Small Business



Grow Your Business Through Contracts With Government Agencies in Nevada

The Local Emerging Small Business (ESB) Program is a new certification program for Nevada small businesses interested in doing business with state and local government agencies.

Administered by the Nevada Governor's Office of Economic Development (GOED), the ESB Program was created to encourage the development and growth of small businesses in Nevada. GOED will certify qualifying small businesses as a local emerging small business in order to help local governments and regions identify certified businesses to help both entities enter into contracts together.

The government marketplace is increasingly competitive – small business certifications such as the ESB program provide local Nevada small businesses with an opportunity to highlight their capabilities and set themselves apart from their competition. ESB certification is available to all business types and industries. ESB certification, when used as a marketing tool, can generate additional opportunities to bid for business at the state and local levels.

For more information about qualification criteria or to apply, visit www.diversifynevada.com/esb.

SilverFlume Saves Business License Customers Time, Effort

SilverFlume, Nevada's Business Portal, gathers all of the agencies involved in starting a business under one digital roof. The Secretary of State's office designed the website, www.nvsilverflume.gov, with the understanding that an entrepreneur's goal is to get a business off the ground and running - without being mired by piles of paperwork.



SilverFlume currently processes the following licenses: articles of organization/

incorporation; initial/annual list of managers/officers; state business license renewals; sales and use permit; Workers' Comp eAffirmation of Compliance; OSHA/SCATS compliance; and more.

Many and more state and local agencies are partnering with SilverFlume including the Department of Administration; Department of Business and Industry; Governor's Office of Economic Development; Department of Taxation; Department of Motor Vehicles; Safety Consultation and Training Section; Churchill County, NV; Douglas County, NV; City of Fernley, NV; Township of Tonopah, NV; and more.

If you're just starting a company, SilverFlume's New Business Checklist tool informs you of the licenses necessary to get your company off the ground. The operating wizard guides you through each licensing process in the correct order, eliminating guesswork. You can also opt to receive electronic renewal notifications for each license, providing plenty of time to renew before the due date.

If you have any questions, please contact customer support at (775) 684-5708 or support@nvsilverflume.gov.

Nevada-India Business Development Council Launched

The Nevada-India Business Development Council (NIBDC), co-chaired by the Governor's Office of Economic Development and the Department of Business and Industry, was recently formed to identify and promote trade, investment and economic ventures between the Republic of India and the State of Nevada.

In order to fulfil the mission of enhanced trade and activity, the council intends to:

- Encourage partnerships between Nevada and India based businesses;
- Serve as a non-partisan voice for trade, investment and collaboration on issues of interest to council members;
- Identify and overcome obstacles that are detrimental to the business climate and growth of a long-term partnership with the Indian government, non-governmental organizations and private entities;
- Support civic, social and cultural programs designed to facilitate opportunities to further opportunities for trade.

India currently ranks as Nevada's third largest international trading partner. In purchasing power, India boasts the second largest Asian economy after China and ahead of Japan. Among major emerging markets, India ranks second in terms of economic growth.

The NIBDC has scheduled a trade mission to India in November 2014. If you are interested in learning more about the Nevada India Business Development Council please contact: Ash Mirchandani at (702) 486-2750; amirchandani@business.nv.gov or Kris Sanchez at (702) 486-2700; ksanchez@diversifynevada.com.



Department of Taxation Clarifies Resale Certificate vs. Sales Tax Permit Requirement

The Department of Taxation reports receiving an increasing number of phone calls from Nevada sellers/retailers, stating that many vendors or wholesalers from whom they purchase inventory for resale, are requesting copies of purchasers' Sales Tax Permits; not copies of purchasers' Resale Certificates. This is not correct as Sales Tax Permits are not interchangeable with, and may not be used in lieu of, Resale Certificates.

Nevada vendors/wholesalers selling tangible personal property for resale in this State must take care when obtaining Resale Certificates from customers claiming to be exempt from paying sales tax because the purchaser must re-sell the merchandise/property on which sales tax is not paid.

Blank Resale Certificate forms may be downloaded from the department's website- www.tax.nv.gov. and go to "Tax Forms" and then click on "General Purpose Forms." Blank Resale Certificate forms/cards may also be purchased at most office supply or stationery stores.

For further information, please call 1-866-962-3707 Monday through Friday, 8:00 am – 5:00 pm.

SBA to Award \$2.5 Million in Growth Accelerator Fund Competition

The Small Business Administration (SBA) is launching a \$2.5 million competition for accelerators and other entrepreneurial ecosystem models to compete for monetary prizes of \$50,000 each. A panel of expert judges will consider each applicant's stated mission, founding team members and business goals among other core components. The deadline for applying is August 2, 2014.

The panel will give particular attention to, and the SBA encourages, applicants that fill geographic gaps in the accelerator and entrepreneurial ecosystem space. In addition to accelerators that fill the gaps described above, SBA is also seeking accelerators that are run by and support women or other underrepresented groups. Special consideration will be given to any accelerator models that support manufacturing.

To apply visit sba.gov or challenge.gov. For additional questions, contact accelerators@sba.gov.



Houston Pullen, Economic Development Specialist

Q: I am interested in starting a small business. I keep hearing about something called a business plan. What exactly is a business plan and why do I need one?

A: The textbook definition of a business plan: "A formal statement of a set of business goals, the reasons they are believed attainable, and the plan for reaching those goals. It may also contain background information about the organization or team attempting to reach those goals."

When you look for a job, you generally need to provide a potential employer with a resume. Your business plan is your business resume. When you think of it in this context, it gives a whole new meaning to this document.

Business plans are used to essentially develop a blueprint as an operating guide for your business. In most cases, a business plan is required when you are dealing with banks and other lending institutions. Investors will often times require a business plan as well, so it will be important to make sure you possess the necessary components of a business plan.

As you develop the plan, it becomes a living guiding document for you to base your business activities off of. As things change, you can make those changes to your plan and not have to worry about starting from scratch. Do not be thrown by stories of 100+ page business plans. Business plans need to be concise with enough detail to properly show you know the what, how and why of your business and what can potentially happen from you doing it. There are outstanding business plans out there that may range from 1 to 20 pages. It just really depends on how it's written.

Have a question for one of our guest experts? Email cfoley@business.nv.gov.



RESOURCE ORGANIZATION SPOTLIGHT: NEVADA SMALL BUSINESS DEVELOPMENT CENTER

Nevada's Business Assistance Network

The Nevada Small Business Development Center (Nevada SBDC) serves to guide and assist entrepreneurs in starting and growing their business in today's dynamic market. They provide comprehensive business knowledge and expertise affording business owners and entrepreneurs the clarity to achieve the success they have envisioned.

A statewide resource, Nevada SBDC is part of a nationwide program of more than 1,000 SBDC offices. The organization is funded by the U.S. Small Business Administration, the State of Nevada, the University of Nevada system, federal and local partners for the purpose of promoting community and economic development. Nevada SBDC offers counseling services free of charge to Nevada businesses and entrepreneurs. They also offer workshops, training courses, and services related to data, statistics and research at low cost.

Nevada SBDC offers free and confidential advice about:

- Assistance in starting and growing a business
- Business education and training
- Microloans for business
- Market research and strategies
- Minority, women and disadvantaged businesses
- Environmental and energy efficiency assistance
- International trade assistance
- Business and economic demographic analyses
- Technology and innovation development



CONTACT NSBDC

(800) 240-7094 - Statewide:

Ely, Carson City, Elko, Fallon,
Hawthorne, Laughlin, Pahrump,
Winnemucca

(702) 876-003 - Las Vegas

(775) 784-1717 - Reno

Email: nsbdc@unr.edu



NEVADA SMALL BUSINESS DEVELOPMENT CENTER HELPS PAIR LAUNCH THEIR MUTUAL DREAM

A mutual friend of Elko area residents April Dullum and Cheryl Grady recognized each of the women's independent dream of opening a coffee shop and facilitated an introduction. After meeting for dinner, April and Cheryl determined they shared a similar vision and goals and decided to join forces to make their dream a reality.

Like all small businesses, finding funding for their start up was required. So they visited the Nevada SBDC office in Elko to meet with a counselor. After a review of the pair's business plan, the counselor referred them to the Rural Nevada Development Corporation. With a loan from RNDC, they scouted a prime location and Cool Beans Coffee and Ice Cream opened their doors in June 2012.

Today, the business is profitable. The pair has been especially happy with the way they have been received in their community. They attribute this to the effort they put in to excellent customer service and maintaining a really fun atmosphere in their shop, including featuring occasional live music.

April and Cheryl will celebrate the businesses' second anniversary on June 22. Cool Beans currently has 3 employees and plans to hire more in the near future to staff a planned mobile unit and other outreach events. Their NSBDC counselor continues to provide support and guidance.



STATEWIDE CALENDAR OF EVENTS



For event details, registration instructions and cost, please visit http://business.nv.gov/Business/Event_Calendar

LAS VEGAS/HENDERSON

- JUNE 3**
7:30am
Understanding Today's Financing Tools
Henderson Convention Center, Sierra Rooms
200 S. Water Street, Henderson
- JUNE 10**
9:00 am
Business Readiness Assessment
Urban Chamber of Commerce
1951 Stella Lake Street, Las Vegas
- JUNE 11**
9:00 am
City of LV Business Outreach/Workshop
Historic Fifth Street School
401 S. 4th Street, Las Vegas
- JUNE 11**
12:00 pm
Las Vegas Metro Chamber Business Expo
World Market Center
495 S. Grand Central Parkway, Las Vegas
- JUNE 12**
10:00 am
Writing a Business Plan
Henderson Business Resource Center
112 S. Water Street, Henderson
- JUNE 19**
12:00 pm
Peer to Peer Lunch and Learn
Urban Chamber of Commerce
1951 Stella Lake Street, Las Vegas
- JUNE 20**
9:00 am
Small Business and Social Media
Henderson Business Resource Center
112 S. Water Street, Henderson
- JUNE 24**
10:00 am
Start Up Do's and Don'ts
Henderson Business Resource Center
112 S. Water Street, Henderson
- JUNE 25**
9:30 am
Women Owned Business Certification
Urban Chamber of Commerce
1951 Stella Lake Street, Las Vegas
- JUNE 26**
9:00 am
Access to Capital- How to Get a Business Loan
Urban Chamber of Commerce
1951 Stella Lake Street, Las Vegas
- JUNE 27**
7:30 am
Where's the Contract? Doing Business w/ GSA
Clark Co. Government Center- Pueblo Room
500 S. Grand Central Pkwy., Las Vegas
- JULY 18**
8:00 am
HUBZone Certification for Federal Contract Set-Aside Opportunities
Office of Congresswoman Dina Titus
550 E. Charleston Blvd., Suite B, Las Vegas
- JULY 25**
7:30 am
IRS Taxes: Federal Taxes and Paying Online
Paseo Verde Library
280 S. Green Valley Parkway, Henderson
- JULY 25**
7:30 am
Where's the Contract? Doing Business w/ LV Convention and Visitors Authority
Clark Co. Government Center- Pueblo Room
500 S. Grand Central Pkwy., Las Vegas

AUG 22
7:30 am

Where's the Contract? Surety Bonding and Government Contracting
Clark Co. Government Center- Pueblo Room
500 S. Grand Central Pkwy., Las Vegas

RENO/ NO. NEVADA

JUNE 12
1:00 pm

Business Intelligence for Government Contracting
Washoe County Government Center- Building B
1001 E. Ninth Street, Reno

JULY 10
1:00 pm

Subcontracting with Prime Contractors
Washoe County Government Center- Building B
1001 E. Ninth Street, Reno

AUG 7
9:30 am

Where's the Contract? Doing Business with Nye County
*Beatty: Justice Bldg, 426 C Avenue South
*Pahrump: Co. Commission Chamber, 2100 E. Walt Williams Drive
*Tonopah: County Commission Chamber, 101 Radar Road

AUG 14
1:00 pm

Surety Bonding and Government Contracting
Washoe County Government Center- Building B
1001 E. Ninth Street, Reno

WEBINARS

JUNE 18

Capabilities Statements- The Resume for Your Business
2:00- 3:00 pm

JUNE 24

Nevada Local Emerging Small Business Program
2:00- 3:00 pm

JULY 16

Where's the Contract? How to do Business with the Government
2:00- 3:00 pm

AUG 20

Small Business Certification for Government Contracting
2:00- 3:00 pm



About Nevada Department of Business & Industry

The Nevada Department of Business and Industry is the state's most diverse department. Encompassing 13 divisions and the Director's Office, the Department impacts nearly every employer and employee in the state of Nevada. Our divisions have administrative and regulatory authority over areas including real estate, financial institutions, housing, transportation, insurance, labor and wage, and workplace safety.

While playing an important role in providing administrative and financial oversight of the divisions, the Director's Office is also the state's small business advocate. We manage a number of programs and initiatives to address the needs of homeowners, consumers and small businesses.

We have developed a number of programs and initiatives to support the establishment and growth of the small business sector throughout the state.

- **Advocacy and Regulatory Assistance:** From helping to clear bureaucratic logjams to reviewing and monitoring regulations for potentially burdensome impacts, we serve as your advocate in State government.
- **Access to Capital:** We can help you find information on a variety of financial incentives and business finance programs available throughout the state.

- **Bond Programs:** We help organizations borrow money and fill a vital niche by providing lower cost financing through the issuance of tax-exempt private activity bonds for qualified projects.

- **New Markets Tax Credit Program:** As the administrator of the program, we assist small businesses obtain below-market capital loans by connecting you to the entities that have money to lend to businesses located in low-income areas of the state.

- **Referrals and Information:** Whether you need assistance writing a business plan, preparing financial statements or licensing and permitting, we can direct you to organizations that can help.

- **Training and Education:** We provide a comprehensive list of resources and information including a statewide small business community calendar highlighting education and training opportunities on our website.

For assistance, please contact:

Small Business Advocacy

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(702) 486-2754; cfoley@business.nv.gov

Access to Capital

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The Business Advocate is a publication of the Nevada Department of Business and Industry. The Business Advocate welcomes ideas and suggestions to make this publication as relevant and useful to readers as possible. Questions or concerns about content of The Business Advocate may be addressed to: Teri Williams, Department of Business and Industry, 555 E. Washington Ave., Suite 4900, Las Vegas, NV 89101.

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