Frequently Asked Questions
About Business Grants

Information from the Small Business Development Center

Q: What grants are available to start a business?

A: There are virtually no grants available to start or expand a business. If it sounds too good to be true, it probably is. A grant is a direct financial contribution made without expectation of repayment but with very specific expectations about outcomes. Organizations who give grants have criteria to meet that, by and large, excludes for-profit businesses. An exception might be grants from family members or friends who want to see you succeed and do not expect repayment.

Q: What criteria does a grant-making organization use to make awards?

A: Foundations, for example, normally fund nonprofit organizations that qualify for charity status under section 501(c)(3) of the IRS code. The government grant program designed to fund for-profit businesses is the Small Business Innovation Research Program (SBIR). Small businesses with strong capabilities in science and engineering that are currently doing high quality research development are the most likely to compete for funds to continue their research. Sometimes corporations offer programs aimed at encouraging entrepreneurs. However, they are usually very competitive and based on feasibility and proposed use.

Q: How do I obtain nonprofit status for my business?

A: Since that is a rather complex question, request the Internal Revenue Service Publication 557 "Tax Exempt Status for Your Organization" and get some answers. You can call 1-800-829-3676 to order a copy.

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Q: Am I eligible for a grant if I am a woman, minority, disabled, or a veteran?

A: Native Americans living or working on a designated Reservation may be eligible for funds. Besides that, there are no State or Federal grant programs for individuals meeting those criteria. That is not to say, however, that assistance is not available. The most significant is preferential status for bidding on government contracts. Certification of preferred status is through the Office of Minority and Women Business Enterprises. Nonprofit organizations that serve women, minorities, disabled people and veterans may offer grants or other forms of assistance - however these are usually "need" based. Some websites to check are the Foundation for Women Business Owners, the National Minority Business Council, the Assistive Technology Alliance.

Q: If my business doesn’t really qualify for nonprofit status, are there other forms of financial help available?

A: It goes without saying that the first place to look for funds are your own personal resources. However, it is often necessary to leverage your resources with other money. While no direct grant funds are usually available, there may be Federal and State programs that increase access to capital. The US Small Business Administration, the 7(a) loan guarantee program is designed to offset the bank’s risk by guaranteeing up to 80% of a borrower’s loan. The guarantee encourages the lender to fund start-ups or other businesses that might be deemed a higher risk. Another SBA program is the SBA 504 program used to finance assets such as buildings and equipment.

Q: If I'm not eligible for any grants, I don't have any money, and I know I won't get a loan from a bank, how can I start a business?

A: Maybe the answer is you can't. However, if your business depends mostly on your labor, you are able to secure supplies used on the job through credit or payment by your customers, and you are able to generate enough profit to reinvest back into the business, you may still be able to do it. Be sure to create a strong business plan and assure you have a solid business opportunity.

Information from the Small Business Development Center website.

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