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Obtaining a Business License or Permit

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Most city, county and state governments require business owners to obtain business licenses and permits. In some instances, the federal government may also require you to secure special licenses or permits, depending on your kind of business.

Local Business Licenses

Nearly all businesses need a county or city license. This is a general license that grants you, as the business owner, the privilege of legally operating a business within a certain city and/or county jurisdiction. Fees are typically low and these kinds of licenses are easy to obtain, though application procedures may vary.

To obtain a local license:

1. Have your business paperwork in order, including any fictitious name certificates and your Employer Identification Number (EIN).
2. Contact your city hall and/or county government offices to determine the kind of license you need and obtain necessary application paperwork.
3. Complete the application and file it, along with a fee, with the appropriate government office. (Most often, this must be done in person).
4. Be sure to file renewals. Once granted, local business licenses usually must be renewed (and renewal fees paid) annually.

State Business Licenses

State business licenses are issued to businesses that provide products or services regulated by state law. For example, special state licenses are required for doctors, lawyers, hairdressers, realtors, auto mechanics, private investigators, building contractors and others who must meet state licensing requirements—i.e., a certain level of "certified" training or education. State licenses are also required of businesses that must meet certain state standards or codes, such as restaurants and other establishments that serve alcohol. Each state has different agencies regulating these types of businesses.

To obtain a state license:

1. Contact your local government offices to see if your particular business requires a state license. Local libraries are another good source for state-specific licensing information.
2. Obtain license requirement information and application paperwork from the state agency regulating your kind of business.
3. Complete the application and file it with the appropriate state office, and pay filing fees as required.
4. Stay on top of annual renewals and/or other kinds of procedures as required by state law for your kind of business.

Sales Tax Licenses

In some states, business licenses are the exception rather than the rule. However, almost all states require a sales tax license or permit for all retail businesses. This allows you to charge sales tax to customers on items purchased. Check with your State

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Federal Licenses

For a very few businesses, federal licensing is required. In general, federal licensing is required if the business is highly regulated by the government. For example, firms providing investment advice, interstate-trucking companies, businesses involved with meat preparation, and those that sell heavily regulated products such as firearms. If you need a federal license, consider consulting an attorney to either advise you on or handle the entire application process for you. Your business may require more than one business license. Make sure you understand which licenses you must have, as well as the order in which you need to obtain them.

Permits

Many businesses are also required to obtain permits. Generally, permits regulate the safety, structure, and appearance of the community as defined by local and/or state laws, typically referred to as "ordinances." Once your jurisdiction determines that your business is in compliance with such ordinances, you will be issued the relevant permit(s) enabling you to legally operate your business.

Local permit requirements vary by jurisdiction. Failure to have the proper permits may prevent your business from opening, and could result in fines or even being shut down. Usually it is best to first research the kinds of permits your business will need and find out what the regulating agency requires. This helps ensure that you are in compliance with regulations and avoid costly delays and expenses related to re-tooling your business after the fact.

Applying for business permits is similar to applying for a business license:

1. Research the permits you need through the appropriate agency.
2. Make sure your business complies with the ordinances in your area.
3. Obtain the proper application forms and/or set-up the proper applications procedures (in some cases, this might be an on-site inspection).
4. File the necessary paperwork to obtain the relevant permit(s), and pay any filing fees.

Types of Permits

Types of permits your business may need include:

- **Seller's Permit**
If you'll be purchasing wholesale merchandise for resale, your state will probably require you to register for a seller's (sometimes called a reseller's) permit or sales tax permit. Usually your State Franchise Tax Board agency grants seller's permits.
- **Building Permit**
If you plan on remodeling or building a commercial space, check local building codes to find out if you'll need to get a building permit. Make sure as well that your business space is in compliance with other local ordinances, such as access and facilities for the disabled, so that your business is eligible to receive the other permits you will need.
- **Health Permit**
If you'll be preparing food as part of your business, you'll also need to get a health permit. Call the governing health department to research the requirements, then make sure you are in compliance and arrange for an inspection.
- **Zoning Permit**
Don't sign a lease without first checking that the space is properly zoned for the use you have in mind. Some cities require that all new businesses get a zoning compliance permit before they open. You can research this through your local library, planning department or zoning board.
- **Home Occupation Permit**
If your business is home-based, many local governments require that you obtain a home occupation permit. The cost is usually a flat fee or a percentage of annual receipts from your business. Call your city hall and ask them for zoning information in your area. (Also check with your building's management (if you rent) or the local homeowners association).

If for some reason your business is unable or unwilling to comply with an ordinance, you can petition the jurisdiction for a special permit, called a variance, which would allow you to, in effect, violate the ordinance. If you're interested in a variance, talk to your lawyer. Because variances are not routinely granted and can be expensive (in terms of legal fees) to obtain, make sure you really need the variance before you request it.

Finally, if you're not sure which agency in your city or state to contact for specific questions about what your business will require, start with unofficial sources of information. The Small Business Administration (SBA), your local chamber of commerce, trade associations and even other businesspeople or attorneys working with your kind of business should be able to point you in the right direction.

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