



GUIDE TO BUSINESS LICENSES & PERMITS

It's important to consult a lawyer or accountant before launching your business to make sure you've fulfilled all of the relevant regulatory requirements. Even veteran entrepreneurs are often unsure about which city, county, state, and federal agencies they have to contact before opening day. And getting this process right is really important—one missed registration can be a huge setback (or fine) for your business.

This guide will walk you through the different types of business licenses and permits, the different government agencies that issue them, and the best practices for applying. This guide should not, however, be considered an exhaustive treatment of the topic, which is too broad to explain in a single piece of content. A lawyer, accountant, or local economic development agency can help you identify all of the licenses and permits that apply to your business before you launch.

LET'S GET STARTED!



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WHAT'S THE DIFFERENCE BETWEEN A LICENSE AND A PERMIT?

This is a great question to start with, as many people are unclear about the distinction. Licenses are granted by a government agency as permission to do something or use something—think of a driver's license (Department of Motor Vehicles), fishing license (Department of Fish & Wildlife), or marriage license (County Clerks). Some licenses require an exam; others simply require a registration.

Licenses are required by state governments for many professions—including not only doctors and lawyers, but also (in some states) security guards, makeup artists, and auctioneers. These licenses are granted only after a test of some kind that demonstrates applicants are proficient in their trade and understand relevant rules and regulations.

Permits are, in a sense, a particular type of license that regulates public safety. Permits are typically granted by a government agency following an inspection. A fire department, for instance, may grant you a permit to open up a commercial space to customers, and a health department will grant you a permit to serve food.

WHICH GOVERNMENT AGENCIES ISSUE LICENSES AND PERMITS?

Licenses and permits related to business operations are granted by the federal government, state governments, county governments, and municipal (city) governments.

- ▶ **Federal:** Business operations that are directly regulated by federal agencies must obtain permits or licenses from those agencies. For example, an individual providing paid investment advice must register with the Securities and Exchange Commission. Federal licenses and permits are covered in more detail ahead.
- ▶ **State:** Some type of state license or permit is required for nearly all businesses. A state

tax permit, for example, is required for any business (operating in states with sales taxes) that sells products or services. States also provide licenses for many occupations, including doctors, dentists, and cosmetologists. The Small Business Administration website provides [links](#) to business license agencies in all fifty states.

- ▶ **Local:** Most businesses need a general business license to operate in a particular county or city. The license is often simply a tax registration certificate that gives you legal approval to begin conducting business in the area. This license, however, is generally only the first of several licenses or permits you'll have to acquire from the city or county where your business is based. Ahead, we'll identify the most common licenses and permits.

DOES YOUR BUSINESS REQUIRE A SPECIAL FEDERAL BUSINESS LICENSE OR PERMIT?

If your business is involved in activities supervised and regulated by a federal agency—including selling alcohol—then you may need to obtain a federal license or permit. If your business involves any of the following activities (which represent a mere sampling of all regulated activities and industries), you should contact the identified agency to find out more about specific requirements:

AGRICULTURE

- ▶ **Agency:** U.S. Department of Agriculture (USDA)
- ▶ **Details:** You will need to apply for a [permit](#) from the USDA if you import or transport animals, animal products, biologics, biotechnology, or plants across state lines.

ALCOHOL

- ▶ **Agency:** Alcohol and Tobacco Tax and Trade Bureau (TTB)
- ▶ **Details:** If you manufacture, wholesale, import, or sell alcoholic beverages at a retail location (including restaurants), you will need to [register](#) your business and obtain certain federal permits for tax purposes from the TTB. Note that this registration does not grant you a license to sell alcoholic beverage products—you must still contact your state or local licensing authority to obtain a retail license.

BROADCASTING

- ▶ **Agency:** Federal Communications Commission (FCC)
- ▶ **Details:** If your business broadcasts information by radio, television, wire, satellite, or cable, you may be required to [obtain a license](#) from the FCC.



INVESTMENT ADVISING

- ▶ **Agency:** Securities and Exchange Commission (SEC)
- ▶ **Details:** If you or your firm are engaged in the (compensated) business of providing advice to others—or issuing reports or analyses—regarding securities, then you must register with the SEC as an investment adviser.

PREPARATION OF MEAT PRODUCTS OR OTHER FOOD STUFFS

- ▶ **Agency:** U.S. Food and Drug Administration (FDA) / U.S. Department of Agriculture (USDA)
- ▶ **Details:** The FDA regulates all foods and food ingredients introduced into or offered for sale in interstate commerce, with the exception of meat, poultry, and certain processed egg products regulated by the USDA.

For a more comprehensive review of federal licenses and permits, try the Small Business Administration [website](#).

DO YOU NEED TO REGISTER YOUR BUSINESS WITH THE STATE?

The legal structure you choose for your business will determine your registration requirements with state and local governments. Some business types are always required to register with state agencies:

- ▶ **Corporations**
- ▶ **Nonprofit organizations**
- ▶ **Limited-liability companies or partnerships**

Businesses operating as sole proprietorships don't need to register at the state level. However, many states require sole proprietors to use their own name for the business name unless they formally file another name.

DO YOU NEED TO REGISTER YOUR BUSINESS NAME?

Choosing and registering your business name is often the first step to legally operating your business. If you're running your business as a sole proprietorship or partnership, you have the option of choosing a business name or "doing business as" (DBA) name. A DBA name is also called a "trade name," "fictitious business name," or "assumed business name."

If you chose a business name or DBA that is different than your personal name, then you may need to register it with the county clerk's office or with your state government, depending on where your business is located. Some states require DBA name filings to be made public for the protection of consumers conducting business with the entity. Other states do not require the registering of DBA names.

If you are operating under your own name, then you can skip the process. In some states, you can also avoid filing a DBA if you're able to use your name plus a description of your product/service (e.g., John Doe's Bookstore).

If you have filed to become a corporation or limited liability company (LLC), then you've already registered your business name and don't need a DBA—unless, that is, you plan on conducting business using a name that's different than the name filed with your "articles of incorporation" documentation.



PRO TIP! DBA names may not include the words "corporation," "Inc.," "incorporation" or "Corp." unless your business is an actual corporation registered with the Secretary of State.

DO YOU NEED AN EMPLOYER IDENTIFICATION NUMBER?

An Employer Identification Number (EIN)—also known as a Federal Tax Identification Number or simply a tax identification number—is used to identify a business entity. Most businesses will have to apply for an EIN, which can be obtained [online](#) from the IRS.

An EIN is not required for sole proprietorships with no employees, but a business operating under this structure may still want to apply for one in order to keep personal and business taxes separate.

Most states require a state tax identification number if your business is going to hire employees, or sell goods or services. This number will be different from the federal EIN. State tax ID numbers are issued by the department of revenue or a similar agency.

Note that if your business has employees, you will likely need to register with relevant state labor agencies that provide unemployment and workers' compensation. In some states, you must register even if you are the only employee. Your application for a state tax identification number may, in some states, also register you with these agencies.

DO YOU NEED ZONING OR BUILDING PERMITS?

Local zoning regulations determine where certain types of businesses can and cannot operate.

If your business is in a structure previously used for commercial purposes, then (in most cases) zoning regulations will not be a problem. However, you should carefully review zoning regulations and building codes before:

- ▶ **Constructing a new building**
- ▶ **Using an existing building for a different purpose than its original usage**
- ▶ **Undertaking a significant remodeling**
- ▶ **Operating a business from your home**

A building or construction permit from local authorities will be necessary for any substantial structural changes. If zoning regulations do not allow operation of the type of business you wish to open, you may file for a zoning variance, a conditional-use permit, or a zone change.



PRO TIP! If zoning regulations seem inconsistent with actual property usage, consult an attorney. There can be a substantial difference between what an ordinance says and the way it is enforced.

DO YOU NEED HEALTH DEPARTMENT PERMITS?

You will likely need a local health permit if your business involves the preparation, handling, or distribution of food. Health permits are typically part of the domain of a county health department, and you should check with them to find out about local requirements.

In some jurisdictions businesses that involve contact with the human body (like nail salons or massage parlors) will also require health department permits, as will “aquatic health” businesses like pools and spas.

The health department will want to inspect your facilities before issuing the permit, and will likely conduct annual inspections thereafter. You may also need to complete a food handler course (and keep that certification up-to-date) if you’re operating a restaurant or other food preparation-based business.

DO YOU NEED A SALES TAX LICENSE?

If your business sells goods or services—whether online or offline—from a physical storefront or warehouse, and your state requires you to collect sales tax, you will likely be required to obtain a sales tax license (also called a “seller’s permit”).

States generally require businesses to pay collected sales taxes on a quarterly or monthly basis. You can find links to state tax resources from the Small Business Administration on this [page](#).

If you operate an online business without a physical presence (known, in legal terms, as a “nexus”) in a particular state, you are likely not required to collect sales taxes for that state. The definition of nexus varies considerably from state to state, though. If you are uncertain whether or not your business qualifies as a physical presence, contact your state’s revenue agency.

DO YOU NEED A FIRE DEPARTMENT PERMIT?

You may be required to get a permit from your local fire department if your business (a) uses any flammable materials or (b) is open to customers or the public more generally. In some cities, you must secure this permit before you open for business. Other jurisdictions don’t require permits but do perform periodic inspections of your business to see if you meet fire safety regulations. If you are not in compliance, the fire department will issue a citation. Businesses subject to close and frequent scrutiny include restaurants, clubs, bars, theaters, retirement homes, and day-care centers.



PRO TIP! The federal Occupational Safety and Health Administration has very specific requirements for exit doors in order to maximize safety during fires, natural disasters, and other crises. These are the same standards that the fire department will be considering when reviewing your premises. You can learn more about these requirements on the [OSHA website](#).

DO YOU NEED A SIGN PERMIT?

Some jurisdictions require businesses to obtain a permit before putting up a sign. Local regulations may also stipulate very specific requirements about the size of the sign, the lighting of the sign, and where the sign may be located. Some towns have banned neon signage altogether due to its associations with bars and tattoo parlors.

Relatedly, design elements used on building exteriors (such as painted murals or bright colors) may also be regulated. This is important to keep in mind as you decide upon branding for your business. As always, check with the relevant city or county agency to learn more.

DO YOU NEED AN ENVIRONMENTAL PERMIT?

Many jurisdictions require certain businesses to obtain special permits related to pollution control. If your business operation involves burning material, using products that produce gas (such as paint sprayers), or in any other way discharging a pollutant into the air or water, you will likely need to obtain a special permit from a city or county agency. You should also check with your state environmental protection agency regarding federal or state regulations that may apply to your business.



DO YOU NEED A SPECIAL LICENSE TO SELL PARTICULAR PRODUCTS?

You will need to obtain a special state license if your business involves the sale of alcohol, lottery

tickets, gasoline, or firearms. These licenses generally demonstrate that your business and employees have met specific state-regulated standards regarding the sale of these goods. Federal permits may also be required in specific instances.

ALCOHOL

Some states issue liquor licenses at the state level, while others issue them at the county or city level. But it is always the state Alcoholic Beverage Control (ABC) agency that ultimately approves the issuance of the liquor licenses. You'll also need to register with the federal Alcohol and Tobacco Tax and Trade Bureau (TTB) before you begin selling any alcohol.

LOTTERY TICKETS

States regulate all gambling practiced within their borders, and regulations vary significantly. Retailers will need approval from state gambling agencies before selling lottery tickets or installing video machines.

GASOLINE

Different state agencies regulate the operations associated with storing gasoline and dispersing it for consumer use. Check with your Secretary of State website for more details.

FIREARMS

A gun dealer's license is regulated on the federal level by the Bureau of Alcohol, Tobacco, Firearms and Explosives. Some states may require you to obtain an additional gun dealer's license for the state, or complete a firearms safety course before you can sell guns or firearms in your region.

DO YOU NEED AN OCCUPATIONAL LICENSE?

Practitioners of certain occupations—and the businesses they operate or are employed by more broadly—are required to have occupational licenses granted by the state before they can conduct business. Issuance of these licenses generally requires the applicant to show certain skills or training. States usually

require licensing for anyone who provides personal services, including:

- ▶ **Medical care**
- ▶ **Law**
- ▶ **Auto repair**
- ▶ **Accounting**
- ▶ **Plumbing**
- ▶ **Electrical work**
- ▶ **Real estate**
- ▶ **Cosmetology**

The types of occupations or businesses that require licensing will vary significantly from state to state. Contact your state government offices to get a complete list.



DO YOU NEED A LICENSE OR PERMIT FOR AN ONLINE OR HOME-BASED BUSINESS?

If you run an online or home-based business, you should assume that you're operating under the same regulatory requirements as a brick-and-mortar business, including:

FORMING A BUSINESS ENTITY AND REGISTERING THE NAME WITH THE STATE GOVERNMENT.

Recall that businesses operating as sole proprietorships don't need to register at the state level.

REGISTERING WITH THE STATE GOVERNMENT TO COLLECT AND REMIT SALES TAX.

Although this requirement only applies in states that have a sales tax, and only for online businesses with a physical presence (or "nexus").

OBTAINING ANY RELEVANT OCCUPATIONAL LICENSES FROM THE STATE GOVERNMENT.

Note that the only licensing requirements you have to abide by are those in the state where your business is located—not where your customers are located.

Many cities and counties require home-based businesses to obtain a home occupation permit. Even if a permit is not required, you'll still want to check your lease or zoning codes to see if there are any prohibitions on running a business from your occupancy. This step is especially important if you're holding substantial inventory or having customers visit your home.

This [post](#) from the Small Business Administration provides more details about running a home-based business.



PRO TIP! Particular federal rules and regulations related to digital privacy, security, copyright, and taxation are especially relevant to online business owners conducting ecommerce. Even if you're not selling anything through your website, laws covering digital rights and online advertising may still apply to your business.

The Small Business Administration provides a detailed rundown of the [specifics of online business law](#), and this *Houston Chronicle* [post](#) covers additional licensing considerations.



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WANT MORE SMALL BUSINESS RESOURCES?
CHECK OUT [THE MARKETPLACE](#) FROM
SMALL BUSINESS NATION



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Disclaimer: None of the content within this guide should be construed as legal advice. If you have specific financial or legal questions about starting a business, you should speak with an accountant or an attorney.