Does Your Start-up Business Need a License or Permit?

A reader from last week’s column emailed me and asked “how do I find out if my business idea that I want to start needs a license or permit?” This reader was following the business plan template that I suggested and she came across this topic and said, “I hadn’t even thought about that”.

Most businesses (but not all) need some sort of license or permit before officially opening their doors or working with clients. Depending on the type of business and your location, federal, state, or local (or some combination of them) licensing and permit requirements might apply.

It’s important to research what you need to have in place to legally operate your business or you could face some hefty fines and penalties.

According to a SCORE mentor friend of mine, Hal Shelton (SCORE mentor at the Washington DC Chapter, member of the SCORE Board of Directors, and author of Amazon’s best-selling book “The Secrets to Writing a Successful Business Plan”), “If you do not have the required paperwork, the governing jurisdiction can shut you down. In most cases, required licenses/permits are for citizen protection so they are deemed important. Other documentation is to identify you and your business so your payment of sales, local, income and other taxes can be tracked.”

To find out which (if any) business licenses and permits you’ll need, you can start by visiting the Small Business Administration’s website. It provides information about the federal licenses and permits required of businesses operating in certain industries such as agriculture, transportation, and broadcast communications.

The SBA also maintains an online list of links to where you can find specific information about business licenses required in your state. States often have an extensive list of business types that require licenses.

For requirements mandated by your city and/or county, you can look for information on their websites (just be sure they’re up to date) or contact their offices directly.

“Many words are used interchangeably—license, permit, registration, etc. Those required at the federal and state levels are usually most widely known. Those at the county and city/town level might take more research. Start early to find which apply to you, what you have to do to qualify, and how long the process takes—it usually takes longer than you anticipate,” explains Shelton. “For example, to register your company and its trade name at the state could take 60 days if you do not want to pay expediting fees. To gain zoning clearance might take up to a year if there is some contention and hearings are required. Create an action time-line so all permits and licenses are obtained by the time you want to open your business.”
In addition to doing your own research, consider asking a SCORE mentor or business consultant knowledgeable about your industry for guidance. And as with anything that affects legal compliance, consult an attorney to make sure you have what you need to meet all federal, state, and local business licensing and permit requirements.

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