

# Business Licenses, Permits and Ownership Structures

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# Resources



## City of Los Angeles

- [www.lacity.org](http://www.lacity.org)
  - Tools for Business
  - Department of Building and Safety
  - Building Tax Registration Certificate
- [www.business.lacity.org](http://www.business.lacity.org)
  - LA Business Portal

# Resources



## County of Los Angeles

- ❑ [www.publichealth.lacounty.gov](http://www.publichealth.lacounty.gov)
  - How to Open a Restaurant
  - Plan Check Guide
- ❑ [www.lacounty.gov](http://www.lacounty.gov)
  - Go to the Business section

# Resources



## State of California

- ❑ [www.ca.gov/Doing Business](http://www.ca.gov/Doing Business)
  - Form a Business (link to Secretary of State)
  - Tax Rates (link to Dept. of Tax and Fee Administration)
  - Apply for a Sellers Permit (link to Dept. of Tax and Fee Administration)
- ❑ [www.abc.ca.gov](http://www.abc.ca.gov)
  - Liquor Licenses
  - Also brokers who have licenses for sale
- ❑ [www.calrecycle.ca.gov](http://www.calrecycle.ca.gov)

# Licenses and Permits

- All Businesses Need a Business License
  - Community in Which Office is Located
  - Other Communities Where You Actively Market your Product or Service (let's talk)
- Most Businesses Need Other Licenses and Permits
  - Source: [www.calgold.ca.gov](http://www.calgold.ca.gov) (beware - does not always include everything)
    - Industry
    - County
    - City

# Licenses and Permits

## □ Typical Categories

- Business License (aka Business Tax Certificate)
- Building and Construction Permits
- Fire Dept Inspection/Permits
- Police Permits/Licenses
- Business Personal Property
- Trade Licenses
- Health Dept Permits
- Waste Disposal Permits
- Liquor Licenses

# Ownership Structures

## □ *Business Entity Options*

- Sole Proprietorship
- General Partnership
- Limited Partnership
- Limited Liability Company
- C Corporation
- S Corporation
- Non-Profit Corporation
- Professional Corporation
- B Corp

# Ownership Structures

## □ *Decision Making Tree*

- Ease/Cost to Form
- Personal Liability
- Business Income Tax
- Expense Opportunities
- Duration of Entity

# Ownership Structures

## □ *Sole Proprietorship*

- Easy to Form
  - File Fictitious Name Statement
  - Open Bank Account
- Expense to Form
  - County Clerk -<\$50.00
  - Newspaper Publication - \$50 to \$150
- Unlimited Personal Liability
  - Umbrella Liability Coverage - Personal and Commercial

# Ownership Structures



## ☐ *Sole Proprietorship (cont)*

- Pass through Profit and Losses
- You Earn What's Left Over After All Other Expenses are Paid
- Self Employment Tax (beware)
- Life of Business Limited to Life of Owner(s)
  - Owners can be husband and wife
- Other
  - Obtain EIN (optional)
  - Obtain Business License(s)

# Ownership Structures



## □ *General Partnership*

- Little More Difficult to Form
  - Partnership Agreement (a must)
  - Fictitious Business Statement (if needed)
- Expense to Form
  - Depends on Cost to Prepare Partnership Agreement.
  - Fictitious Name Statement - same as Sole Proprietorship

# Ownership Structures

## □ *General Partnership (cont)*

- Unlimited Personal and Joint Liability
  - Umbrella Liability Insurance - Personal and Commercial
  - Life Insurance
- Pass Through Profit and Loss
  - Prepare Information Tax Return; K-1 for Partners
- Life of Business - Restricted by Conditions in Partnership Agreement

# Ownership Structures

- *General Partnership (cont)*
  - Other
    - Obtain EIN (required)
    - Obtain Business License(s)

# Ownership Structures



## □ *Limited Partnership*

- More Difficult than General Partnership to Form
  - Need a Limited Partnership Agreement; File a Certificate of Limited Partnership
  - Also Fictitious Name Statement (if applicable)
  - Two (2) Classes of Partners
    - ✓ General
    - ✓ Limited
- Partnership Required to Pay Annual State Tax (minimum of \$800)

# Ownership Structures

## □ *Limited Partnership (cont)*

### ○ Other

- Obtain EIN (required)
- Obtain Business License(s)
- Often Used in the Real Estate Field

# Ownership Structures

## □ *Limited Liability Company*

- Formation Procedures (less costly than Corporation)
  - Create Operating Agreement (no need to file with anyone)
  - File Articles of Organization with Secretary of State
- Members (called this, not shareholders); have limited personal liability
- For tax purposes can choose to be treated as a pass through entity or an S corporation.
- Must pay minimum state tax - \$800.

# Ownership Structures

## □ *Limited Liability Company (cont)*

### ○ Other

- Obtain EIN (required)
- Obtain Business License(s)
- More Administrative Flexibility Than C or S Corporation

# Ownership Structures

## □ C Corporation

- Formation Procedures (therefore costly)
  - Create and File Articles of Incorporation
  - File IRS Form SS-4 to Obtain EIN (same form used for other entities)
  - Set up Corporate Records Book
  - Hold First meeting of Board of Directors
    - ✓ Adopt Bylaws
    - ✓ Elect Officers

# Ownership Structures

## □ C Corporation (cont)

- Formation Procedures (cont)
  - Issue Shares of Stock
    - ✓ Remember: Notice of Stock Transaction Form Must be Filed.
  - File Annual Statement of Domestic Stock Corporation Within 90 Days
- Shareholders have limited personal liability
- Corporate income can be taxed twice - planning required.
  - However, owners pay and fringe benefits are fully deductible.

# Ownership Structures

- *C Corporation (cont)*
  - Formation Procedures (cont)
  - Other
    - Obtain EIN (required)
    - Obtain Business License(s)
    - Administratively Cumbersome

# Ownership Structures

## □ S Corporation

- Formation same as C corporation
  - However, after filing Articles of Incorporation, Board of Directors authorizes an S election.
  - Then, corporation files IRS Form 2553: Election by a Small Business.
- Profits and losses not taxed at corporate level; owe state annual tax.
- Limited number of shareholders.
- Everything else similar to C corporation.

# Ownership Structures

## □ Other

- Professional Corporation
  - Owners have no personal liability for malpractice of other owners.
  - All owners must belong to the same profession.
- Non-profit Corporation
  - May not have to pay income tax (depends on purpose of organization)
  - Allowed purposes (for no income tax option).
    - ✓ Charitable
    - ✓ Scientific
    - ✓ Education
    - ✓ Literary
    - ✓ Religious
    - ✓ Other - testing for public safety; fostering sports competition; preventing cruelty to children or animals.
  - Property transferred to corporation stays there. If corporation ends, property must go to another non-profit.