

ARIZONA DEPARTMENT OF ECONOMIC SECURITY

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Appendix 2: Self-Employment - Terminology

1. **Asset:** Any resource that can be converted into cash such as a car, home, stocks, etc.
2. **Balance sheet:** A statement of the assets, liabilities, and business capital at a specific point in time.
3. **Break-even point:** The calculation of the number of units of a product or hours of a service that must be sold by a business to break even before earning a profit.
4. **Business license:** Any agency permit, certificate, approval, registration, charter, or similar form of authorization that is required by law for the purposes of operating a business in Arizona as per A.R.S 23-211.
5. **Business organization:** Any type of business organized as a partnership, professional corporation, professional limited liability company, limited liability company, limited liability partnership or sole proprietorship or any other entity that is recognized by the state of Arizona.
6. **Financial plan:** Outlines a business' finances such as the projected startup expenses (budget), sources of funding, profit/loss statement, cash flow statement, balance sheet, sales forecast, and break-even analysis.
7. **Marketing plan:** Outlines a business' advertising and marketing efforts to sell products/services.
8. **Operations plan:** Describes the day-to-day tasks required to run a business.
9. **Business Plan:** A comprehensive summary of the planning and development ideas needed to build a successful business.
10. **Business concept overview:** A brief statement that describes a business idea and includes basic elements defining the business.

11. **Business products (goods) and services:** Made or procured by a business to provide and sell
12. **Capital:** Assets less liabilities, representing the ownership interest in a business or a stock of accumulated products (goods) to produce new products to be sold
13. **Cash flow statement:** A report that shows the amount of the cash generated by a business remaining after expenses are paid.
14. **Cash reserve:** Money a business has available to meet the needs for cash.
15. **Corporation:** A form of business organization where owners and shareholders have certain rights and privileges, including protection from personal liability.
16. **Cost of Products (Goods) Sold:** The cost of buying raw materials and producing the products (goods) to be sold.
17. **Competitive Integrated Employment in self-employment work setting:** Work performed by a person with disability on a full-time or part-time basis that yields an income comparable to the income received by persons without disabilities in a similar self-employment work setting.
18. **Competitor:** A business that offers a similar product or service
19. **Employee:** A person who provides services or labor for an employer in Arizona as per A.R.S.23-211 for wages or other remuneration. This term does not include an independent contractor.
20. **Employer:** A person or organization with a business license in Arizona as per A.R.S.23-211 that transacts business and employs one or more employees. In the case of an independent contractor, the employer is the independent contractor and not the person or organization that uses the contract labor.
21. **Employer Identification Number (EIN)** (also known as Taxpayer ID Number or Federal ID Number): An identification number assigned to a business for taxpaying purposes by the IRS or state taxing authorities required for partnerships, corporations, and trusts, and sole proprietorships.
22. **Existing Business:** An operating business which is owned for the purpose of generating income and profit.
23. **Expenses:** The amount of money spent or needed for maintaining the business operations.
24. **Financing:** New monies provided to a business, either by way of equity, or loans.

25. **Financial statement or financials:** A collection of reports that outline the financial activities of a business for a specific period of time such as balance sheet, income statement, and cash flow statement.
26. **Franchise:** A business operation that is either owned or controlled in some manner by the grantor of the franchise.
27. **Home-based business:** A business owned, managed and operated out of a person's place of residence and may be considered a self-employment work setting.
28. **Home-based employment:** A person's home is the location for performing job duties as an employee for an employer and it is not considered a self-employment work setting
29. **Hobby:** An activity or interest that is pursued outside of a person's regular work and is primarily for pleasure. It is not considered self-employment.
30. **Income:** Money received in exchange for selling products (goods) and services during a specific period in time.
31. **Income statement:** A report that shows a business' revenues and expenses including total sales, cost of products (goods) sold, gross (pre-tax) profit/loss, expenses, taxes, and net profit/loss.
32. **Independent contractor including subcontractor:** A.R.S.23-211 and A.R.S 23-601 a person or entity that contracts to work according to the person or entity's own means and methods as per A.R.S.23-211 and A.R.S 23-601.
33. **Independent Contractor Criteria:** A person or entity is considered an independent contractor when they:
- a. Supply their own tools or materials and invest in the facilities for work.
 - b. Make services available to the general public and may work for a number of customers at the same time.
 - c. Have an opportunity for profit or loss as a result of labor or service provided.
 - d. Direct the order or sequence in which the work is completed and determine the hours when the work is completed.
34. **1099 Miscellaneous Income (1099 MISC):** An IRS form that is used to report compensation over \$600 for services performed by non-employees such as

independent contractors, freelancers, sole-proprietors, and self-employed individuals.

35. **Industry research:** Information about a specific industry in terms of trends, forecasts, economic indicators, market share, legal and regulatory issues, financial information, and innovations.
36. **Industry trends:** Patterns that occur within a specific industry describing industry activity in terms of pricing, customer behavior, marketing, manufacturing, technological advances.
37. **In-kind contribution:** A non-cash contribution of products or services that are valued at their fair market value.
38. **Initial inventory (stock and supplies):** The initial inventory of products, raw materials and supplies to produce, sell or prepare for retail.
39. **Initial office supplies:** The initial inventory of products necessary for the day-to-day operations of a startup business.
40. **Market:** The market for a product or service that is made up of existing and potential customers who need or want the product/service and are willing to pay for it.
41. **Market Analysis:** Research analyzing the marketplace relative to the business product or service
42. **Marketing:** A business activity of promoting and selling products or services.
43. **Multi-Level Marketing** (also known as a pyramid scheme): A sales strategy to sell products from home, through person-to-person sales or online in which existing distributors obtain monetary benefits primarily from the recruitment of new distributors rather than selling products and/or services.
44. **Net profit or loss:** Business profitability calculated from the sales, costs of goods sold, expenses and taxes.
45. **Net worth:** A business' worth calculated by subtracting total liabilities from the value of the assets.
46. **Nonprofit:** An agency, organization, or institution that is designated as a 501(c)3 non-profit status.
47. **Operating expenses:** The costs of maintaining a business.
48. **Partnership:** A business owned by two or more people that share business decision-making responsibilities.

49. **Partnership agreement:** A written or oral agreement between the partners as to the affairs of a limited partnership and the conduct of the business as per A.R.S. 29-301.
50. **Personal financial statement:** A full disclosure of a person's assets, liabilities, annual income, and annual expenses.
51. **Pre-tax profit or loss:** A business' total revenue minus its operating expenses, interest paid, and depreciation before taxes.
52. **Revenue:** Income from sale of products(goods) or services before deducting any costs or expenses.
53. **Sales projection or forecast:** A prediction of future sales.
54. **Sales volume:** The number of goods or services sold.
55. **Self-Employment:** A work setting in which a person:
- a. Owns a business for the purpose of earning an income and making a profit,
 - b. Takes personal responsibility for business activities,
 - c. Controls services, hours, and pricing, and furnishes their own tools/equipment, and
 - d. Operates the business and manages all or most of the aspects of the operation (or, in the case of supported self-employment, operates and manages those aspects of the business of which he/she is capable).
56. **Self-Employment Review Committee:** A statewide committee established by the agency to review and approve business plans.
57. **Service (in terms of self-employment):** Work that a business provides/sells for profit.
58. **Small Business Administration (SBA):** A federal agency that assists small businesses.
59. **Start-up costs:** The non-recurring expenditures necessary for starting a business.
60. **Target market:** A specific group of people (i.e. customers) to whom a business intends to sell its products/ services and direct its marketing efforts towards.