

A Step-by-Step Guide to Applying for Your Washington Business License

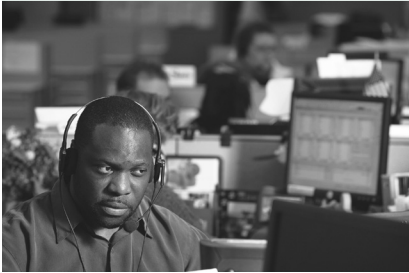
Contractors: Also includes information about registering your business.



For more information

Page 9 includes a list of agencies, their services, and how to contact them if you have questions.

We also recommend that you review the “Start” chapter of the Washington Small Business Guide at www.Business.wa.gov.



Getting started

This pamphlet explains in a quick, step-by-step format how you apply for a Washington Business License. It also includes information for construction companies on contractor registration requirements.

For more in-depth information on starting and operating a business in Washington State, please see the online Washington Small Business Guide at www.Business.wa.gov.

Five steps

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Step 1: Choose your business structure

See Step 2 for licensing instructions for the business structure you choose.

You may operate your business under any one of the business structures below. Make this decision before you fill out any paperwork. Consider issues such as: how many owners you will have, personal liability, the complexity of the required paperwork, federal taxes, and whether you plan to seek investors. You may want to consult an attorney or other professional for advice on the best business structure for you.

Is your business a: (Choose one. More options on reverse.)

Sole-proprietorship

Sole Proprietorships are owned by a single person or a married couple. These businesses are inexpensive to form and there are no special reporting requirements. The owner is personally responsible (liable) for all business debts and for federal taxes.

General partnership

General Partnerships are like sole proprietorships but with more than one owner. Partners share managerial duties, profits and losses, and each is personally responsible (liable) for all business debt.

- Because the actions of one partner can result in personal liability for the others, partnerships have become less popular since limited liability companies (LLCs) have been around. For federal tax purposes, the business is required to file a partnership return with the income or loss going to each partner based on how much of the business each owns.

Profit corporation

Corporations are more complex structures than the others. As with limited liability companies (LLCs; see next page), corporations have limited legal liability. To form a corporation, you must file with the Washington Secretary of State's office and you must create a governance document, called Bylaws.

- Corporations also have other requirements, such as issuing stock certificates, holding annual meetings and keeping minutes, electing directors, etc. Working owners of corporations are employees and must have federal payroll taxes withheld and reported the same as other employees. Corporations file federal corporate tax returns with the IRS. If qualified and applied for on a timely basis, corporations may choose "pass-through taxation," where income taxes are paid by the owner(s) but not also by the corporation ("S-Corporation").

Limited liability company (LLC)

LLCs have limited legal liability like corporations but have fewer governance requirements. Creating an LLC requires filing with the Washington Secretary of State's office.

- For federal taxes, LLCs are typically treated like sole proprietorships if there is one owner (or a married couple), or like partnerships if there is more than one owner. However, by filing an "entity classification election" form with the IRS, LLCs can be treated like corporations or S-corporations for federal tax purposes. Among other requirements, LLCs are required to create a governance document called an Operating Agreement.

Other options (such as limited partnership, limited liability partnership, limited liability limited partnership, or nonprofit corporation)

These business structures are used less commonly for small businesses. Talk to your advisor to decide if one of these makes sense for your business.

Step 2: Complete your application for a Washington business license

Your business must be licensed by the State of Washington. You will be assigned a Unified Business Identifier (UBI) number, which you will use for identification with all Washington State agencies.

If you want to be a:

- Sole-proprietorship
- General partnership

1. Prepare to apply for your Washington business license. Be ready to answer questions such as:

- What will be the official name of your business?
- Will you be hiring employees? Will any be under age 18?
- If you won't have employees, would you like to sign up for optional workers' compensation coverage? (This is insurance coverage for you and other owners if you are hurt while working.)
- Do you have a business partner? If yes, what is your business partner's Social Security Number?

2. Get the Washington Business License Application.

- Online: www.bls.dor.wa.gov/file.aspx
- In-person: At L&I, Dept. of Revenue or Employment Security offices. Locations: www.Lni.wa.gov/Offices

3. Complete the application and pay the fee, as instructed online or on the printed form.

If you want to be a:

- Profit corporation
- Limited liability company
- Limited partnership
- Limited liability partnership
- Limited liability limited partnership

1. Get an application from the Washington Secretary of State's Office for the business structure you have chosen.

- Online: www.sos.wa.gov
- Download forms from www.sos.wa.gov/corps/forms.aspx

2. Send payment with your completed application (the current fee is on the application).

- The Secretary of State's Office will make sure that another registered business in Washington State does not already have your business name. **Your registration document with your legal business name will be mailed to you.**

3. Prepare to apply for your Washington business license. Be ready to answer questions such as:

- Will you be hiring employees? Will any be under age 18?
- If you won't have employees, would you like to sign up for optional workers' compensation coverage? (This is insurance coverage for you and other owners if you are hurt while working.)

4. Get the Washington Business License Application.

- Online: www.bls.dor.wa.gov/file.aspx
- In-person: At L&I, Dept. of Revenue or Employment Security office. Locations: www.Lni.wa.gov/Offices

5. Use the UBI (Unified Business Identifier) the Secretary of State's office assigned you. Complete the application and pay the fee, as instructed online or on the printed form.

Should you be a registered contractor?

If you do any of the following on someone else's property, you must be a registered contractor:

- Construct buildings and other structures.
- Do flooring, roofing, siding, painting, install drywall or similar work.
- Install cabinets.
- Install plumbing, electrical, HVAC, septic or other building systems (additional requirements for plumbing and electrical).
- Repair or alter buildings and structures.
- Plant plants, build flower or garden beds, or create a path.
- Clear land, if it involves cutting trees or moving dirt.
- Develop residential property for sale.
- Serve as consultant or superintendent on a building project.
- Add to or subtract from real property.
- Clean up construction sites.
- Pressure wash decks, roofs, buildings or other structures.

You must be a registered contractor to even offer to do work. Don't advertise or bid a job until your registration is finalized. Once you're registered, your ads and bids must include the name and address you used at registration and your registration number.

Do you "flip" homes (buy, fix up and sell)?

If you do, you're required to be a registered general contractor, even if you hire registered contractors to do all the work.

Did you know?

If you change your business structure or business name, you'll need a new contractor registration.

Step 3: Apply to be a registered contractor

Skip this step if you are *not* a construction-related business.

If you are in the construction trades and now have your UBI number (see Step 2), you're ready to apply to the Department of Labor & Industries for your contractor registration.

1. Use one of these options to get a Contractor Registration Application.

- **Download it:** www.Lni.wa.gov/Forms-Publications/F625-001-000.pdf
- **Pick it up:** L&I offices have the application. Go to www.Lni.wa.gov/Offices for locations.
- **Call:** Your local L&I office will mail you a copy.

2. Purchase a bond *and* liability insurance. (Start with your insurance agent.)

- **Required bond:**
 - General Contractors: \$12,000
 - Specialty Contractors: \$6,000 (one specialty trade only)
See the application form for more information.
- Or instead of purchasing a bond, you may set up a dedicated account at your Washington State bank, using an *Assigned Savings Account* form. Download it: www.Lni.wa.gov/Forms-Publications/F625-008-000.pdf
- **Required insurance:** You need a minimum of \$50,000 in property damage and \$200,000 in public liability insurance or \$250,000 in a combined, single limit policy. **Reminder:** Tell your agent to provide L&I with an updated copy of proof of insurance each time you renew or change your policy to avoid suspension of your license. Your agent must submit this information online.

3. Bring all paperwork and payment to an L&I office*:

This must include:

- Your payment (check, money order, VISA or MasterCard). Ask L&I for the current fee.
- The original copy of your completed and **notarized** *Application for Contractor Registration*. (Notaries are available at most L&I offices.)
- The original copies of your insurance and bond documents. (They must be the originals and free of changes, marks and white-outs, which will invalidate them.)

*Can't come to an L&I office? You may mail your completed paperwork and payment to the address listed on your application.

Step 4: Know what to do if you hire workers

Did you indicate on your Business License Application that you will hire employees? If so, the state agencies with requirements for businesses with employees **will be setting up accounts for you**. They will mail you the documents you need and explain the rates you will pay.

You also will need to:

- **Create an accident prevention plan** and meet other workplace safety requirements.
- **Find out about employment rules** such as minimum wage, overtime, break requirements, and authorized payroll deductions.
- **Obtain a minor work permit** through the Business License Application process and a **completed Parent/School Authorization Form** for each employee you hire under age 18.
- **Set up an employer account** with the Internal Revenue Service.

The Washington Small Business Guide has more information. The guide is online at www.Business.wa.gov. Helpful websites and numbers are listed at the end of this publication as well.

Step 5: Know what to do if you use independent contractors

Many workers who consider themselves to be independent contractors actually classify as employees for minimum wage, overtime, payroll tax and workers' compensation insurance, and other purposes. Steep penalties can result if you are found to be an employer and you haven't met employer requirements.

- Carefully review the independent contractor information at www.Lni.wa.gov/IndependentContractor.
- If you determine the person you're hiring qualifies as an independent contractor, keep supporting business documents on file in case you are audited.

More information

Your business will need to meet other government requirements. Learn what those are by reading the Washington Small Business Guide: www.Business.wa.gov. You can also get a customized Business Licensing Guide for your business by going to www.bls.dor.wa.gov/licensing.aspx or calling 1-800-451-7985.

Office for Regulatory Innovation and Assistance: www.oria.wa.gov | 1-800-917-0043

Business Licensing Service: www.bls.dor.wa.gov | 360-705-6741

Washington's Website for Businesses: www.Business.wa.gov

- Small Business Guide

Department of Labor & Industries: www.Lni.wa.gov/SmallBusiness

- Small business liaison, 1-800-987-0145
- Agency information and assistance, 1-800-547-8367
- Contractor registration, 1-800-647-0982
- Prevailing wage requirements, 1-855-545-8163
- Employment standards/workplace rights/hiring minors, 1-866-219-7321
- Workplace safety and health, 1-800-423-7233
- Workers' compensation insurance, 360-902-4817

Employment Security Department: www.esd.wa.gov (Employer Resources tab)

- Employer helpline (24 hours), 1-888-836-1900
- Unemployment tax information, 1-855-829-9243
- Paid Family and Medical Leave information, 1-833-717-2273
- Unemployment claims of former employees, 1-877-504-5607

Internal Revenue Service: www.irs.gov | 1-800-829-4933

The Internal Revenue Service (IRS) is a federal, not a Washington state, agency. If you hire workers, the IRS will require you to have an Employer Identification Number (EIN). Most business structures need an EIN even if they don't have employees.

Upon request, foreign language support and formats for persons with disabilities are available. Call 1-800-547-8367. TDD users, call 711. L&I is an equal opportunity employer.

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