Small Business Requirements & Resources

6 Steps for Starting a Business in WA
6 Steps for Starting a Business in WA

1. Learn about resources and make a Business Plan.
2. Form the business.
3. Get required licenses and permits.
4. Prepare for state tax and reporting requirements.
5. Learn employer requirements.
6. Accelerate your success by using advisors.
Step 1: Resources and Planning

Resources

- Business.wa.gov Website
- Small Business Guide
- Training & Advising Programs
- Small Business Liaison Team
Step 1: Resources and Planning

Use your phone now and browse to: business.wa.gov
Step 1: Resources and Planning

The Small Business Guide
Available at business.wa.gov/guide
Training and Advising Programs
Listing available at business.wa.gov/business-resources
The Small Business Liaison Team

Download a directory at: business.wa.gov/liaisons

Look for this button:
Step 1: Resources and Planning

Make a Business Plan

• If you need help making a plan, contact a mentor or advisor, but **don’t skip making a business plan**.

• Many business fail within the first 5 years and it is often due to a lack of planning.

• Get started at: [business.wa.gov/plan](http://business.wa.gov/plan)
Step 2: Form the Business

• Business Structure / Types of Ownership
• Registering with the Secretary of State
• Licensing with the Dept. of Revenue
Step 2: Form the Business

Business Structures / Forms of Ownership

- Sole proprietorship
- General partnership
- Limited liability company
- Corporation
- Other
Step 2: Form the Business

3. Choose a business structure

A business is a legal entity. It can own property, hold property, and pay taxes. There are different types of business structures with different limitations.

<table>
<thead>
<tr>
<th>Considerations</th>
<th>Sole Proprietorship</th>
<th>General Partnership</th>
<th>Limited Liability Company (LLC)</th>
<th>Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td>File or register with Washington Secretary of State</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Liability Costs</td>
<td>Low</td>
<td>Low</td>
<td>Medium</td>
<td>Medium/High</td>
</tr>
<tr>
<td>Started by</td>
<td>Sole Proprietor has unlimited liability for debts and taxes.</td>
<td>Partners have unlimited liability for debts and taxes.</td>
<td>Members are not typically liable for debts other than taxes.</td>
<td>Shareholders are not typically liable for debts other than taxes.</td>
</tr>
<tr>
<td>Internal Requirements</td>
<td>Relatively few legal requirements.</td>
<td>Relatively few legal requirements.</td>
<td>Some formal requirements such as operating agreements and annual reporting.</td>
<td>Board of directors, annual meetings, annual reporting required.</td>
</tr>
<tr>
<td>Management</td>
<td>Sole proprietor has full control of management and operations.</td>
<td>Typically each partner has an equal voice, unless otherwise arranged.</td>
<td>LLCs have an operating agreement that outlines governance and management.</td>
<td>Corporations have bylaws that outline governance. Typically, managed by directors who are elected by shareholders.</td>
</tr>
</tbody>
</table>

Sole Proprietorships are owned by a single person and are inexpensive to form and there are no limits. The owner is personally responsible (liable) for all debts.

Limited Liability Companies (LLCs) are very popular because they provide liability like a corporation, but have fewer governance requirements.
Step 2: Form the Business

If your business will be a:

- Corporation
- LLC or any other legal entity
  ✓ Start with the Secretary of State

If your business will be a:

- Sole Proprietorship
- Partnership
  ✓ Start with the Dept. of Revenue
Step 2: LLCs & Corporations

Registering with the Secretary of State

- Watch the YouTube video for instructions

sos.wa.gov/corps
Step 2: LLCs & Corporations

Completing the online registration form

• Create a user account
• Name the entity
• Name governing people
• Name registered agent

Should receive confirmation of entity formation within two days
Step 2: Federal Taxpayer Number

- Apply online for a federal identification number for your new entity
- EIN, FEIN, TIN – Employer Identification Number
- No cost
- IRS.gov
Step 2: Out of State Business

Are you an LLC or corporation registered in another state, but planning to do business in Washington?

- Complete the “Foreign Registration Statement”
- Online or on paper
- Go to sos.wa.gov/corps
Step 3: Get Licenses & Permits

- Licensing wizard
- Create a SAW account
- Licensing questions
- Trade names
- Hiring plans
- Other licenses and permits
Step 3: Licensing Wizard

Business Licensing

- Business Licensing Wizard
- dor.wa.gov/LicenseWizard
Step 3: Licensing

Multiple locations? Mobile business?

• You’ll need to provide a physical address for the state business license
  • May be your home

• Most incorporated cities will require you to have a local license to do business in their city

• Use the Wizard to learn requirements
Step 3: Licensing

Business Licensing

• Secure Access Washington (SAW) Account

  dor.wa.gov
Step 3: SAW Account Setup
Step 3: Licensing Questions

Prepare for online business licensing form questions:

- State Unified Business Identifier number (UBI)
- Ownership structure
- Location info
- Industry info
- Expected revenue
- Business tradename
- Hiring plans

[dor.wa.gov/Apply]
Registering a Trade Name
- When it's required
- What it means
- Distinction from trademarks
- Researching names
- Registration cost: $5 plus the application fee

dor.wa.gov/TradeNames
Hiring Related Questions

- Will you be using independent contractors?
- Will you hire staff in the next 90 days?
- What type of work will your employees do?
- Will you employ youth?

10. Hire employees

- Prepare to hire employees, if needed. Having employees with the right attributes and skills for your business is critical for successful growth. There are resources to help you with employment planning, including Labor Market Information.
- There are also programs to help you find and train qualified employees:
  - WorkSource can bring you applicants that are skilled but ready to work.
  - Job-fair and free online job posting can help increase your pool of applicants.
  - Tax credits can help lessen the cost of new employees.
  - Options for employee training assistance.
  - On-the-job training wage subsidies.
  - Employment training resources - Career Bridge
  - Apprenticeship programs
  - WorkSource Apprenticeship
  - Work Study employees
- If you noted on the form that you would be hiring employees, information from your Business License Application will be forwarded to the Employment Security Department to set up a state unemployment tax account, and the Department of Labor & Industries to set up a workers’ compensation insurance account and issue your minor work permit, if applicable. You will have quarterly filing responsibilities with both agencies plus the IRS (see the RUN Your Business chapter of the Small Business Guide).
- Every new employee will need to complete the federal I-9 Employment Eligibility Verification Form within three days of hire, and the Internal Revenue Service (IRS) W-4 Form
- You’ll also need to report each newly hired and retired employee through the Department of Social and Health Services: New Hire Reporting Program within 20 days of hire. Reporting is done through a secure web portal, Secure Access, Washington (SAW). If you don’t already have a SAW account, you’ll have to create one prior to doing your first reporting. To report, you’ll need information from the employee’s W-4 Form plus the hire date and the birthdate.
Independent Contractors

• Strict laws define “employee” vs “independent contractor”
• An independent contractor should:
  • Have a contract
  • Be a fully licensed and tax-reporting business
  • Keep good business financial records
  • Have multiple clients
  • Work away from one of your locations
  • Do something different from what you do

LNI.wa.gov/IndependentContractor
Step 3: Other Licenses & Permits

Other licenses and permits

- Professional licenses
- Contractor registration
- County health department permits
- Liquor and cannabis licenses
- Building permits (city or county)
- Etc.
Step 4: Tax & Reporting Requirements

Typical State Business Taxes

- Business and occupation tax (B&O)
- Sales tax
- Use tax
- Real and personal property tax
- If you have employees:
  - State unemployment tax
  - Paid family & medical leave
  - Workers’ compensation insurance premiums

2. State business taxes

Washington State does not have a personal or business income tax. Instead, its tax structure includes the Business & Occupation Tax, a sales and use tax, property taxes, and a variety of industry-specific taxes. The Washington Department of Revenue (DOR) administers over 60 different taxes.

Most small businesses need to file an annual return with DOR. Your tax filing frequency, assigned after you submit your Business License Application, is based on an estimate of the amount of tax you will owe. If you are assigned a monthly or quarterly filing frequency, then you are required to file your return electronically using DOR’s online filing system, and pay electronically using one of several payment options.

For assistance with E-file registration and filing, call 1-877-545-0933. If you are unable to file electronically, you can request a waiver. State taxes include:
- Business and Occupation (B&O) tax: This is a tax on the business' gross revenue. In addition to the state B&O tax, many cities and towns also impose local B&O taxes (see below).
- Sales tax: Businesses collect sales taxes from customers on the sale of most retail products, construction activities, and some services.
- Use tax: Use sales tax applies when businesses make purchases without paying sales tax, such as internet purchases or purchases made in Oregon.
- Real and Personal Property Taxes: Businesses pay a property tax based on the value of real estate, buildings and other structures, furnishings, equipment and other assets. Property tax is collected by counties rather than by DOR.
- Industry-specific taxes: There are a variety of taxes that apply to specific industries, such as hotels, rental cars, cemeteries, etc. Check the heading to see if any specific taxes apply to your business.

Because sales tax is destination-based, businesses that collect sales tax must charge the tax rate of the location where the product or service was delivered. DOR has a lookup tool to determine tax rates and the location codes.

DOR provides New Business Tax Workshops throughout the state during the year. Below are links to additional information and tools provided by DOR to assist in tax calculation and reporting:
- New Business Tax Basics
Step 4: State Tax Basics

Business & occupation (B&O) tax
- Based on gross receipts
- Most common: Retailing, Wholesaling, and Service & Other Activities
- You may need to report under multiple classifications, depending on your specific business activity
- No deduction for expenses or costs of doing business.
- Some deductions are available, such as out of state sales.
- B&O is a tax on business, you can’t “add this” on to the product/service price as a separately stated item (like we do for sales tax)

Public utility tax (PUT)
- Most common: transporting people/products, communications, utilities
We have tools to help you determine what classification applies to your business:

- [dor.wa.gov/CommonBusinessActivities](dor.wa.gov/CommonBusinessActivities)
- [dor.wa.gov/IndustryGuides](dor.wa.gov/IndustryGuides)
Step 4: Sales & Use Taxes

Sales & use taxes apply to:
- Tangible personal property and digital products.
- Services (for example)
  - Installing, repairing, cleaning, altering or improving tangible personal property
  - Lawn maintenance
  - Amusement, recreational, and physical fitness activities

The selling price must be separately stated on the bill. Sales tax is also due on shipping and handling charges.
Step 4: Sales & Use Taxes

What is the rate?
• State portion .065
• Local portion
  • Varies; boundaries do not follow zip codes or often not even municipal boundaries
  • Local tax rate charged is based on delivery point for goods or services
  • We have well over 350 local tax codes

But don’t worry – we have an app for that!
We also have several tools on our website.
Step 4: Real & Personal Property Taxes

Real & Personal Property Taxes

- Applies to personal property used in conducting business
- County assessors and treasurers administer
- By April 30 of each year, businesses must complete and file a Personal Property Listing Form with the county assessor.

dor.wa.gov/CountyContacts
Step 4: Employment Taxes

- **State Unemployment Taxes**
  - Employers pay ~1.45% of their gross payroll
  - Don’t have to pay on wage amounts above the taxable wage limit of $62,500 per employee (2022)

- **Paid Family & Medical Leave**
  - Employees pay ~0.25% of their earnings
  - If more than 50 employees, employers pay ~0.15% of their gross payroll

- **Workers’ Compensation Insurance Premiums**
  - Employers pay the majority of an hourly rate of $0.17-$17.00, based on the job classification
  - Employees pay a part of it

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- Quarterly **941 Forms** report gross wages and federal taxes (income, social security and Medicare). They are due to the IRS by April 30, July 31, October 31 and January 31 for the preceding calendar quarters.
- **W-2 Forms** report wages and withholdings for the calendar year. They must be provided to each employee by January 31 of the following year.
- **W-2 Forms** and the accompanying **W-3 Transmittal form** are due to the Social Security Administration by February 28 of the following year.
- Annual **940 Forms** report federal unemployment taxes. They are due to the IRS by January 31 for the preceding calendar year. The tax rate for most employers is 0.8% of the first $7,000 each worker earns, up to a maximum of $92 per employee. For very small employers, these payments may be made at the time of annual filing but larger employers are required to make payments quarterly. See the IRS **Employer's Tax Guide** for more information.

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5. State employment taxes
- Unemployment taxes are due quarterly to the Employment Security Department (ESD). Reporting and payment is generally done online. Due dates are April 30,
## Step 4: Employment Taxes

<table>
<thead>
<tr>
<th>Requirement (in order of action timing)</th>
<th>Purpose</th>
<th>Action</th>
<th>Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Workers’ compensation premium report</strong> (1 each calendar quarter per employer)</td>
<td>Workers’ compensation insurance for medical costs and wage replacement if injured on the job.</td>
<td>Complete and pay online at <a href="http://www.lni.wa.gov">www.lni.wa.gov</a> (due 4/30, 7/31, 10/31, 1/31)</td>
<td>WA Dept. of Labor &amp; Industries</td>
</tr>
<tr>
<td><strong>State unemployment tax report</strong> (1 each calendar quarter per employer)</td>
<td>Unemployment benefits for employees who lose their jobs.</td>
<td>Complete and pay online at <a href="http://esd.wa.gov">esd.wa.gov</a> (due 4/30, 7/31, 10/31, 1/31)</td>
<td>WA Employment Security Dept.</td>
</tr>
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<td><strong>Paid Family and Medical Leave report</strong></td>
<td>Paid leave for employee to care for themselves or their family</td>
<td>Complete and pay online at <a href="http://paidleave.wa.gov">paidleave.wa.gov</a> (due 4/30, 7/31, 10/31, 1/31)</td>
<td>WA Employment Security Dept.</td>
</tr>
</tbody>
</table>
Step 4: Employment Taxes

Business owners are exempt from Washington employment taxes if they are:

- Sole proprietors
- General partners in a partnership
- LLCs – If designated as:
  - “Member-managed” – all members on record are exempt
  - “Manager-managed” – only managing members are exempt
- Corporations
  - May exempt up to 8 officers if they are shareholders and they exercise substantial control in daily management of the corporation
  - If a family corporation, all officers are exempt if they are related within the 3rd degree
- Note – spouses and other family members of LLCs and Corporations are exempt only if they meet the above requirements
- Business owners can choose to participate in Paid Family & Medical Leave and Workers’ Compensation Insurance.
Step 5: Learn Employer Requirements

- Hiring employees
- New hire reporting
- Employer requirements
- Employer services
Step 5: Hiring Employees

10. Hire employees

- Prepare for employees, if needed. Having employees with the right attributes and skills for your business is critical for successful growth. There are resources to help you with employment planning, including Labor Market Information.
- There are also programs to help you find and train qualified employees:
  - WorkSource can bring you applicants that are skilled and ready to work.
  - Job fairs and free, online job posting can help increase your pool of applicants.
  - Tax credits can help lessen the cost of new employees.
  - Options for employee training assistance:
    - On-the-job training/wage subsidies
    - Employee training resources - CareerBridge
    - Apprenticeship programs
    - WorkSource Apprenticeship
    - WorkStudy employees
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- You’ll also need to report each newly hired and retired employee through the Department of Social and Health Services New Hire Reporting Program within 20 days of hire. (Reporting is done through a secure web portal, SecureAccess.
- Labor Law:
  - Wage and hour laws (such as minimum wage, overtime, breaks, etc.)
  - Workplace poster requirements
  - Employment of minors
  - Non-Discrimination laws
  - Independent contractors (Labor & Industries)
  - Independent contractors (Employment Security)
  - Independent contractors (IRS)
  - Workplace safety (including required written accident prevention program)
  - Federal payroll taxes
  - Child Support Withholding Laws
  - Restrictions on noncompete agreements, salary history, and salary secrecy
  - Isolated worker protection
  - Changes to Overtime Rules
- Worker Benefits:
  - State unemployment taxes
  - Workers’ compensation insurance
  - Washington Health Benefit Exchange
  - Washington Health Plan Finder
  - Paid Sick Leave
  - Paid Family and Medical Leave
  - Other Types of Leave
Step 5: New Hire Reporting

New Hire Reporting

Program Information

Washington state law RCW 26.23.040 requires employers to report all newly and rehired (not worked for you for at least 60 consecutive days) employees regardless of age, gender or the number of hours worked within 20 days of hire. If reporting for the first time, only report employees hired since your last quarterly report to Employment Security Department as DCSOnline only accepts reports with a date of hire no more than one year in the past and 90 days in the future. You can find information on how to set up a DCSOnline account on our Employer Educational Materials page.

For more information check out the Introduction to New Hire Reporting, watch our video in English or Spanish or browse our Frequently Asked Questions.

dshs.wa.gov/esa/division-child-support/new-hire-reporting
Step 5: Learn Employer Requirements

Some Employment Laws
* indicates for 2021

- Independent contractors *(must meet requirements or they’re employees)*
- Minimum wage *(13.69/hr*) & overtime required
- Youth employment *(permit, form & restricted duties if under 18)*
- Breaks & meal periods required
- Safety & health *(must have written safety plan and follow other rules)*
- Employee leaves *(paid sick leave required)*
- Isolated worker protections *(panic button & training required)*
- Non-compete agreements *(only if pay at least $101K/yr*)
- Can’t restrict outside employment *(unless pay at least $28/hr)*
- Equal employment opportunity *(can’t discriminate)*
- Equal pay & opportunities *(can’t ask about salary history or prohibit sharing of salary information)*
- Workplace posters required
- Employment related recordkeeping *(must keep detailed time, pay & other records for 3+ yrs)*
Step 5: Employer Requirements

To learn more about employer requirements, attend this webinar.

Register at: LNI.wa.gov/training
Step 5: Employer Services

Unemployment taxes

Understand how recent legislation has affected your 2022 tax rate.

If you have employees working in Washington, you likely must pay unemployment taxes on their wages in this state. Tax reports or tax and wage reports are due quarterly. liable employers must submit a tax report every quarter, even if there are no paid employees that quarter and/or taxes are unable to be paid.

- Visit the forms and publications library for required unemployment tax forms.
- Learn about reimbursable employers.
- Browse messages and updates on employer account charges.

Employer tips and information

- Register your business as a state employer.
- Unemployment tax handbooks, regulations, and regulations.
- Frequently asked questions.
- Contact information by phone and mail.

On this page:

- Filing wage reports and paying unemployment taxes
- Unemployment tax rates
- Penalties
- Who and what to report
- Unemployment Insurance is a federal-state partnership
- Audits
Step 6: Use Advisors

Training & Advising Programs
Listing available at business.wa.gov/business-resources

- SCORE
  score.org

- Small Business Development Center
  wsbdc.org

- Women’s Business Centers
  sba.gov

- Various Microenterprise Development Organizations
  wamicrobiz.org
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