

SOLE PROPRIETORSHIP

Defining Characteristics

There are several defining characteristics of this form of rural grocery operation. First, it is the most common form of rural grocery store operation. Second, this form of grocery operation can act as a lifeline for the local economy. When communities forecast the following year's budgetary needs, they use sales tax revenue estimates from local businesses. If actual revenue doesn't meet the estimate, the city can go over budget causing financial issues. Local businesses that maintain positive growth can therefore help meet the community's financial needs. Finally, the employment provided by local businesses creates a positive domino effect in the community. Local jobs keep residents' dollars in-town as they go out to eat for lunch and get fuel from the gas station. The dollars generated are then invested back into the community.

Challenges

1 **Accruing capital.**
The owner usually provides the initial funding. Also, sole proprietorships do not issue stocks or other money-generating investments.

2 **Taxes.**
The owner must pay self-employment taxes. Other taxes may not be deductible such as health insurance premiums for employees.

3 **Unlimited liability.**
The owner is held directly responsible for any losses, debts, or violations coming from the store. The owner can be sued for any unlawful acts committed by employees as well.

4 **Lack of continuity.**
If the owner becomes deceased or incapacitated, the business stops. In the case of death, the business is liquidated as a part of the owner's personal estate and distributed to beneficiaries resulting in heavy tax burdens.

Benefits

1 **Ease of formation.**
This form of business is easiest to form and some states allow sole proprietorships to be formed without the double taxation standards applicable to corporations.

2 **Decision-making.**
The owner has control over all business decisions and the owner may fully transfer the sole proprietorship at their discretion.

3 **Tax benefits.**
The individual and business tax report can be combined saving additional costs on accounting and tax filing. The business is also taxed at the personal income tax rate as opposed to corporate tax rate.

4 **Employment.**
As an employer, the owner can take advantage of additional tax breaks.

REFERENCES

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Case Study: Chilhowee, MO

Chilhowee is rural town in west central Missouri with little more than 300 residents. In February 2010, the Chilhowee community was about to lose their local grocery store, a large For Sale sign posted in its window. The next nearest grocery store was more than 15 miles away in Holden. Chilhowee residents talked about the impact the local grocery store had in the community at town meetings, how it provided jobs and acted as a community gathering place. The Kerksieck family knew that if they didn't buy the store, it would be auctioned off and the community would lose a vital cog.

The key to keeping the local grocery store in Chilhowee was developing key partnerships:

SOLE
PROPRIETORSHIP:
KEY PARTNERSHIPS

1 Local Business Owners

The Kerksiecks first spoke with the grocery store owners, Vernon and Joan Houts. The Houts directed the Kerksiecks to speak with the realtor, Darrell Anstine, but also agreed to provide some training and orientation for the soon-to-be storeowners. Though the Kerksiecks had spoken with two bankers previously, Anstine directed the Kerksiecks to speak with his father, Dwight Anstine.

2 F & C Bank

Dwight Anstine, a business loan officer at the Holden, Missouri F & C Bank branch, helped the Kersiecks with their loan request. Anstine handed the loan request to another loan officer at F & C, Jeff Florida, to complete the financing process. Anstine told the Kersiecks that they needed a better idea of what grocery store ownership involved and then directed the Kerksiecks to speak with Tracy Brantner.

3 Johnson County Economic Development Corp.

Tracy Brantner, executive director of the Johnson County Economic Development Corp., opened the Kerksiecks' eyes to the bigger picture of owning a rural retail business. Brantner directed the Kersiecks to yet another resource for small business owners, the Small Business & Technology Development Center at the University of Central Missouri in Warrensburg. Brantner would also be a key resource for working with federal officials to reduce the process time associated with the SNAP transaction application.



MFT photos by Benjamin Herrold

Chilhowee Grocery

Case Study: Chilhowee, MO

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University of Central Missouri

Darrell Brammer and his business counseling team at the Small Business & Technology Development Center at the University of Central Missouri in Warrensburg added to the advice the Brantner gave. The business experts helped the Kerksiecks explore the financial factors. The Kerksiecks also received help developing a business plan, which was needed to apply for a loan. According to Brammer, "The Kerksiecks saw a need to help a community that would lose more of its vitality if the grocery store closed. They are supporting the community in many different ways."

The Result

After reviewing the Kerksiecks business plan, F & C Bank approved the SBA-guaranteed loan, which covered the largest portion of the purchase price. The Kerksiecks contributed their own capital for the remaining balance. In April 2010, the Kerksiecks became grocery store owners and part of a 60-year line of sole proprietors of Chilhowee Grocery.

The Kerksiecks recognized the important relationship between their store and the local community and are seeking to promote the store as the hub of their rural town. The Kerksiecks began offering hot food out of the store and locally grown produce and baked goods. With the space to grow, they hope to one day expand their services to include a cafe, and ice cream parlor, and a small movie theater.



MFT photos by Benjamin Herrold
The Kerksieck family.

ADDITIONAL SOLE PROPRIETORSHIPS

Hired Man's Grocery & Grill, Inc. in Conway Springs, Kansas
Jetmore Food Center in Jetmore, Kansas