



WASHINGTON STATE BUSINESS RESOURCE GUIDE



Checklist for Starting a Business

You should contact an attorney, accountant, financial advisor, banker, or other business or legal advisor to determine which structure is suitable for your business organization.

Step 1: Start planning and gather information - page 1

- What type of business activity will you be conducting?
 - Manufacturing
 - Retail
 - Wholesale
 - Services
- When will you start your business?
- Where will your business be located?
 - Is the location within city limits? Contact **each** county and incorporated city in which you perform your work to determine if there are licensing or zoning requirements.
- Do you need financing? Do you have a business plan?
Obtain information on types of financing available and writing your business plan from:
 - U.S. Small Business Administration at www.sbaonline.sba.gov
 - Washington Small Business Development Centers at www.wsbdc.org

Step 2: Choose a business name - page 2

- Search the following four web sites to make sure the names you have chosen are not already being used:
 - Department of Licensing at www.dol.wa.gov/business/tradename.html
 - Office of the Secretary of State at www.sos.wa.gov
 - Department of Revenue at www.dor.wa.gov
 - U.S. Patent and Trademark Commission at www.uspto.gov
 - Contact the Corporations Division at the Office of the Secretary of State regarding trademarks registered in Washington at 360-725-0377.
 - Published telephone directories like Qwest DEX or Anywho.com as well as your local phone book.
 - Registered domain names at whois.net

Step 3: Create the ownership structure - pages 3, 14, and 15

- Obtain a business licensing guide sheet online at www.dol.wa.gov
The guide will provide links and contact information for state, federal, city, and county governments.
- Contact an attorney if you want to draw up a partnership agreement.
- File formation papers with the Office of the Secretary of State for some ownership structures.
Note: A Unified Business Identification (UBI) number will be issued when you file your formation papers. Make sure your UBI number is noted on all licensing documents.

Step 4: Get licenses and permits - page 3

- File the Master Business Application to register your business with the state of Washington.
- Apply for licenses not available with Master License Service (MLS).
 - Contact each regulatory agency and city listed on your guide sheet to obtain more information on other requirements.
 - File an SS-4 form with the Internal Revenue Service at www.irs.gov for a federal Employer Identification Number (EIN).

Step 5: Next steps - page 4

- Identify required environmental permits, licenses, certificates, and other approvals.
 - Visit the online Permit Assistance System at <http://apps.ecy.wa.gov/opas/>
- Review tax information on the Access Washington web site at <http://access.wa.gov/business/taxes.aspx>
- Review information on hiring employees at <http://access.wa.gov/business/grow.aspx>

Step 6: What to know after you are registered (paying taxes, business resources) - page 5

Step 1: Start planning and gather information

Decide your ownership structure

The first step to starting a business is choosing your business ownership structure. You should contact an attorney, accountant, financial advisor, banker, or other business or legal advisors to determine which structure is most suitable for your business.

Some ownership structures, such as corporations, must register separately in order to run a business.

Determine your business activities

Your activities will determine the licenses and permits you will need.

- Manufacturers may require environmental permits.
- Retail sales will require tax registration.

Get a personalized Business Licensing Guide. See page 3 for requirements.

Determine your business location

Each business location requires its own license.

Contact each county and incorporated city where you will conduct business to determine if there are licensing or zoning requirements. See your Business Licensing Guide for contact information.

When will you start your business?

The first date of business determines when tax forms and other information will be sent to you. File your Master Business Application (MBA) before you start business. See Step 4 for more information on filing a MBA.

Find help with business planning and financing

- Access Washington
www.business.wa.gov
- Washington Small Business Development Centers
www.wsfdc.org
- Office of Minority and Women's Business Enterprises
Toll-Free: 1-866-208-1064
www.omwbe.wa.gov
- Department of Ecology/Office of Regulatory Assistance
1-800-917-0043
www.ora.wa.gov/contact.asp
- Washington Technology Center
(206) 685-1920
www.watechcenter.org
- U.S. Small Business Administration
www.sba.gov
- Service Corps of Retired Executives (SCORE)
www.score.org
- Department of Commerce
www.commerce.wa.gov

*Tip: Ownership structures are:
Sole Proprietorship*

Partnerships

General

Limited (LP)

Limited Liability (LLP)

*Limited Liability Limited
(LLLLP)*

*Limited Liability Company
(LLC)*

*Corporation
and others.*

- *See pages 14 & 15 for information on ownership structures.*

Tip: You can apply for some city licenses using the MBA. Visit www.dol.wa.gov for participating cities.

Tip: For a list of acronyms used frequently in this book, see page 17.

- U.S. Department of Agriculture
Rural Development Administration
(509) 454-5743 Yakima
(360) 704-7740 Olympia
www.rurdev.usda.gov/wa/
- U.S. Department of the Interior
Bureau of Indian Affairs
Business and Economic Development (360) 533-9138
www.bia.gov
- U.S. Internal Revenue Service
1-800-829-4933
www.irs.gov

Step 2: Choose a business name

Legal entity name

The rules for a legal entity name (owner name) are different for different ownership structures.

- Sole proprietorships use the full legal name of the sole owner.
- General partnerships may use all of the owners' names or create a partnership name.
- All ownership structures that are created by filing with the Secretary of State (SOS) have entity names that cannot be used by other entities in Washington. These structures include: Limited Partnerships, Limited Liability Partnerships, Limited Liability Limited Partnerships, Corporations, and Limited Liability Companies.
- Associations, Municipalities, and other organizations use their chartered name.

Trade name (doing business as)

A trade name is a business name that does not include the full legal name of **all** the owners. For ownership structures created with Secretary of State (*see pages 14-15*) a trade name is a name that differs in any respect from the registered legal entity name. Associations and other organizations that have not registered with Secretary of State need to register their chartered name as a trade name.

Register all trade names when you complete your Master Business Application. Once a trade name is registered, the registration remains in effect until the business owner cancels it. Submit a new Master Business Application if you wish to register any additional trade names at a later date.

Unlike entity names, two or more businesses can register the same trade name in Washington. To avoid legal complications with other businesses it is important that you conduct a search of your chosen trade name before you register it. You also do not want to use any federally trade marked names. See the *Tip* on this page for search links.

Tip: Research availability of legal entity and trade names at

- www.dol.wa.gov
- www.sos.wa.gov/search
- www.dor.wa.gov
- www.uspto.gov
- *Published telephone directories*

Step 3: Create the ownership structure

Obtain a business licensing guide

The business licensing guide lists the state agencies that have licensing or regulatory requirements for your business operation. It also provides referrals to other government offices. The MBA and many other forms are also provided.

www.dol.wa.gov/business/licensing.html

(360) 664-1400

File with the Office of the Secretary of State

If your ownership structure is a domestic or foreign corporation, LP, LLP, LLC, and others (see pages 14-15), you need to file formation papers with the Office of the Secretary of State **before** applying for a business license. Your Business License Guide will provide contact information.

Submit one formation document and the filing fees directly to the Corporations Division of the Office of the Secretary of State. Non-Washington organizations must include a certificate of good standing issued by the state or country where they were originally formed.

All ownership structures filed with the Office of Secretary of State must assign a Registered Agent. The agent receives license renewals and other notices, as well as accepts legal papers served on the business.

A Registered Agent may be an individual or may be an organization that is also registered with the Office of the Secretary of State. The Agent **must** have a street address in Washington. (PO Box and PMB are only accepted as mailing addresses and do not substitute for a street address.)

The new entity formed by this filing is issued a Unified Business Identifier (UBI). However, the entity still needs to apply for business licenses.

Step 4: Get licenses and permits

File a Master Business Application (MBA)

Almost every business needs to submit an MBA. Use the MBA to apply for many state licenses, registrations, and permits, including a Unified Business Identifier number (UBI or tax registration number); file trade names; hire employees; and get some city licenses. You do not have to file an MBA if you meet ALL of the following criteria:

- Your business grosses less than \$12,000 per year;
- Your business does not sell any item at retail;
- Your business does not perform any service for which retail sales tax must be charged;
- Your business is not required to collect or pay any other tax which the Department of Revenue is authorized to collect (e.g. use tax, forest tax, public utility tax, etc.);
- Your business is not required to obtain any specialty license with the Department of Licensing;
- You do not have or plan to have employees;
- You are not using a business name that is different from the owner or entity name; and

*Tip: Important!
Get your Business Licensing Guide to help you comply with all registration requirements.
www.dol.wa.gov*

Tip: For legal entity filing requirements, expedited service, forms and fees visit www.sos.wa.gov

Tip: Online filing for Corporations and LLCs is available at www.sos.wa.gov

Tip: Expedited service is available for time sensitive filings. For an additional fee, your legal entity filings receive priority processing with the Office of the Secretary of State.

Tip: For faster service, apply online at www.dol.wa.gov

Tip: To verify if the service you provide requires collection of retail sales tax visit Dept. of Revenue's website at www.dor.wa.gov

- You will not be working inside the city limits of one of the MLS partner cities.

Submit the MBA online or download it at www.dol.wa.gov. Applications submitted online are processed within two business days. Paper applications take additional time. You must submit an MBA for each business location.

When you submit your MBA, you will be issued a UBI number. If you already filed formation papers with the Office of the Secretary of State, a UBI was already issued. Be sure to include that UBI on your MBA and any supporting documents.

Be sure to apply for any specialty licenses required for your business operation, such as liquor or lottery licenses. Refer to the License Fee Sheet for a brief description of licenses available using the MBA and required fees. You may be required to submit additional paperwork for these licenses. Some licenses require approval from the regulating agency before you can begin operation.

Several city business licenses are also available using the MBA.

When you hire employees, you will need to submit an MBA to register for appropriate insurances (see page 7).

Apply for other licenses

Depending on your business activity, you may need to apply separately for other licenses, such as a construction contractor license or day care facility. Refer to your Business Licensing Guide or the List of Licenses on the Department of Licensing web site. Many of those licenses cannot be applied for until the MBA has been filed.

Be sure to contact any cities or counties directly that are not part of the Master License Service program.

Obtain an Employer Identification Number (EIN)

If you are an employer, you must obtain a Federal Employer Identification Number (EIN) from the U.S. Internal Revenue Service. There are also special cases when the EIN is required even though your business may not be hiring employees. For more information on who must have an EIN and how to apply, visit www.irs.gov or call the IRS at 1-800-829-4933.

Step 5: Next steps

Review your business licensing guide to ensure you've contacted all state & local agencies.

Apply for environmental permits at the state, federal and local levels. See the Office of Regulatory Assistance's web site at www.ora.wa.gov.

Sign-up for electronic filing of state excise taxes at www.dor.wa.gov. For more information on state taxes, see step 6.

Register to file employee insurance premiums online at www.esd.wa.gov and at www.lni.wa.gov. For more information on employee insurance, see page 7.

Tip: When completing an MBA, you must use a physical address for your place of business. PO boxes and private mail boxes (PMB) can only be used as a mailing address.

Tip: The UBI number is assigned to the business owner. If you change your ownership structure (for example, from a sole proprietorship to a corporation), you must apply for a new UBI number.

Tip: To view a list of specialty licenses and partner cities visit Licensing's website at www.dol.wa.gov

Tip: The Department of Licensing offers a listing of all state business and professional licenses. Visit www.dol.wa.gov

Tip: Visit www.irs.gov to obtain an EIN online.

Make yourself aware of your responsibilities as an employer. See page 10 for tips and requirements regarding wages and safety.

Step 6: What to know after you are registered

Pay state taxes

After you submit your MBA, the Washington State Department of Revenue will send you a letter with your tax registration number and your tax reporting frequency.

Tax basics

Washington businesses are subject to one or more of these excise taxes administered by the Department of Revenue.

- Business and Occupation (B&O)
- Retail
- Use
- Public Utilities

Washington State does not have a corporate or personal income tax.

Business & occupation (B&O) tax

Persons that engage in business in Washington are subject to B&O tax and/or a public utility tax. These taxes are based on gross receipts, gross sales, or gross income of the business. The rates vary depending on the type of business activities.

Retail sales tax

Businesses making retail sales in Washington collect sales tax from their customer. Generally, a retail sale is the sale of tangible personal property. It is also the sale of services such as installation, repair, cleaning, altering, improving, construction, and decorating.

Sales tax rates vary depending on the location where the sale occurs. This is because there are two components of the sales tax – the state sales tax rate and local sales tax rate. Depending on the nature and location of the sale other taxes may be included in the retail sales tax rate including:

- Regional Transit Authority Tax
- King County Food & Beverage Tax
- Rental Car Tax
- Special Hotel/Motel Tax
- Convention & Trade Center Tax

Use tax

Use tax should be reported when you purchase, lease, or use a taxable item (product or service) without paying sales tax. Articles purchased for use in Washington are subject to either sales or use tax, but never both.

Use tax is calculated based on the value of the item, which is normally the purchase price including freight and handling charges. State sales and use tax rates are the same. A key difference is that use tax is charged at the rate for the location where you first use the item in Washington.

Tip: Additional State Excise Taxes

- Cigarette Tax
- Enhanced Food Fish
- Forest (Timber) Excise Tax
- Hazardous Substance
- Leasehold
- Litter Tax
- Natural Gas Use
- Oil Spill
- Petroleum Products
- Property Tax (real and personal)
- Real Estate
- Refuse
- Solid Fuel Burning Device
- Syrup
- Tobacco Tax
- Wireless state enhanced 911
- Wireline state enhanced 911, TRS, & WTAP

Learn about these taxes and more at www.dor.wa.gov.

Tip: To find the retail tax rate you should charge your customers go to www.dor.wa.gov.

Public utility

Public Utility tax is charged on public service businesses, including businesses that engage in transportation, communications, and the supply of energy, natural gas, and water. The tax is in lieu of the B&O tax.

Filing tax returns and payments

Your reporting frequency is based on the amount of tax we expect you will pay this year:

Annual Estimated Tax	Frequency	Due Date
Over \$4,800	Monthly*	25th day of each month
\$1,050 to \$4,800	Quarterly	January 31, April 30, July 31, and October 31
Less than \$1,050	Annually	January 31st of each year

*Monthly filers must file and pay taxes electronically. All businesses are encouraged to do their reporting electronically.

Electronic filing (e-file)

Electronic filing is the preferred method for filing your tax return. It is a free and secure service that lets you prepare and file your excise tax return electronically from any Internet connection.

E-file allows you to:

- Customize your tax return to view only the lines you need.
- Upload data from your accounting software or spreadsheets.
- Accurately calculate taxes due and flag potential errors.
- Choose from several payment methods:
 - Electronic Funds Transfer (EFT); E-check; paper check; or VISA, MasterCard, American Express and Discover credit cards.
- Save postage and the chance of your return getting lost or delayed in the mail.
- File your return early and choose the date you want your payment withdrawn (with EFT).

Visit www.dor.wa.gov for information on how to register for E-file or call 1-877-345-3353.

Paying federal taxes

Contact the Internal Revenue Service directly, or see your accountant. Go to www.irs.gov

Paying local taxes (city & county taxes)

Some cities and counties also have a business tax. If you operate your business within city limits, you may need to register with the city taxing authority.

If you operate your business outside city limits, you should contact the applicable county auditor to determine county registration requirements.

Tip: Personal property is subject to property tax when used in a business activity. Personal property includes machinery, equipment, furniture and supplies. Learn more about personal property tax online at www.dor.wa.gov.

Tip: If your tax filing date falls on a weekend or legal holiday, the next business day is the due date for the return.

Tip: Other Dept. of Revenue online services

- *Sales tax rate lookup tool*
- *Business information lookup tool*
- *BillPay*
- *Manage your Revenue account*
- *Industry specific guides*
- *Request a tax status letter*
- *Apply for a reseller permit*

Visit www.dor.wa.gov for more information on these services.

About employee insurances

Who is considered an employee?

Persons working for you are either “employees” or “independent contractors”.

If you are hiring someone who is providing their personal labor, then they are usually an employee. Federal laws regarding independent contractors may differ from Washington’s law. Some persons considered independent contractors by the IRS are considered employees under Washington law.

In Washington you are usually hiring an independent contractor (not an employee) if:

- They have an established business of their own (have a UBI number, keeps business books and records, and files business tax returns with the IRS).
- They provide their own employees.
- They bring heavy equipment.
- You do not directly supervise the work (telling the worker how to do the job, assigning tasks, keeping time sheets, etc.).

What is required if I am an employer?

As an employer, you must usually:

- Pay unemployment insurance.
 - Pay workers’ compensation insurance.
 - Meet state wage and hour requirements.
 - Follow special regulations for employing minors.
- and always:
- Keep a safe workplace.

If you hire workers, you can expect to carry two insurances on your employees:

- Unemployment insurance
 - covers your workers if there is a layoff.
 - overseen by Washington State Employment Security Dept.
online: www.esd.wa.gov
telephone: 360-902-9360
 - ESD offers three ways to file your quarterly reports electronically. The premier tool is Employer Account Management Services (EAMS), which offers you a quick and easy way to manage your tax account.
- Workers’ compensation insurance
 - covers your workers and your business for an on-the-job injury.
 - overseen by Washington State Dept. of Labor and Industries
online: www.lni.wa.gov
telephone: 360-902-4817
 - Online filing and account management at Labor and Industries allows you to choose from two options: Quick File or Deluxe File. You can also pay by either paper check or electronic check.
 - Claim and Account Center (CAC) online services allows you to check the status of your employer account or view a workers’ compensation claim and the claim documents.

Tip: Contact either Labor & Industries or Employment Security for further information on independent contractors. Details are available in the booklet “A Guide to Hiring Independent Contractors in Washington State” at www.lni.wa.gov.

Tip: You need to file a Master Business Application the first time you hire employees at any Washington location.

Tip: Learn more about your filing options with ESD at www.esd.wa.gov/uitax.

Tip: Learn more about online filing with LNI at www.quarterlyreports.lni.wa.gov

Tip: Sign up for CAC at www.claiminfo.lni.wa.gov.

- Note: There is a self-insurance program available for large employers. These employers must meet minimum financial requirements, make prompt payments of all benefits and assessments, and maintain an active safety program.

Some types of employees do not need to be covered by your business for one or both of these insurances. See insurance coverage exemptions for more information.

Both insurances rely on the following to establish the rate you will pay:

- The average rate for your industry.
- The previous business owner's rate.
- Your experience as an employer.

You can obtain information on rates for these insurances by:

- visiting the appropriate agency's web site.
- calling the appropriate agency.
- registering to have employees. When you register the agency will notify you what your rates will be.

Insurance coverage exemptions

You may not need to pay unemployment or workers' compensation insurance coverage for some types of employees.

Exemptions to unemployment insurance coverage

- Family employment, spouse or unmarried children (under the age of 18 (sole proprietors only).
- Members of limited liability companies.
- Partners in a general partnership.
- Insurance agents, insurance solicitors, or real estate salespersons paid by commission.
- Outside salespersons of merchandise who are paid solely by commission.
- Musicians and entertainers, if exempted by written contract.
- Students on small farms.
- Spouses and unmarried children (under age 18) of corporate officers or partners on a small farm.
- Employees of a tribal member owned and operated business.
- If a corporation wants to exempt its officers from coverage, it must register officers by completing a registration form with ESD.

Contact the Employment Security Department for help with requirements in paying unemployment insurance or to obtain a registration form.

Exemptions to workers' compensation coverage

The persons listed below are exempt from workers' compensation. You may obtain coverage for these workers if you wish by completing an application for elective coverage.

- Sole proprietors or partners of a business.
- Members of an LLC who are both a member (owner) and a manager.
- Members of an LLC with members only (no managers).

Tip: Get "The Employer's Guide to Industrial Insurance" for information on workmen's compensation insurance at www.lni.wa.gov or call 360-902-4817.

Tip: State and Federal laws require employers to display certain posters in the workplace. See page 11 for more information.

Tip: To get the Unemployment Insurance Tax Information booklet or for information on exemptions from unemployment visit www.esd.wa.gov/uitax.

- Employees who are not connected with the trade, profession, or business of the employer and whose work is not in or about the employer's private home.
- Persons employed to do gardening, repair, or maintenance of the private home of the employer.
- Children under 18 years of age employed on their parents' farm.
- Domestic servants when there are fewer than two who spend at least 40 hours per week each at their employer's residence.
- Persons performing services in exchange for aid or food from religious or charitable organizations.
- Musicians or entertainers not regularly employed by the purchaser.
- Volunteer law enforcement officers (full coverage or medical only is available).
- Volunteer workers for charitable, non-profit organizations with 501 (C)(3) status (medical only is available).
- Student volunteers enrolled in a public school from kindergarten through grade 12 participating in a program authorized by the school (medical only is available).
- Court-ordered community service workers.
- Insurance agents, brokers, and solicitors.
- Newspaper carriers selling or distributing on the street or house to house.
- Cosmetologists, barbers, and manicurists who rent or lease stations in salons.
- Corporate officers of non public corporations:
 - Must be a bona fide corporate officer (being elected according to the corporate bylaws and articles of incorporation).
 - Must also be a shareholder, and
 - Must have substantial control in the daily management of the corporation.
 - A maximum of eight corporate officers are exempt from mandatory coverage. If a non-public corporation has more than eight officers at any time, the excess over eight must be identified and reported. Exception: If all corporate officers in a non-public corporation are related by blood or marriage within the third degree, then all officers are exempt.
- Corporate officers of public corporations:
 - Must be a bona fide corporate officer (being elected according to the corporate bylaws and articles of incorporation).
 - Must also be a shareholder.
 - Must have substantial control in the daily management of the corporation.
 - Must be a director.
 - May not perform manual labor.
 - The number of officers exempt from mandatory coverage has no limit for all who meet the exemption requirements.

Wage & hour rules

There are differences between state and federal wage laws; you must comply with the more stringent of the two. Washington employers are required to meet state wage and hour requirements such as:

Tip: Visit the Department of Labor & Industries to obtain an application for elective coverage.

Tip: Obtain a minor work permit by filing a Master Business Application.

Tip: Learn about minimum wage, overtime, breaks, pay requirements, and hiring teen workers at www.lni.wa.gov/workplacerrights or call 360-902-5316

- Pay minimum wage for all hours worked.
- Pay overtime for hours over 40 in a work week.
- Obtain a minor work permit endorsement and follow minor work regulations for employees under 18.
- Keep accurate payroll records for all hours worked.
- Provide pay statements.
- Give rest breaks and meal periods.

There are some exceptions for “white collar” workers, casual laborers and agricultural workers. In addition, there may be no wage and hour requirements for registered contractors with their own established businesses.

You may not fire, discipline or discriminate against an employee who files a complaint concerning violations of employment standards.

Construction, trades and licensing

If your business is in the construction industry, you will need to apply to the Department of Labor & Industries for certain permits and licenses. The trades and licensing programs include contractors, electrical, apprenticeship, factory assembled structures, elevators, prevailing wages, plumbers and boilers.

Safety rules

The Division of Occupational Safety and Health at L&I administers the rules in Washington to make the workplace safe and healthy for employees.

L&I provides free training for employers, including:

- Workshops
- Online training
- Publications and videos
- On-site consultation
- Risk management services

For more information on safety and health in the workplace, contact an L&I office:

- Online: www.lni.wa.gov
- Telephone: 1-800-423-7233

Employer posters

The posters listed below must be posted in a conspicuous place in the workplace, unless noted as recommended. They are important because they inform workers and employers of their rights and responsibilities.

WA Dept. of Labor & Industries Posters:

- “Your Rights as a Worker”
- “Notice to Employees”
- “Job Safety and Health Protection”

Download: www.lni.wa.gov/IPUB/101-054-000.asp

Email: ESGeneral@lni.wa.gov

Call: (360) 902-5316 or toll free at 1-866-219-7321

Visit: your local Department of Labor and Industries service location

Tip: Get information on construction trades and licensing at www.licensing.lni.wa.gov.

Tip: Use online resources, including free courses and videos, to help you prevent or fix hazards. www.lni.wa.gov/safety

Tip: To Find state prevailing wage information visit www.lni.wa.gov or call 360-902-5335.

Tip: To find federal prevailing wage information contact the U.S. Department of Labor at www.dol.gov.

Tip: To locate an L&I office near you visit www.lni.wa.gov and click on “Office Locator”.

WA Employment Security Department posters:

- “You may be eligible for unemployment benefits if you lose your job”

In addition to the above ESD poster, churches must also display the following:

- “Losing your job? You may not be eligible for unemployment benefits”

Download: www.taxforms.go2ui.com

Email: taxforms@esd.wa.gov

Call: (360) 902-9360

Visit: your local Employment Security District Tax Office

WA Human Rights Commission posters:

- “Washington State Law Prohibits Discrimination in Employment” (recommended)

Call 1-800-233-3247 (in Washington State) or 360-753-6770

Federal posters

- “Equal Opportunity Employment is the Law”
- “Fair Labor Standards Act (FLSA)Federal Minimum Wage” (WH Pub.1088)
- “Employee Polygraph Protection Act” (WH Pub.1462)
- “Family and Medical Leave Act of 1993” (WH Pub.1420)
- “Your Rights Under USERRA – The Uniformed Services Employment and Reemployment Rights Act” *

*Federal law requires employers to notify employees of their rights under USERRA, and employers may meet this requirement by displaying this notice where they customarily place notices for employees.

Obtain posters at www.dol.gov/elaws/posters.htm

Internal Revenue Service and Social Security information

The Internal Revenue Service is a federal agency. If you hire workers, the IRS requires a federal Employer Identification Number (EIN) so it can track the wages you pay. You are also required to have an EIN if your ownership structure is one of the following, whether you have employees or not:

- General partnership
- Limited partnership
- Limited liability partnership
- Limited liability limited partnership
- Multi-member limited liability company
- Profit or non-profit corporation

Tip: To locate an ESD office near you visit www.esd.wa.gov and click on “Contact us”.

Tip: For information on other federal regulations contact: U.S. Department of Labor Wage and Hour Division 1111 3rd Avenue, Suite 755 Seattle, WA 98101-3212 Telephone: (206) 553-4482 Online: www.dol.gov/whd/

Tip: For publications and forms call 1-800-829-3676 or visit www.irs.gov.

Federal taxes you may be liable for

Federal Income Tax Withholding – Taxes withheld from wages based on the employee’s earnings, marital status, and withholding allowances. For more information about this tax and related matters, obtain a free copy of Publication 15, “Employer’s Tax Guide” from www.irs.gov.

Federal Unemployment (FUTA) Tax – Most employers are liable for this tax. Employees do not pay this tax or have it withheld from their pay. Refer to the “Employer’s Tax Guide” for more information.

Social Security – The Federal Insurance Contribution Act (FICA) ensures income for retired and disabled persons and their families, the families of deceased workers, and Medicare for those workers who have the required work credit. Both employers and employees pay FICA taxes. Employers are required to withhold a fixed percentage of employee wages, match each employee’s Social Security and Medicare tax withholding, make periodic deposits to the IRS, and report the employee wages and taxes annually on a Form W-2 submitted to the Social Security Administration. Self-employed persons are also required to pay these taxes. Accurate records are essential. For more information see the “Employer’s Tax Guide”, visit the IRS Employment Taxes page, or visit www.socialsecurity.gov/employer.

Seminar information

Several agencies offer free workshops for new and existing business owners. For a list of available workshops in your area, visit www.access.wa.gov/business/employerttraining.aspx.

Tip: For individual assistance on tax regulations call 1-800-829-4933 or visit www.irs.gov.

Commonly asked questions

The following are commonly asked questions about the registration process and completing the Master Business Application. We have listed the page number at the end of each question where you will find the answer in this booklet.

- How do I start a business in the state of Washington? Page 1
- What is a Master Business Application? Page 3
- Do I have to fill out a Master Business Application? Page 3
- What will happen after I file the Master Business Application? Page 5
- How long is my UBI number valid? Page 4
- Will I need additional licenses? Page 4
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Tip: For more information about employer/employee relationships and taxable wages, obtain federal publication 15 titled "Employer's Tax Guide" from the IRS website at www.irs.gov.

References

Ownership structures

A **sole proprietorship** is one individual or married couple in business alone. Sole proprietorships are the most common form of business structure. This type of business is simple to form and operate, and may enjoy greater flexibility of management, fewer legal controls, and fewer taxes. However, the business owner is personally liable for all debts incurred by the business.

A **general partnership** is composed of two or more persons (usually not a married couple) who agree to contribute money, labor, and/or skill to a business. Each partner shares the profits, losses, and management of the business, and each partner is personally and equally liable for debts of the partnership. Formal terms of the partnership are usually contained in a written partnership agreement.

A **limited partnership (LP)*** is composed of one or more general partners and one or more limited partners. The general partners manage the business and share fully in its profits and losses. Limited partners share in the profits of the business, but their losses are limited to the extent of their investment. Limited partners are usually not involved in the day-to-day operations of the business. *Must register separately with the Office of the Secretary of State.*

A **limited liability partnership (LLP)*** is similar to a General Partnership except that normally a partner does not have personal liability for the negligence of another partner. This business structure is used most commonly by professionals such as accountants and lawyers. *Must register separately with the Office of the Secretary of State.*

A **limited liability limited partnership (LLLLP)*** is a limited partnership that chooses to become an LLLP by including a statement to that effect in its certificate of limited partnership. Status as a LLLP may provide general partners with a shield from liability for obligations of the LLLP. *Must register separately with the Office of the Secretary of State.*

The **limited liability company (LLC)*** is formed by one or more individuals or entities through a special written agreement. The agreement details the organization of the LLC, including: provisions for management, assignability of interests, and distribution of profits or losses. LLC's are permitted to engage in any lawful, for profit business or activity other than banking or insurance. Doing business as an LLC may yield tax or financial benefits. *Must register separately with the Office of the Secretary of State.*

A **corporation*** has certain rights, privileges, and liabilities beyond those of an individual. Doing business as a corporation may yield tax or financial benefits, but these can be offset by other considerations, such as increased licensing fees or decreased personal control. Corporations may be formed for profit or nonprofit purposes. *Must register separately with the Office of the Secretary of State.*

Tip: Although it is not required, it is recommended that general partnerships contact an attorney to establish a partnership agreement.

*Tip: Legal entities formed inside Washington State are considered **domestic**. Entities formed in other states or countries are considered **foreign**.*

Tip: For information regarding the Charities program, refer to page 15.

A **nonprofit corporation*** is typically created to further an ideal or goal, rather than in the interest of profit. A nonprofit corporation can be formed for religious, social, charitable, or educational purposes. Many nonprofits serve the public interest, but some do engage in private sector activities. *Must register separately with the Office of the Secretary of State.* If your nonprofit organization is or plans to fundraise from the public, it may also be required to register with the Charities Program of the Washington Secretary of State, see information below.

A **massachusetts trust*** is an incorporated business with the property being held and managed by the trustees for the shareholders. The trustees are considered employees since they work for the trust. *Must register separately with the Office of the Secretary of State.*

A **joint venture** is formed for a limited length of time to carry out a business transaction or operation.

A **tenants in common** is formed by two or more persons to occupy the same business, while retaining separate identities in regard to assets or liabilities resulting from business activities.

A **trust** is a right in property held by one person, called the trustee, for the benefit of another, called the beneficiary.

A **municipality** is a public corporation established as a subdivision of a state for local governmental purposes.

An **association** is an organized group of people who share in a common interest, activity, or purpose.

** These ownership structures must register with the Office of the Secretary of State, Division of Corporations and Charities before starting business.*

Website: www.sos.wa.gov

Telephone: 360-725-0377

Mail: PO Box 40234

Olympia WA 98504-0234

Charitable organizations:

Charitable Solicitation and Charitable Trust registrations are separate from and in addition to corporate filing requirements.

The **Charitable Solicitations program** registers individuals, organizations, and commercial fundraisers that solicit charitable donations from the general public. Both the benefiting charities as well as independent, for profit entities soliciting funds must, in most cases, register annually.

The **Charitable Trust program** registers individuals and organizations that are holding assets in Washington State in trust for a charitable purpose. The assets are invested for income-producing purposes. The income is then designated and distributed for a charitable purpose according to the terms and conditions of the trust agreement.

Tip: Nonprofit corporations who have exempt status under the IRS' 501(c)(3) may be entitled to special payment options with the Employment Security Department.

Contact ESD for more information.

Washington Business and Organization Structure Considerations

Ownership structures	Sole Proprietor	General Partnership	Limited Liability Company (LLC)	Corporation	Limited Partnership	Limited Liability Partnership (LLP)
Register with Washington Secretary of State	No	No	Yes	Yes	Yes	Yes
Formation Difficulty	Low	Low	Medium	Medium/High	Low	Medium
Liability	Sole proprietor has unlimited liability	Partners have unlimited liability	Members are not typically liable for the debts of the LLC	Officers/ shareholders are not typically responsible for the debts of the corporation	At least one general partner has unlimited liability	Partners are not typically liable for the debt of the LLP
Operational Requirement	Relatively few legal requirements	Relatively few legal requirements	Some formal requirements but less formal than a corporation	Board of directors, annual meetings and annual reporting required	Some formal requirements but less formal than a corporation	Some formal requirements but less formal than a corporation
Management	Sole proprietor has full control of management and operations	Typically each partner has an equal voice, unless otherwise arranged	Members have an operating agreement that outlines management	Managed by the directors, who are elected by the shareholders	Limited partners are excluded from management unless they serve on the board of directors	All partners have the right to manage the business directly
Federal Taxation	Not a taxable entity. Sole proprietor pays all taxes	Not a taxable entity. Each partner pays tax on his/ her share of income & can deduct losses against other sources of income	Depending on structure there is no tax at the entity level. Income/ loss is passed through to members	Taxed at the entity level. If dividends are distributed to shareholders, dividends are also taxed at the individual level	Files taxes as separate entity, must meet certain criteria to avoid being taxed as a corporation	Files taxes as separate entity, must meet certain criteria to avoid being taxed as a corporation
Washington Excise Taxation and Liability	Taxes based on business entity income. Sole proprietor has unlimited liability	Taxes based on business entity income. General partners have unlimited liability	Taxes based on business entity income. Responsible parties may have liability for trust funds	Taxes based on business entity income. Responsible parties may have liability for trust funds taxes	Taxes based on business entity income. General partners have unlimited liability. Limited partners may have liability up to the amount of their investment	Taxes based on business entity income. General partners have unlimited liability. Limited partners may have liability up to the amount of their investment

Note: This information is for reference only. For detailed considerations contact your trusted advisor.

Acronyms (and agency they are associated with)

AKA	Also Known As
B & O	Business and Occupation tax (DOR)
DBA	Doing Business As
CAC	Claim and Account Center (L & I)
DOL	Department of Licensing
DOR	Department of Revenue
EFT	Electronic Funds Transfer
EIN	Employer Identification Number (IRS)
ESD	Employment Security Department
FICA	Federal Insurance Contribution Act (SSA)
FUTA	Federal Unemployment Tax (SSA)
IRS	Internal Revenue Service
L&I	Labor and Industries
LLC	Limited Liability Company
LLP	Limited Liability Partnership
LLLP	Limited Liability Limited Partnership
LP	Limited Partnership
MBA	Master Business Application (DOL)
MLS	Master License Service (DOL)
PUB	Publication
SOS	Secretary of State
SSA	Social Security Administration
UBI	Unified Business Identifier
US DOL	U.S. Department of Labor

The **Washington State Business Resource Guide** is produced by the Department of Licensing in cooperation with the Employment Security Department, Department of Labor & Industries, Department of Revenue, and the Office of the Secretary of State.