Small-Business Guide

WASHINGTON STATE™

Questions or Comments

Governor's Office for Regulatory Innovation and Assistance
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PLAN your business

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PLAN your business

Are you considering starting a business?

Starting a business is a big decision. If you've never owned a business before, you may be unaware of all the things you need to do to get your business going. Careful planning and research will improve your chances of success.

First, ask yourself – "Why Start a Business"

Asking and answering this question will help to frame your motivation for everything you will need to do and learn to start a business. Becoming an entrepreneur is not for everyone. In business, there are no guarantees. There is simply no way to eliminate all of the risks. It takes a special person with a strong commitment and specific skills to be successful as an entrepreneur. Understanding what it takes to be entrepreneurial is an important part of preparing yourself for the commitment and workload required to be successful. Are you ready to start your own business? Use the Readiness Assessment Guide to better understand how prepared you are. This guide is designed to help you better understand your readiness for starting a small business. It is not a scientific assessment tool. Rather, it is a tool that will prompt you with questions and assist you in evaluating your skills, characteristics and experience – as they relate to your readiness for starting a business. The Assessment Guide has twenty five questions. Your responses will be evaluated at completion of the questions.

- Small Business Readiness Assessment

There is also a great quick read provided by the Washington State Department of Commerce with additional assessment tools.

- Pre-Game
- Getting Into Shape
- Deal Breakers

Business training

You don't need a degree in business to start one, but knowledge is power. Taking classes and attending workshops are excellent ways to gain the knowledge you will need to be successful.

Training Opportunities:

- Small Business Administration
- SCORE
- Small Business Development Center
- Business Impact NW
- Washington Center for Women in Business
- Veterans Business Outreach Center
- Business training - Career Bridge
- Government training opportunities
- Your local community college
- Your local chamber of commerce
- Your local economic development organization

Business planning

Writing a comprehensive business plan is the first step in starting a business. Your business plan will:

- Guide you as you make your business a reality.
- Help you avoid costly mistakes.
- Assist you in preparing financially, whether you plan to fund your business yourself or to obtain outside financing.
- Gain the confidence of others who may have an interest in your business, such as partners, investors, landlords, and suppliers.

The most valuable part of writing a business plan is the education you gain by researching and writing it. While it may be tempting to hire someone to prepare your plan or to buy an off-the-shelf plan for your type of business, it is in your best interest to do the work yourself. That doesn't mean you should do it alone. It would be wise to work with mentors, consultants, or advisors through the process. Their guidance can save you a lot of time and effort. Below is a list of organizations that can help as you develop your plan.

- U.S. Small Business Administration
- SCORE
- Business Impact NW
- Washington Center for Women in Business
- Washington Small Business Development Center (contact after you have a draft plan)
- Business and professional associations

A typical business plan includes the following:

1. Mission & vision statements

A mission statement is a brief description of what you do. It helps you and those working with you to stay focused on what's important. A vision statement answers the question "What do we want to become?" It provides you direction as you make decisions that will impact the future of your business.

2. Business description

Your business description provides the "who, what, when, where" of your business, including the type of business structure, start date, and the location.

Your business structure will be included in this section. A business is a legal entity or a sole proprietorship. It can own property, hold bank accounts and is required to pay taxes. There are different types of business entities, each with unique benefits and limitations.

The "right" choice for you depends on your interests and needs. You'll need sound counsel to understand your obligations regarding your business. Get to know the business structure options and discuss them with your advisors to determine which will be best for you. Find legal, tax and business (SCORE, Small Business Development Centers) advisors. Things to consider when making your decision include:

- The number of owners now and in the future.
- The types of owners - such as individuals or entities (corporations, trusts, etc.).
- Liability concerns.
- Federal tax implications - Internal Revenue Service (IRS).
- Registration and tax filing requirements and costs.

- Paperwork and entity management considerations.

Sole Proprietorships are owned by a single person or a married couple. These businesses are inexpensive to form and there are no special reporting requirements. The owner is personally responsible (liable) for all business debts and for federal taxes.

Limited Liability Companies (LLCs) are very popular. The business has limited legal liability like a corporation, but has fewer governance requirements. LLC owners are called "members." Creating an LLC requires filing with the Washington Secretary of State. For federal taxes, LLCs are typically treated like sole proprietorships if there is one owner, or like partnerships if there is more than one owner. However, by filing an entity classification election form with the IRS, LLCs can be treated like corporations for federal tax purposes. Although not required, forming an LLC should be done with the help of a qualified legal professional. Among other requirements, LLCs must create a governance document called an Operating Agreement.

General Partnerships are like sole proprietorships with more than one owner. Partners share managerial duties, profits and losses, and each is personally responsible (liable) for all business debt. Because the actions of one partner can result in personal liability for the others, partnerships have become less popular since LLCs have been around. For federal tax purposes, the business is required to file a partnership return, with the income or loss going to each partner based on how much of the business each owns.

Corporations are more complex structures than the others. As with LLCs, corporations have limited legal liability. To form a corporation, you must file with the Washington Secretary of State and you must create a governance document – which, in this case, would be bylaws. Corporations also have other requirements, such as issuing stock certificates, holding annual meetings and keeping minutes, electing directors, etc. Corporation owners are called "shareholders" or "stockholders." Working owners of corporations are employees and must have federal payroll taxes withheld and reported the same as other employees. Corporations file federal corporate tax returns with the IRS. If qualified and applied for on a timely basis, corporations may choose pass-through taxation ("S-Corporation"). Although not required, forming a corporation should be done with the assistance of a qualified legal professional.

Limited Partnerships (LPs) are not used very often for small businesses, although they are common for real estate ownership. LPs are composed of one or more general partners and one or more limited partners. The general partners manage the entity and share fully in its profits and losses. To protect themselves from liability, general partners are often corporations or LLCs rather than individuals. 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 entity. Get legal advice before choosing an LP structure for your business. Like LLCs and corporations, creating an LP requires filing with the Washington Secretary of State.

Washington State Business and Organization Structure Considerations:

Considerations	Sole Proprietorship	General Partnership	Limited Liability Company (LLC)	Corporation
File or register with Washington Secretary of State	No	No	Yes	Yes
Formation Difficulty	Low	Low	Medium	Medium/High
Liability	Sole Proprietor has unlimited liability for debts and taxes.	Partners have unlimited liability for debts and taxes.	Members are not typically liable for debts other than taxes.	Shareholders are not typically liable for debts other than taxes.
Operational Requirements	Relatively few legal requirements.	Relatively few legal requirements	Some formal requirements such as operating agreements and annual reporting.	Board of directors, annual meetings, annual reporting required.

Considerations	Sole Proprietorship	General Partnership	Limited Liability Company (LLC)	Corporation
Management	Sole proprietor has full control of management and operations.	Typically each partner has an equal voice, unless otherwise arranged.	LLCs have an operating agreement that outlines governance and management.	Corporations have bylaws that outline governance. Typically managed by directors who are elected by shareholders.
Federal Taxation	Sole proprietor reports all business revenues & expenses and pays taxes through personal return.	Each partner reports their share of business revenues & expenses and pays taxes through personal return.	If one LLC member, typically pay taxes as individual. If more than one member, typically pay taxes as partnership. Can elect with IRS to pay taxes as a corporation (either c- or s-).	If standard corporation (c-corp), taxed as a business. If dividends are distributed to shareholders, dividends are taxed at the individual level. Can elect with IRS to be taxed as an s-corp. Each s-corp shareholder reports their share of business revenues & expenses and pays taxes through personal return.

Considerations	Sole Proprietorship	General Partnership	Limited Liability Company (LLC)	Corporation
Washington Excise Taxation and Liability (Washington Department of Revenue)	Taxes based on business income. Sole proprietor has unlimited liability.	Taxes based on business income. General partners have unlimited liability.	Taxes based on business income. Members may have liability for taxes.	Taxes based on business income. Governing persons may have liability for taxes.

NOTE: This information is for reference only, for detailed considerations contact your trusted legal or tax advisors.

3. Market analysis

A market analysis will help you determine if there is a need in the marketplace for your product or service, who would be most likely to buy your offerings, and where your customers are located. Include:

- An analysis of your industry.
- Evidence of demand for your product or service.
- A description of your target market (customer profile).
- Your market size (looking at area demographics and the growth of your industry).
- Your competition and why people would choose your product or service over the competition.
- Estimated sales volume and revenue.
- Commerce has a free planner to do initial analysis, SizeUp!

4. Marketing plan

Once you've identified your customer, you need to explain how you will get your customers to buy your product or service. Include:

- Your pricing strategy, including the price floor (the price at which you would break even), the price ceiling (the maximum price people would consider paying for your product or service), and your pricing relative to your competition (same, lower, higher).

- Your desired image (in light of your target market) and how to achieve it through advertising, signage, business cards and letterhead, brochures, office/store appearance, your appearance, and other means of outreach.
- Your promotion and advertising strategy to reach your target market (such as use of website, social media, yellow pages, news releases, personal network, cold calls, newspaper, radio, television advertising, direct mail, etc.).
- The costs and timing of your marketing activities.

5. Operations plan

This reflects all the basics of operating your business and includes:

- Your business location. Who owns it? What are the lease terms? What will be required to get it ready with regard to zoning, permitting, construction and tenant improvements?
- Furnishing, fixtures, equipment, and supply needs.
- Inventory. What will you inventory in what volumes? Who will your vendors be? How will you store and track the inventory?
- Description of operation, such as the activities from when an order for products/ services is received through its delivery, the cycles for inventory or materials/supplies purchase, and other cycles inherent to your business.
- Key players and their operational roles in the business (co-owners, managers, advisors).
- Legal needs, insurance needs, and an understanding of your regulatory requirements.
- Recordkeeping and accounting needs (inventory tracking, accounting system, billing method, filing systems, etc.). Who will handle day-to-day accounting? Who will be your business banker? Who will be your business accountant and what services will they provide?
- Consider including a section on emergency preparedness. Unexpected natural and human cased events could damage or destroy your business and its records. Prepare a plan in advance.
- Another good planning tool designed specifically for small businesses can be found on Commerce's small business site.

6. Personnel plan

Most new businesses start small and grow. When you do hire, having employees with the right attributes and skills for your business will be very important to your success. There are resources to help you with employment planning, including Labor Market Information.

Employment is an area that has a lot of regulation, including minimum wage, overtime pay, leave and benefits, pregnancy accommodations, employment of minors and family members, workplace safety, etc.

The use of independent contractors is a frequently misunderstood area. Generally, state and federal law would require that an individual be treated as an employee unless the individual:

- Is truly in business for himself or herself.
- Is licensed and actively markets his or her services.
- Has multiple clients/customers.
- Is performing work that is outside the business's normal activities.

Being an employer also requires you to keep detailed records and fulfill your tax reporting obligations. It is important that you understand the regulations and costs as you plan your business. The links below can help you understand your responsibilities.

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
- Retirement Marketplace

Note: If you have workers in Seattle, Tacoma or SeaTac, check with your city for minimum wage and other employment requirements.

Include in your Personnel Plan:

- Positions needed and when.
- Whether employees are permanent or temporary. If temporary, whether you'll employ them directly or use an outside agency.
- Job descriptions and skill needs.
- Training requirements.
- Compensation and benefits.
- Personnel policies.

7. Financing plan

Projections:

You need to have a well-researched estimate of the start-up and operating costs of your business. You also need to have a realistic expectation of the amount of money your business will bring in. These projections will help you prepare financially for starting your business, whether you finance the business yourself or seek outside loans or investors.

Include projections of:

- Start-up costs. Determine how much start-up money you'll need for facilities, equipment, furnishings, fixtures, supplies, signage, licenses and permits, advisors, etc. Include all costs necessary to execute your business plan.

- Monthly cash flow projection. A cash flow projection is effectively your budget. You should budget at least 24 months at a high level of detail, showing the amounts and timing of cash flowing into and out of the business. Together, start-up costs and cash flow projection will show the total funds needed for the business to reach the point of sustainability (when it can pay for itself).
- Projected profit & loss statements (P&Ls) for at least two years. P&Ls, also called income statements, show a picture of the business using the equation:

  Revenues - Expenses = Profit (or Loss)
- Projected balance sheets for the start of the business, the end of year one and the end of year two. Balance sheets show a picture of the business using the equation:

  Assets - Liabilities = Net Worth (or Equity)

Financing:

Once you know how much money your business will require to reach the point where it can begin supporting itself, you can determine how to get the needed funds.

- Potential sources of funding include owner savings, friends, family and other private lenders, business partners, credit cards, business loans, public stock offerings, etc. Not all of these sources may be appropriate for you and your business.
- Although you may have heard rumors that there are grants to start businesses, it is generally not true. Only in very specific situations are grants provided for starting a business; an example would be scientific research and development that is needed by federal agencies. The Department of Commerce has a free guide outlining 27 strategies for raising business capital called Startup Wisdom.
- Business loans typically require the "5Cs":
  - Capital/Cash – the owner's cash investment. Owners usually must bring 25-30% of the funds needed to start a new business.
  - Capacity/Cash Flow – evidence that the business owner has the ability to start and run the business successfully. The owner's industry experience, business training and management experience, in combination with a well-developed business plan, will help establish capacity. The cash flow projection is critical here, and it needs to show the ability of the business to meet its financial obligations, including making loan payments.

- Collateral – something of value to pledge. Typically collateral includes business property, furnishings, fixtures, equipment, and inventory, plus owner assets outside of the business (real estate, stock, etc.).
- Character – confidence that the owner takes responsibilities seriously, as demonstrated, in part, through the owner's credit history.
- Conditions – confidence that the overall environment (economy, industry trends, and market forces) supports the business's potential for success.

- The act of seeking investors and private lenders is highly regulated and requires an understanding of securities laws.
- If you can't finance your business at the level you first planned, think of ways you might scale back your plans, such as start smaller, buy fewer supplies/equipment, lease equipment or buy used equipment, hire fewer employees, find a less expensive location, etc. Be aware that changes you make on the expense side will likely also affect your revenue projections.
- Go to these websites for assistance with business financing:
  - U.S. Small Business Administration
  - Small Business Development Center
  - Washington Department of Commerce
  - Office of Minority and Women's Business Enterprises
  - Small Business Administration (SBA) Veteran Office
  - Microlenders in Washington State
  - Fundera

8. Need assistance?

State of Washington Small Business Liaisons can help you get the information and resources you need. Also, help us improve the Small Business Guide by filling out a short, confidential survey.

START your business

August 2020

START your business

1. Have you prepared your business plan?

You won't want to start your business before you have completed your business plan! You may want to click the "Planning" box for business planning guidelines. For planning assistance and more in-depth information regarding any of the steps on this page, you may wish to check out the following resources:

- U.S. Small Business Administration
- SCORE
- Business Impact NW
- Washington Center for Women in Business
- Washington Small Business Development Center
  (contact after you have a draft plan)
- Business and professional associations

2. Are you buying an existing business?

If you are buying a business or even just some of the assets of a business, be aware that you may inadvertently be buying past liabilities in the form of unpaid taxes and experience ratings. Get competent legal advice before purchasing a business because these past liabilities are not necessarily part of the regular financial documents.

- For potential liabilities related to the Department of Revenue, you should require the owner to provide a Tax Status Letter with regard to any outstanding taxes by the business. You may also need to pay Use Tax to the Department of Revenue on the value of tangible assets included in the purchase, such as equipment, furnishings, supplies, etc. For more information, see our Tax Topics article titled Buying the assets of a business.
- For workers' compensation, the purchaser of a business is potentially liable for premium owed, outstanding or pending audit assessments, as well as inheriting the claim responsibilities and their impact on future premium rates. Potential purchasers should request the seller for data and information listed on this Buyer Beware publication.
- For unemployment insurance, you may inadvertently be buying past liabilities and be held accountable for the predecessor's debt.

3. Choose a business structure

A business is a legal entity. It can own property, hold bank accounts and is required to pay taxes. There are different types of business entities, each with unique benefits and limitations.

The "right" choice for you depends on your interests and needs. You'll need sound counsel to understand your obligations regarding your business. Get to know the business structure options and discuss them with your advisors to determine which will be optimal for you. Find legal, tax and business (SCORE, Small Business Development Centers) advisors. Good decisions are based on:

- The number of owners now and planned for the future.
- The types of owners - are they all individuals or are they entities (such as corporations, trusts, etc.)?
- Liability concerns.
- Federal tax implications - Internal Revenue Service (IRS).
- Registration and tax filing requirements and costs.
- Paperwork and entity management considerations.

Sole Proprietorships are owned by a single person or a married couple. These businesses are inexpensive to form and there are no special reporting requirements. The owner is personally responsible (liable) for all business debts and for federal taxes.

Limited Liability Companies (LLCs) are very popular. The business has limited legal liability like a corporation, but has fewer governance requirements. LLC owners are called "members." Creating an LLC requires filing with the Washington Secretary of State. For federal taxes, LLCs are typically treated like sole proprietorships if there is one owner, or like partnerships if there is more than one owner. However, by filing an entity classification election form with the IRS, LLCs can be treated like corporations for federal tax purposes. Although not required, forming an LLC should be done with the help of a qualified legal professional. Among other requirements, LLCs are required to create a governance document called an Operating Agreement.

General Partnerships are like sole proprietorships with more than one owner. Partners share managerial duties, profits and losses, and each is personally responsible (liable) for all business debt. Because the actions of one partner can result in personal liability

for the others, partnerships have become less popular since LLCs have been around. For federal tax purposes, the business is required to file a partnership return, with the income or loss going to each partner based on how much of the business each owns.

Corporations are more complex structures than the others. As with LLCs, corporations have limited legal liability. To form a corporation, you must file with the Washington Secretary of State and you must create a governance document—which, in this case, would be bylaws. Corporations also have other requirements, such as issuing stock certificates, holding annual meetings and keeping minutes, electing directors, etc. Corporation owners are called "shareholders" or "stockholders." Working owners of corporations are employees and must have federal payroll taxes withheld and reported the same as other employees. Corporations file federal corporate tax returns with the IRS. If qualified and applied for on a timely basis, corporations may choose pass-through taxation, where income taxes are paid by the owner(s) but not also by the corporation ("S-Corporation"). Although not required, forming a corporation should be done with the assistance of a qualified legal professional.

Limited Partnerships (LPs) are not used very often for small businesses, although they are common for real estate ownership. LPs are composed of one or more general partners and one or more limited partners. The general partners manage the entity and share fully in its profits and losses. To protect themselves from liability, general partners are often corporations or LLCs rather than individuals. 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 entity. Get legal advice before choosing an LP structure for your business. Like LLCs and corporations, creating an LP requires filing with the Washington Secretary of State.

Washington State Business and Organization Structure Considerations:

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

Considerations	Sole Proprietorship	General Partnership	Limited Liability Company (LLC)	Corporation
Federal Taxation	Sole proprietor reports all business revenues & expenses and pays taxes through personal return.	Each partner reports their share of business revenues & expenses and pays taxes through personal return.	If one LLC member, typically pay taxes as individual. If more than one member, typically pay taxes as partnership. Can elect with IRS to pay taxes as a corporation (either c- or s-).	If standard corporation (c-corp), taxed as a business. If dividends are distributed to shareholders, dividends are taxed at the individual level. Can elect with IRS to be taxed as an s-corp. Each s-corp shareholder reports their share of business revenues & expenses and pays taxes through personal return.
Washington Excise Taxation and Liability (Washington Department of Revenue)	Taxes based on business income. Sole proprietor has unlimited liability.	Taxes based on business income. General partners have unlimited liability.	Taxes based on business income. Members may have liability for taxes.	Taxes based on business income. Governing persons may have liability for taxes.

NOTE: This information is for reference only, for detailed considerations contact your trusted legal or tax advisors.

4. Determine your business name

When deciding on a business name, there are many things to consider:

- Will it appeal to your potential customers?
- Will it work well in graphic design and marketing?

- Is anyone else using the name? If so, could there be confusion in the marketplace, or could you be infringing on their legal name, trademark, or service mark? Learn the difference between a "Legal Entity Name (Article 3 RCW 23.95)" "trade name," a name used in the course of business, and a "trademark," an exclusive right to use a name. You can do searches through the U.S. Patent and Trademark Office, the Washington Business Licensing Service, the Secretary of State, and through various Web search engines.
- If your business is a corporation or limited liability entity, the name must indicate the type of entity (such as Corp., Inc., LLC, etc.).

Legal Entity names become record when you file a legal entity such as an LLC or Corporation. You can register a trade name when you complete your Washington Business License Application, at a cost of $5 per name. If you also want to trademark a name, you may want to consult an intellectual property attorney. If your business activities will extend beyond Washington State, file for a trademark with the U.S. Patent and Trademark Office. If your business activities will stay within Washington, file for a trademark with the Secretary of State.

5. If selecting a corporation or LLC structure, get registered

If the business structure you've chosen is a corporation, limited liability company, or limited partnership, you will need to create the entity or have your attorney do it for you.

- You may have heard that registering your business entity in a state other than Washington is the way to go. Do your homework before acting on that advice! If you're operating your business in Washington, you'll need to be registered in Washington. If you do the initial registration in another state, you'll need to register in Washington as a "foreign entity". You won't save anything in state registration, licensing, and tax costs for your Washington operation, but you'll have the added costs of the other state.
- Determine who will be your "registered agent," the Washington-based person who will receive your official service of process and business entity notifications. It can be you, your attorney, or an outside party.

- Create "Articles of Incorporation" (corporation) or "Certificate of Formation" (limited liability company), and file them with the Secretary of State's office. Filing with the Secretary of State can be done at https://www.sos.wa.gov/corps/.
- By filing, you will receive your Washington State Unified Business Identifier, or UBI number (state business identification number). Note: be sure to use the issued UBI number when dealing with other state agencies.
- Create the governance document for your entity: "Bylaws" (corporate entity); "Operating Agreement" (limited liability entity); or "Partnership Agreement" (limited partnership).

6. Determine your business location

Your business may have a clear location, such as a retail store, a restaurant or a practitioner's office, or it may be mobile or Web-based. Regardless, to license your business you will need to identify a physical location. Consider the following when determining where to locate your business:

- Will the location appeal to your customers?
- Have you accounted for all site-related start-up and operational costs in your business plan?
- Is the location zoned appropriately?
- If it will involve a lease, what will the terms be?
- What special permits, if any, will be required at that location?
- If home-based, what restrictions will your city or town, county or homeowner association place on your business?

7. Get your federal tax number and consider federal tax filing options (LLCs and corporations)

If your business is a sole proprietorship or one-owner LLC and you won't have employees, you can use your Social Security Number as the business's federal identification number, although many business owners choose not to for confidentiality reasons. Otherwise, you will need to obtain a federal ID number (also called taxpayer ID number and employer ID number).

The federal tax form for sole proprietorships is 1040-Schedule C, and for partnerships, Form 1065. For standard corporations, tax filing is with Form 1120. If you wish to be

treated as an S-corporation (Form 1120S for pass-through taxation), you must complete Form 2553 – Election by a Small Business Corporation within 75 days of forming your business (see Form 2553 Instructions). The IRS doesn't recognize LLCs as a classification for tax purposes. LLCs default to sole proprietorship taxation if one owner, and partnership taxation if more than one owner. However, LLCs can elect to be treated as standard or S-corporations for federal tax purposes through IRS Form 8832. Consult your tax professional for further information and advice.

8. Obtain required licenses and permits

Most businesses are required to be licensed at both the state and local levels, and many need professional licenses too. You will likely need licenses in every location where you do business; not just where you're based. Also, some businesses require additional permits.

The online Business Licensing Wizard is a helpful tool. Use it to learn the licensing and permitting requirements for your specific business. Enter your intended business activity, location, and other key information, and receive an online list of specific licenses and permits that are likely to be required.

- When you file your Washington Business License Application, be prepared to address the following:
  - Whether you will want unemployment insurance coverage for corporate officers. Officers who provide services in Washington are automatically exempt from unemployment insurance unless the employer specifically requests to cover them. If you want to cover your corporate officers, you must submit a Voluntary Election Form. Find out more here.
  - General business information including physical location and ownership.
  - A rough estimate of your expected gross annual revenues.
  - Whether you intend to hire employees within 90 days of start-up.
  - Whether you will want optional workers' compensation coverage for business owners.
- The Business License Application is the state business license form and establishes your accounts with multiple Washington state agencies, including the Departments of Revenue, Employment Security, and Labor & Industries. Some local and specialty licenses can be obtained by using the Business License

Application. Follow the links above for information on local and specialty license fees.

- For information about local licenses NOT handled through the Business License Application, contact each city or town where you will be conducting business.
- Some businesses require professional licenses, such as architects, engineers, health care providers, counselors, attorneys, CPAs, etc. For information and requirements, contact the licensing authority for that profession.
- Food-related businesses (such as restaurants, coffee stands, caterers, food product manufacturers, etc.) will need kitchen and food handler permits. Contact your county health department. Food and beverage manufacturers and processors will need licensing from the Washington Department of Agriculture. If you plan to sell, serve, or produce alcoholic beverages, contact the Washington State Liquor and Cannabis Board to find out what kind of license you need to apply for. For marijuana-infused products, you will need a marijuana license. Contact the Business Licensing Service for more information on how to apply. For help opening a restaurant in Seattle, visit the Seattle restaurant site.
- Businesses in the construction trades must be registered as contractors, which requires bonding and insurance. Be aware that even marketing or bidding for a construction job requires that you be registered as a contractor.
- Some service businesses can require contractor registration if their services extend into contractor specialties. Examples: (a) Garbage haulers haul construction debris; (b) lawn maintenance services modifying flower beds, building paths, planting plants, cutting branches with something more powerful than loppers, or using power equipment to remove unwanted plants; (c) janitorial services that remove construction debris when cleaning new construction; (d) pressure washing services that clean buildings or decks. There is a minimum $1,000 fine for performing contractor services without contractor registration. Descriptions of specialty contractor classifications. Businesses that have environmental impacts may need permits at the county and/or state level. Contact your county health department and the state Office for Regulatory Innovation and Assistance for more information.
- Lodging establishments such as hotels and motels, must be licensed through the state Department of Health.
- Businesses providing residential care and businesses providing medical and health services must be licensed through the state Department of Health.

- Child care businesses must be licensed through the state Department of Early Learning.

9. Set up your operations

- With your federal ID number, state UBI number, your governance document if you're a corporation (bylaws) or LLC (operating agreement), and some cash, you can set up a bank account. When selecting a bank that best meets your needs, consider:
  - Access to credit (loans, credit cards).
  - Business products and services and their costs.
  - Convenience (location and hours).
  - Staff relationships.
- Ensure understanding of regulatory and tax requirements, including those items listed below (note: the RUN Your Business chapter can help you):
  - U.S. Internal Revenue Service - income tax, Social Security tax, Medicare, federal unemployment tax.
  - Washington Department of Revenue - business & occupation tax, sales tax, use tax, specialty taxes.
  - Washington Department of Labor & Industries - contractor licensing, workers' compensation, wage & hour laws.
  - Washington Employment Security Department - state unemployment tax, Paid Family and Medical Leave premium collection.
  - Your county - property tax, food-related requirements, environmental requirements.
  - Your cities, towns and counties - license renewals, signage ordinance, zoning restrictions, local business & occupation tax.
- To streamline and expedite the application and permitting process, Washington's Department of Commerce has developed a Regulatory Roadmap for specific industries. This includes restaurants (Seattle, Tacoma, Spokane and Spokane Valley), manufacturing (Arlington, Lynnwood and Marysville – Piece County and Sumner coming soon) and contracting (Kennewick).
- Set up your accounting system, ideally with assistance from an accountant or skilled bookkeeper.
- Secure business insurance.

- If you want your business to be certified as a woman, minority or economically disadvantaged business, or a veteran-owned business, complete the certification paperwork.

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 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 - 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 rehired 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 birth date.

- Employment is an area that has a lot of regulation, including minimum wage, overtime pay, leave and benefits, pregnancy accommodations, employment of minors and family members, workplace safety, etc.
- The use of independent contractors is a frequently misunderstood area. Unless an individual is truly in business for himself or herself, is licensed, files federal and state taxes as a business, actively markets, has multiple clients/customers, and is performing work that is outside your normal business activities, chances are state and federal laws will require that the individual be treated as an employee.
- Employment is also an area of significant recordkeeping and tax responsibilities. It's important that you understand those regulations and costs as you plan and operate your business.

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

- Retirement Marketplace

Note: If you have workers in Seattle, Tacoma or SeaTac, check with your city for minimum wage and other employment requirements.

11. Open your doors

Congratulations – and good luck!

12. Need assistance?

State of Washington Small Business Liaisons can help you get the information and resources you need. Also, help us improve the Small Business Guide by filling out a short, confidential survey.

Commerce's Startup website also has excellent resources, including articles, technical assistance and sections specific to women-owned and veteran-owned businesses.

PAYROLL your business

August 2020

PAYROLL your business

1. What is payroll?

"Payroll" means payments to employees, where those payments are required to be reported to state and federal agencies, such as the IRS, Social Security Administration, Washington Employment Security Department, and Washington Department of Labor & Industries.

2. Do I need a payroll?

Most individuals you hire are considered "employees" by law. These include:

- Temporary workers
  - Unless hired through a temporary services company that has the worker on its payroll
- "Casual labor" and many "1099 workers"
- Friends, relatives, and others receiving anything of monetary value in exchange for their work
- Many independent contractors
  - Independent contractors must meet specific requirements to be considered exempt from employment laws.
  - There are several laws defining independent contractors, each with different requirements.
  - You can't assume someone who meets the independent contractor definition and is exempt from one set of employment laws is therefore exempt from other laws.
  - The burden is on you to prove someone who works for you is not an employee or a worker entitled to unemployment or workers compensation coverage.
  - Independent contractor laws that affect payroll tax responsibilities
    - U.S. Internal Revenue Service
      To determine if you have responsibilities for Social Security and Medicare taxes, income tax withholding, federal unemployment taxes, and W-2 reporting

- Department of Labor & Industries
  To determine if you have responsibilities for providing workers' compensation insurance
- Employment Security Department
  To determine if you have responsibilities for state unemployment taxes
- Paid Family and Medical Leave
  To determine if you have responsibilities for participating in the program

3. Can I handle payroll myself, or do I need a professional?

- Payroll calculations and related taxes aren't necessarily difficult; however the recordkeeping, filing and payment responsibilities are significant.
- Learning all you need to know, keeping up on changes, and taking the time necessary to meet your requirements is time you're not spending building your business.
- If a business hires just one person early in a year, there will be 18 forms to complete that year, plus the legal responsibility for creating and maintaining employment and payroll records. That's a lot to keep track of!
- Because of all the requirements and time involved, many businesses contract with bookkeepers, accountants or payroll services to handle the process and required reporting for them.
- Please do not overlook working closely with your payroll professionals because business owners are ultimately responsible for the accuracy, completeness and timeliness of payroll calculations and related taxes.

4. What payroll reporting and tax responsibilities do employers have?

Most responsibilities are summarized in this chart. Detailed explanations follow the chart.

Requirement (in order of action timing)	Purpose	Action	Agency
W-4 Form (completed by employee prior to first payroll; new forms can be completed at any time)	Needed for employee information and to determine federal income tax withholding	Keep on file	U.S. Internal Revenue Service
I-9 (completed by both employee & employer within 3 days of hire)	Needed to provide proof of an employee's eligibility to work in the U.S.	Keep on file	U.S. Dept. of Homeland Security
Employee Paid Sick Leave Notification form (completed by employee and employer at hire)	Required to provide notice of employee's entitlement to paid sick leave	Give copy to employee and keep copy on file	WA Dept. of Labor & Industries
New Hire Reporting (completed by employer within 20 days of hire or rehire)	Agency determines if employee has a child support case and also shares new hire information with Employment Security and Labor & Industries	online, fax to DSHS (800-782-0624) or call in to DSHS (800-562-0479)	WA. Dept. of Social & Health Services
IRS Electronic Federal Tax Payment System (EFTPS)	Need account to pay federal taxes.	Set up account	U.S. Internal Revenue Service
IRS Form 941 - Employer's Quarterly Federal Tax Return (1 each calendar quarter per employer)	Report employee earnings, employer and employee paid Social Security and Medicare taxes, and employee-paid income taxes.	Send forms quarterly to IRS by mail (due 4/30, 7/31, 10/31, 1/31). Send payments using IRS online system EFTPS	U.S. Internal Revenue Service

Requirement (in order of action timing)	Purpose	Action	Agency
Workers' compensation premium report (1 each calendar quarter per employer)	Workers' compensation insurance for medical costs and wage replacement if injured on the job.	Complete and pay online at www.lni.wa.gov (due 4/30, 7/31, 10/31, 1/31)	WA Dept. of Labor & Industries
State unemployment tax report (1 each calendar quarter per employer)	Unemployment benefits for employees who lose their jobs.	Complete and pay online at esd.wa.gov (due 4/30, 7/31, 10/31, 1/31)	WA Employment Security Dept.
Paid Family and Medical Leave report	Paid leave for employee to care for themselves or their family	Complete and pay online at paidleave.wa.gov (due 4/30, 7/31, 10/31, 1/31)	WA Employment Security Dept.
IRS Form 940 - Employer's Annual Federal Unemployment Tax Return	Pays for administration of the national unemployment insurance program	Send form to IRS by mail and transmit payment using IRS online system by 1/31 for the preceding year	U.S. Internal Revenue Service
IRS Form W-2 - Wage and Tax Statement for each employee for a calendar year	Employees need the form to file their federal income taxes. IRS and Social Security Administration need for recordkeeping.	Give three copies to each employee by 1/31 of the following year. Send original with the W-3 to the Social Security Administration by 2/28	U.S. Internal Revenue Service and Social Security Administration
IRS Form W-3, Transmittal of Wage and Tax Statements (W-2 Forms).	Social Security Administration needs for recordkeeping. IRS needs for reconciliation with Forms 940 & 941.	Send with W-2 Forms to Social Security Administration by 2/28 of the following year.	U.S. Internal Revenue Service and Social Security Administration

Federal income taxes – employee paid

- Employers withhold income taxes from employee paychecks.
  - Withholding amount is based on each employee's total wages and the latest IRS Form W-4 the employee completed.
  - For amount to withhold, see tax tables in IRS Publication 15 – Employer's Tax Guide.
- Send amounts withheld to the IRS electronically using EFTPS (Electronic Federal Tax Payment System) at the time due (typically quarterly or monthly for small businesses, depending on total taxes)
- Include information about employee withholding in your IRS Form 941 – Employer's Quarterly Federal Tax Return. Form 941 due dates:
  - 1st Quarter - April 30
  - 2nd Quarter - July 31
  - 3rd Quarter - October 31
  - 4th Quarter - January 31 the following year

NOTE: Due to recent changes to the Tax law for 2018, the IRS encourages everyone to use the Withholding Calculator to perform a quick "paycheck checkup." The Calculator helps employees make sure they have the right amount of tax withheld from their paycheck at work, and helps them determine whether they need to give their employer a new Form W-4, *Employee's Withholding Allowance Certificate*.

Federal Social Security and Medicare taxes – employee and employer paid

- Withhold 7.65% of employee total wages and other compensation from employees' paychecks (use the same gross payroll figure as used for determining income tax withholding)
  - 6.2% for Social Security
  - 1.45% for Medicare
- The employer portion matches the amount withheld from the employee.
- Employer pays both employee and employer shares to the IRS.
- Send both employee and employer tax amounts to the IRS electronically using EFTPS (Electronic Federal Tax Payment System) at the time due (typically quarterly or monthly for small businesses, depending on total taxes)
- Include information about Social Security and Medicare Taxes in your IRS Form 941 – Employer's Quarterly Federal Tax Return. Form 941 due dates:

- 1st Quarter - April 30
- 2nd Quarter - July 31
- 3rd Quarter - October 31
- 4th Quarter - January 31 of the following year

Federal Unemployment Taxes (FUTA) – employer paid

- Calculate tax based on the employee's total wages plus other compensation.
- FUTA is paid until the employee's wages and other compensation add up to $7000 during the calendar year.
- If an employee earns more than $7000 in the calendar year, no further FUTA tax is due for that year.
- Send tax payment to the IRS electronically using EFTPS (Electronic Federal Tax Payment System) at the time due (typically quarterly or annually for small businesses, depending on payroll).
- Complete IRS Form 940 – At the end of the calendar year complete the Employer's Annual Federal Unemployment Tax Return and submit it by January 31 the following year.

Federal Wage and Tax Statement (Form W-2) and Transmittal (Form W-3)

- By January 31, provide each employee copies of their W-2 Form, which summarizes that employee's earnings and federal withholdings for the preceding calendar year.
- Complete Form W-3 – Transmittal of Wage and Tax Statements, which summarizes all W-2 Forms issued by the employer.
- By the last date of February, send Form W-3 and all original W-2 forms for the preceding calendar year to the Social Security Administration.

Paid Family and Medical Leave – employee and employer paid

- Calculate your premiums using the state plan.
- Employers may withhold employees' premium from their paychecks or pay some or all of the premium on the employees' behalf.
- Employers cannot collect missed premiums in later pay periods.
- Premiums are calculated based on an employee's gross wages.
- Premiums are shared between employee and most employers.
- Premiums are capped at the Social Security Wage Base.

- Create an account with the business UBI number, business name and contact information.
- Employers can report through manual filing, single filing or have an employer agent use an ICESA file.
- Complete quarterly reports and pay online.
- Due dates
  - 1st Quarter – April 30
  - 2nd Quarter – July 31
  - 3rd Quarter – October 31
  - 4th Quarter – January 31 of the following year.
- Employers may follow an approved voluntary plan or use the state plan. Premium calculations may be different if using a voluntary plan.

State Unemployment Taxes (SUTA) – employer paid

- Use the tax rate provided to you by the Washington Employment Security Department.
- SUTA is paid on wages and other compensation, up to a maximum per employee during each calendar year (the "taxable wage base" is $49,800 for 2019).
- If an employee earns more than the taxable wage base, no further tax is due for that year.
- Complete quarterly reports and pay online.
- Due dates
  - 1st Quarter - April 30
  - 2nd Quarter - July 31
  - 3rd Quarter - October 31
  - 4th Quarter - January 31 of the following year.

State workers' compensation insurance premiums – employer and employee paid

- Use the rate or rates provided to you by the Washington Department of Labor & Industries (L&I).
- In most cases, rates are per hour worked, and are based on risk classes as assigned by L&I for the nature of your business.
- Calculate premiums by multiplying employee hours, as reported on timesheets, by the rate for the appropriate risk class assigned by L&I.

- Don't include vacation time, sick leave or holiday hours in the calculation of premiums.
- Employers can choose to report salaried employee hours at 160 hours per month, or 480 hours per quarter. If employers choose this option, all salaried employees must be handled the same way, and timesheets for those employees aren't required. (If in the trucking industry, please contact L&I for special instructions.)
- Withhold the allowable employee portion (provided by L&I) from your employees' paychecks.
- Complete quarterly reports and pay online.
- Due dates
  - 1st Quarter - April 30
  - 2nd Quarter - July 31
  - 3rd Quarter - October 31
  - 4th Quarter - January 31 of the following year.

Do you have employees based out of Washington State?

- Follow the same federal requirements
- Learn and follow the requirements for each state where you have employees.

5. What payroll records do I need to create and keep?

- Payroll records are essential. Many government agencies have the right to view and audit payroll records. In the absence of records, agencies have the authority to estimate taxes due, plus assess penalties for failure to keep records.
- Payroll records must be kept. Different agencies have different retention requirements but 6 years should be sufficient.
- Payroll records include:
  - Employee information (name, hire date, job title and duties, address, social security number, job change dates, termination date)
  - W-4 form for each employee
  - Pay rate
  - Basis of pay (hourly, monthly, commission, bonus, piece rate, etc.)

- Timesheets (include dates and hours worked; include activity if multiple workers' compensation risk classes or prevailing wage "scopes of work" apply)
- Noncash compensation (such as apartments, vehicles, etc.)
- Overtime pay calculations
- Paid sick leave accrual, usage and balance. Calculate accrued sick time based on regular and overtime hours worked. Minimum required is 1 hour of sick leave per 40 hours of work (or 0.025 hours of sick leave earned per hour of work).
- Gross payroll calculations
- Tax withholdings from the employee
- Other payroll deductions authorized by the employee (such as medical insurance, gym memberships, charity deductions)
- Payroll check registers
- Employee pay records (pay stubs)
- Bank statements
- Tax reports and payments

6. What payroll records do I need to create to give my employees?

- For each paycheck, you need to provide the employee an itemized pay statement, or check stub, which includes the following information
  - Pay period dates
  - Basis and rate of pay (Examples of basis include hourly, salary, piecework, etc.)
  - Gross pay
  - Itemized taxes and other payroll deductions
  - Net pay (gross pay minus deductions)
  - Sick leave accrual, usage and balance (notice may be provided separate from pay stub. If you have employees working in Seattle, Tacoma please check with the city for local requirements)
- The information can be provided electronically if the employee can access it on the established payday.

Note: If you have workers in Seattle, Tacoma or SeaTac, check with your city for minimum wage and other employment requirements.

7. What do I need to have in place before issuing pay checks?

- Establish a standard 7-day workweek for purposes of overtime calculations.
  - Many employers choose Monday 12:00 a.m. to Sunday 11:59 p.m.
  - Employers can't change their standard work week to avoid paying overtime, but they can change it for business reasons if they provide employees advance notice.
- Establish standard payperiods and paydays, no less often than monthly. Some examples:
  - Weekly:

    payperiod Monday through Sunday

    --> payday the following Wednesday
  - Every two weeks (biweekly):

    payperiod Monday through 2nd Sunday

    --> payday the following Friday
  - Twice per month (semimonthly):

    1st payperiod the 1st through the 15th of the month

    --> payday the 25th

    2nd payperiod the 16th thru the end of the month

    --> payday the 10th of the following month
  - Monthly

    payperiod the 25th of one month to the 24th of the next month

    --> payday the 1st of the following month
- Establish a basis of pay
  - Hourly: Paid a set amount for each hour worked
  - Salaried: Paid a set amount each pay period
    - Salaried as a basis of pay doesn't mean an employee doesn't earn overtime pay when their hours exceed 40 in a workweek. See "calculation of overtime" below
    - If paid twice per month or monthly, overtime calculations may require you to look at the previous payperiod to determine if an employee's hours exceeded 40 in a workweek.

- Piecework: Paid a set amount for each item produced or service provided
- Commission: Paid a percentage of sales or profits
- Hybrid: Paid on more than one basis

8. What else do I need to know about paying employees?

- Provide these details to your employee each payday to show how you calculated their paycheck:
  - Gross pay
  - Taxes withheld
  - Other payroll deductions
  - Paid sick leave accrual, usage and balance
- Read the Dept. of Labor & Industries' Pay Requirements web page to understand employer payroll requirements.
- Overtime eligible employees versus overtime exempt workers:
  - Most workers are eligible to receive overtime pay for hours they work in excess of 40 in a week, at a rate of 1½ times their regular rate of pay.
  - To determine the overtime pay amount for workers paid hourly
    - Take the number of hours an employee worked in excess of 40.
    - Multiply that number by the employee's hourly rate
    - Multiply the result by 1.5.
  - To determine the overtime pay amount for workers paid two or more hourly rates, a regular salary, or a piece rate, read How to Compute Overtime, from the Dept. of Labor & Industries.
  - Federal and state laws require you to pay overtime. Employees who are eligible for overtime cannot choose to have time off as an alternative.
  - The addition of overtime pay will affect payroll tax calculations.
  - See the Dept. of Labor & Industries Understanding Overtime web page for more information.
  - Employers do not have to pay overtime to certain managers, administrators and professionals who have significant decision-making authority, outside sales representatives, some live-in care givers, certain farm workers, and a few other types of workers. Before determining that an employee is exempt from overtime, read L&I's Jobs Not Paid Overtime web page.
- Deductions from paychecks

- See L&I's Deductions from Pay web page

9. How can I estimate payroll costs?

- To calculate the cost of Washington state's Paid Family and Medical Leave Benefit, use the Employment Security Department's Paid Family and Medical Leave Benefit Calculator.
- Use the online "Payroll Calculator" to estimate payroll costs (see below). There are two different calculators, one for hourly employees and the other for salaried employees.
- You'll need to enter the appropriate information into the white cells. The shaded cells will calculate automatically.
- Starting January 1, 2018, employers in Washington are required to provide their employees with paid sick leave. This calculator does not include a line-item for paying this requirement.
- In addition to wage or salary and hours worked, you'll also need to enter the state unemployment insurance (UI) tax rate provided by the Employment Security Department and the workers' compensation insurance rate provided by the Department of Labor & Industries.
  - If you don't yet know your UI rate, you can use 2% as a reasonable approximation, or contact Employment Security if accuracy is important.
  - If you don't yet know the workers' comp rate, you can go to Rates & Risk Classes and find the rate for a similar business activity, or call L&I at 360-902-4817 if accuracy is important.

PAYROLL CALCULATOR - HOURLY EMPLOYEE

Employer payroll costs (one employee, one pay period)				
1	Hourly wage	$ per hour	$ 15	
2	Hours at straight time	hours	80	
3	Hours at overtime	hours	10	
4	Base pay	line 1 x line 2	$1,200.00	
5	Overtime pay	line 1 x 1.5 x line 3	$225.00	
6	Gross payroll*	line 4 + line 5		$1,425.00
7	Social Security	line 6 x rate	6.2%	$88.35
8	Medicare	line 6 x rate	1.45%	$20.66
9	Federal Unemployment Tax**	line 6 x rate	0.6%	$8.55
10	State Unemployment Insurance Tax***	line 6 x rate	0%	$0.00
11	Employment Administration Fund***	line 6 x rate	0%	$0.00
12	Paid Medical Leave Premium****	line 6 x rate	0.4%	$5.70
13	Workers' compensation premium*****	lines 2+3 x rate	$ 0	$0.00
14	Less employee share of wkrs' comp*****	lines 2+3 x rate	$ 0	$0.00
15	Employer paid benefits (if any)		$ 0	$0.00
16	**Total employer cost**			**$1,548.26**

*Gross payroll should include value of noncash items, such as apartments and vehicles

**If state unemployment taxes don't apply (such as in the case of exempt corporate officers), the federal unemployment tax rate is 6% (rather than 0.6%) of the first $7000 of compensation per year

***UI and EAF tax rates provided to you by Employment Security Dept.

****Paid Family and Medical Leave premiums can be split between employer and employee. Employers can withhold up to 63.33% of the total premium. (0.004 * .6333) Employers with fewer than 50 employees are assessed less and should see paidleave.wa.gov for more details

*****Employer and employee rates provided to you by Dept. of Labor & Industries

Employee paycheck				
	Gross payroll	line 6		$1,425.00
	Social Security	line 7		-$88.35
	Medicare	line 8		-$20.66
	Income Taxes	per tax tables	$ 0	$0.00
	Paid Family Leave Premium Maximum Withholding*	line 12 x rate	63.33%	-$3.61
	Workers' comp - employee share	line 14		$0.00
	Other voluntary deductions (if any)		$ 0	$0.00
	Net paycheck			**$1,312.38**

*Paid Family and Medical Leave employee premiums are capped at 63.33% of the total premium. If an employer chooses to withhold employee portions of the premium, their contribution in the employer portion of this table would be less the employee's amount

PAYROLL CALCULATOR - SALARIED EMPLOYEE

Employer payroll costs (one employee, one pay period)				
1	Salary	$ per payperiod	$ 1200	
2	Regular hours	hours	80	
3	Overtime hours	hours	10	
4	Annualized salary		$ 31200	
5	Overtime rate	line 4 / 2080 x 1.5	$22.50	
6	Overtime pay	line 3 x line 5	$225.00	
7	Gross payroll*	line 1 + line 6		$1,425.00
8	Social Security	line 7 x rate	6.2%	$88.35
9	Medicare	line 7 x rate	1.45%	$20.66
10	Federal Unemployment Tax**	line 7 x rate	0.6%	$8.55
11	State Unemployment Insurance Tax***	line 7 x rate	0%	$0.00
12	Employment Administration Fund***	line 7 x rate	0%	$0.00
13	Paid Medical Leave Premium****	line 7 x rate	0.4%	$5.70
14	Workers' compensation premium*****	lines 2+3 x rate	$ 0	$0.00
15	Less employee share of wkrs' comp*****	lines 2+3 x rate	$ 0	$0.00
16	Employer paid benefits (if any)		$ 0	$0.00
17	**Total employer cost**			**$1,548.26**

*Gross payroll should include value of noncash items, such as apartments and vehicles

**If state unemployment taxes don't apply (such as in the case of exempt corporate officers), the federal unemployment tax rate is 6% (rather than 0.6%) of the first $7000 of compensation per year

***UI and EAF tax rates provided to you by Employment Security Dept.

****Paid Family and Medical Leave premiums can be split between employer and employee. Employers can withhold up to 63.33% of the total premium. (0.004 * .6333) Employers with fewer than 50 employees are assessed less and should see paidleave.wa.gov for more details

*****Employer and employee rates provided to you by Dept. of Labor & Industries. For salaried employees, employers can calculate workers' compensation premiums on actual hours (as shown here), or a standard number of hours to total 480 hours per quarter (160 for monthly pay periods, 80 for semimonthly, 74 for biweekly, 37 for weekly).

Employee paycheck				
	Gross payroll	line 7		$1,425.00
	Social Security	line 8		-$88.35
	Medicare	line 9		-$20.66
	Income Taxes	per tax tables	$ 0	$0.00
	Paid Family Leave Premium Maximum Withholding*	line 13 x rate	63.33%	-$3.61
	Workers' comp - employee share	line 15		$0.00
	Other voluntary deductions (if any)		$ 0	$0.00
	Net paycheck			**$1,312.38**

*Paid Family and Medical Leave employee premiums are capped at 63.33% of the total premium. If an employer chooses to withhold employee portions of the premium, their contribution in the employer portion of this table would be less the employee's amount

10. What other responsibilities do I have as an employer?

- Employers have many responsibilities beyond what's required for payroll. These include development and implementation of an employee safety program, posting required posters, providing breaks and meal periods, getting a minor work permit and authorizations when hiring workers under 18, and a number of others. Attending the Department of Labor and Industries workshops is highly recommended.
- You are also obligated to report all new employees to the Department of Social and Health Services. Instructions are available at http://NewHire.wa.gov.
- Learn more about employer responsibilities in the GROW and RUN Chapters of the Washington Small Business Guide.

11. Need assistance?

State of Washington Small Business Liaisons can help you get the information and resources you need. Also, help us improve the Small Business Guide by filling out a short, confidential survey.

OPEN your business

OPEN your business

Is your out-of-state business planning to operate in Washington?

Your out-of-state businesses will need to comply with Washington laws and regulations if you:

- Purchase a Washington business.
- Operate in or open a physical location in Washington.
- Perform on long-term or short-term contracts in Washington.
- Hire employees who work from their homes in Washington.
- Have a taxable presence (i.e. nexus) in Washington.

1. Are you buying an existing Washington business?

If you are buying a business or even just some of the assets of a business, be aware that you may inadvertently be buying past liabilities in the form of unpaid taxes and experience ratings. Get competent legal advice before purchasing a business because these past liabilities are not necessarily part of the regular financial documents.

- For potential liabilities related to the Department of Revenue, you should require the owner to provide a Tax Status Letter with regard to any outstanding taxes by the business. You may also need to pay Use Tax to the Department of Revenue on the value of tangible assets included in the purchase, such as equipment, furnishings, supplies, etc. For more information, see our Tax Topics article titled Buying the assets of a business.
- For workers' compensation, the purchaser of a business is potentially liable for premium owed, outstanding or pending assessments, as well as inheriting the claim responsibilities and their impact on future premium rates. Potential purchasers should request claim and safety records listed on this Buyer Beware publication from the seller.
- For unemployment insurance, you may inadvertently be buying past liabilities and be held accountable for the predecessor's debt.

2. Foreign (non-Washington) Registration - corporations and limited liability companies

What is your company's business structure: sole proprietorship, partnership, corporation or limited liability company (LLC)? If your entity was formed outside of Washington, filing a "Foreign Entity Registration" in Washington through the Office of the Secretary of State is typically a first step.

Failure to register your out-of-state corporation or LLC can lead to legal challenges and affect your ability to obtain financing or win contracts. It can also lead to individual owner responsibility for liabilities. Registration is required for all contractors and many businesses specialty licenses and certifications. Talk with your legal advisor to understand the benefits, risks, and requirements.

Registration requires that you designate a "registered agent" in Washington, a Washington- based person or business with a physical address who is to receive your official business entity notifications.

3. Obtain required licenses and permits

Most businesses are required to be licensed at both the state and local levels and many need professional licenses too. You will likely need licenses in every location where you do business; not just where you're based. Also, some businesses require additional permits. Check for fees and/or annual renewal fees associated with licenses and permits.

The online Business Licensing Wizard is a helpful tool. Use it to learn the licensing and permitting requirements for your specific business. Enter your intended business activity, location, and other key information, and receive an online list of specific licenses and permits that are likely to be required.

- When you file your Washington Business License Application, be prepared to address the following:
  - General business information including physical location and ownership.
  - A rough estimate of your expected gross annual revenues.
  - Whether you intend to hire employees within 90 days of start-up.

- Whether you will want optional workers' compensation coverage for business owners. If owners don't opt in, they won't be covered for on-the-job injuries. You must submit an elective coverage application form and submit to your business workers compensation account manager to obtain coverage.
- Whether you will want unemployment insurance coverage for corporate officers. Officers who provide services in Washington are automatically exempt from unemployment insurance unless the employer specifically requests to cover them. If you want to cover your corporate officers, you must submit a Voluntary Election Form. Find out more information here.

- The Business License Application is the state business license form and establishes your accounts with multiple Washington state agencies, including the Departments of Revenue, Employment Security, and Labor & Industries. Some local and specialty licenses can be obtained by using the Business License Application. Follow the links above for information on local and specialty license fees.
- For information about local licenses NOT handled through the Business License Application, contact each city or town where you will be conducting business.
- Some businesses require professional licenses, such as architects, engineers, health care providers, counselors, attorneys, CPAs, etc. For information and requirements, contact the licensing authority for that profession.
- Food-related businesses (restaurants, coffee stands, caterers, food product manufacturers, etc.) will need kitchen and food handler permits. Contact your county health department. Food and beverage manufacturers and processors will need licensing from the Washington Department of Agriculture. If you plan to sell, serve, or produce alcoholic beverages, contact the Washington State Liquor and Cannabis Board to find out what kind of license you need to apply for. For marijuana-infused products, you will need a marijuana license. Contact the Business Licensing Service for more information on how to apply. For help opening a restaurant in Seattle, visit the Seattle restaurant site.
- Businesses in the construction trades must be registered as contractors, which requires bonding and insurance. Be aware that even marketing or bidding for a construction job requires that you be registered as a contractor.
- Businesses that have environmental impacts may need permits at the county and/or state level. Contact your county health department and the state Office for Regulatory Innovation and Assistance for more information.

- Lodging establishments, such as hotels and motels, must be licensed through the state Department of Health.
- Businesses providing residential care and businesses providing medical and health services must be licensed through the state Department of Health.
- Child care businesses must be licensed through the state Department of Early Learning.
- If you plan to sell serve or produce alcoholic beverages contact the Washington State Liquor and Cannabis Board to find out what kind of license you need to apply for.

4. Hire employees in Washington

- 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 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 - Career Bridge.
  - Apprenticeship programs.
  - Worksource Apprenticeship
- 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 account and obtain your minor work permit, if applicable. You will have quarterly filing responsibilities with both agencies, plus the Internal Revenue Service (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 3 days of hire, and the IRS W-4 Form.
- You'll also need to report each newly hired and rehired 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 birth date.

- Be aware that employment is an area of significant regulation, including minimum wage, overtime pay, employment of minors and family members, workplace safety, etc.
- The use of independent contractors is a frequently misunderstood area. Unless an individual is truly in business for himself or herself, is licensed and actively markets as such, has multiple clients/customers, and is performing work that is outside your normal business activities, chances are state and federal law require that the individual be treated as an employee.
- Employment is also an area of significant recordkeeping and taxation. It's important that you understand those regulations and costs as you plan your business.

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
- Retirement Marketplace

Note: If you have workers in Seattle, Tacoma or SeaTac, check with your city for minimum wage and other employment requirements.

5. File required reports and taxes

State business taxes:

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

State taxes include:

- Business and Occupation (B&O) tax – This is a tax on the business's 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. 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 look-up tool to determine tax rates and the location code.
- 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 public utility, hotel/motel, rental cars, cigarettes, etc. Click the heading to see if any specific taxes apply to your business.

Out-of-state businesses are subject to Washington taxes based on their specific activities if they have "nexus" (a taxable connection) with the State of Washington. There are different nexus standards that apply depending on the specific business

activity. For general information about nexus, please see the guide for Out of state businesses and nexus on the Department of Revenue's website.

Most businesses need to file an excise tax 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 taxes electronically using My DOR, DOR's online filing system, and pay electronically using one of several payment options. For assistance with E-file registration and filing, call 360-705-6705. If you are unable to file electronically, you can request a waiver.

Below are links to additional information and tools provided by DOR to assist in tax calculation and reporting:

- New Business Tax Basics
- New Business Tax Workshops Schedule
- Common tax classifications
- Industry specific guides
- Tax incentives & specialized credits
- Reseller permits
- Look up a sales tax rate
- Send us your general tax questions
- Request a tax ruling
- Unclaimed property
- Update business information

Consult your tax professional for further information. DOR cannot discuss confidential tax account information with a tax representative/preparer until you complete a Confidential Tax Information Authorization form.

Local business taxes:

Cities & towns

Most cities and towns have a local sales tax and a local business & occupation (B&O) tax. DOR collects sales tax for local communities, but cities and towns collect their own local B&O. Depending on the amount of money your business makes, your local B&O tax may be due quarterly or annually. Contact the cities and towns where you do business for more information.

Counties

Counties are responsible for assessing and levying property tax on both real property and personal property. While the title "personal property" may not imply as such, it includes business furnishings, fixtures, equipment, supplies and other assets.

Personal property tax

Most people know that property tax applies to real property; however, some may not know that property tax also applies to personal property. Most personal property owned by individuals is exempt. For example, household goods and personal effects are not subject to property tax. However, if these items are used in a business, property tax applies. Personal property tax does not apply to business inventories, or intangible property such as copyrights and trademarks.

Personal property is subject to the same levy rate as real property. The characteristic that distinguishes real and personal property is mobility. Real property includes land, structures, improvements to land, and certain equipment affixed to land or structures. Personal property includes machinery, equipment, furniture, and supplies of businesses and farmers. It also includes any improvements made to land leased from the government (leasehold improvements).

Property taxes are due April 31 and October 31 of each year. Contact the counties where you do business for more information.

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, July 31, October 31 and January 31 for the preceding calendar quarters. Taxes are calculated based on the rate provided to your business by Employment Security, multiplied by each employee's wages up to annual maximum. Additional information about Unemployment Insurance taxes and benefits is available through the ESD website.
- Workers' compensation premiums are due quarterly to the Department of Labor & Industries (L&I). Reporting and payment is generally done on-line. Due dates are April 30, July 31, October 31 and January 31 for the preceding calendar quarters. Premiums are calculated based the risk classification rate(s) provided

to your business by L&I, multiplied by the hours worked by employees in that risk classification. Employers can deduct from employees' pay a portion of the premium amount, as shown on the rate notice received from L&I. Additional information about Workers' Compensation is available through free Employer's Introduction to L&I Workshops.

- Paid Family and Medical Leave premiums are due quarterly to the Employment Security Department. Reporting and payment is generally done online. Due dates are April 30, July 31, October 31 and January 31 for the preceding calendar quarters. Premiums are calculated based on a percentage of the employee's gross wages. Employers can deduct from employee's pay a portion of the premium amount. Additional information about Paid Family and Medical Leave premiums and the benefit is available.

License and Permit Renewals:

- Corporations, limited liability companies, and limited partnerships must file an annual report. Profit corporations, nonprofit corporations, limited liability companies and limited partnerships file their annual reports with the Secretary of State and all services are available online at www.sos.wa.gov/corps.
- Your state's business license does not need to be renewed. However, many specialty licenses, permits, local licenses and professional licenses do require annual renewal. Keep track of your renewal dates to ensure your licenses are current and to avoid extra fees.
- Renewal of contractor registration is required every two years, and costs $113.40. You renew your registration with L&I. L&I also renews specialty licenses related to trades (such as electrical, plumber, etc.).
- Health provider license and facility renewals.
- If you are now doing business in cities and towns where you weren't licensed previously, you will need to get additional local licenses. "Doing business" can include sales, delivery, installation, or service. Contact the cities or towns for further information.

6. Understand and comply with other Washington regulations

State

- Office of Minority & Women's Business Enterprises – Processes federal DBE/ACDBE/SBE and state certification applications.
- Department of Agriculture – Regulates food safety, product labeling, pesticides, crops and livestock, etc.
- Office of the Attorney General – Oversees consumer protection, etc.
- Department of Ecology – Regulates waste, pollutants, and water rights, etc.
- Department of Financial Institutions – Regulates franchise requirements, business investments, and business loans, etc.
- Human Rights Commission – Regulates public accommodations and non-discrimination, etc.
- Department of Labor and Industries – Regulates workplace safety, workers' compensation, and employment regulations, etc.
- Liquor and Cannabis Board – Issues licenses and permits. Educates and enforces laws and regulations on production, sale, and serving of alcohol and the production, distribution, sales of marijuana, tobacco products and vapor products.
- Department of Natural Resources – Regulates forest practices, surface mining, etc.
- Office for Regulatory Innovation and Assistance – Helps businesses and citizens navigate complex permitting and licensing requirements.
- Utilities and Transportation Commission – Regulates taxi and limousine services, moving and trucking services, etc.

Local

- County health departments – Regulate food establishments, hazardous materials, environmental health, etc.
- County assessors – Provide valuations of business real estate, equipment, furnishings and other assets for property tax purposes.
- Cities – Regulate zoning, signage, parking, and issues building and business permits, etc.
- Fire departments – Regulate fire code.

7. Growing in Washington

We welcome you to Washington and encourage you to grow in our state. See the "GROW Your Business" chapter of the Small Business Guide for information and resources for expansion.

8. Need assistance?

State of Washington Small Business Liaisons can help you get the information and resources you need. Also, help us improve the Small Business Guide by filling out a short, confidential survey.

RUN your business

RUN your business

Run your business

When your business is up and running, there are certain things you need to do to meet regulatory and tax requirements. These activities vary based on your business activity, the business size, and whether or not you have employees.

1. Federal business income taxes

Federal income tax for businesses is based on net profit (your revenue minus your expenses). With sole proprietorships, partnerships, most LLCs, and S-corporations, tax on business income is paid by the owners through their personal tax returns. This is called "pass-through taxation." Owners are generally required to make quarterly estimated tax payments during the tax year using Internal Revenue Service (IRS) Form 1040-ES. These payments are due April 15, June 15, September 15 and January 15.

If you're a working owner of an S-corporation, you are also an employee who receives standard paychecks. You may not need to make estimated tax payments if you have enough income tax withheld from your paycheck.

Standard corporations are generally required to make quarterly estimated tax payments on the 15th day of the 4th, 6th, 9th, and 12th months of each fiscal year. If you want your corporation to be treated as an S-corporation, complete Form 2553 – Election by a Small Business Corporation within 75 days of forming your business or within 75 days of the beginning of a tax year (see Form 2553 Instructions).

Limited Liability Companies (LLCs) are taxed like sole proprietorships if there is only one owner. If there is more than one owner, LLCs are taxed like partnerships. However, LLCs can elect to be treated as standard or S-corporations for federal tax purposes by filing an IRS Form 8832. Consult your tax professional for more information.

Business Structure	Required Form	Due Date(s)
Sole proprietorships and single owner LLCs	1040 Schedule C, 1040 SE (self-employment tax), 1040 ES (estimated tax)	File by April 15 (as part of the owner's personal tax return). Estimated tax is due April 15, June 15, September 15, and January 15.
Partnerships and multiple owner LLCs	Form 1065 plus 1065 K-1 forms for each owner, 1040 SE (self- employment tax), 1040 ES (estimated tax)	Businesses using the calendar year must file by April 15. Businesses using a fiscal year must file by the 15th of the 4th month after the end of a fiscal year. Estimated tax is due April 15, June 15, September 15, and January 15.
Standard corporations (or LLCs that have formally elected to file as standard corporations)	Form 1120 (plus withholding from owner's paycheck for income taxes, Social Security and Medicare)	Businesses using a calendar year must file by March 15. Businesses using a fiscal year must file by the 15th of the third month after the end of a fiscal year.
S-corporations (or LLCs that have formally elected to file as S-corporations)	Form 1120-S and 1120 K-1 forms for each owner (plus withholding from each owners' paycheck for income taxes, Social Security and Medicare)	Businesses using a calendar year must file by March 15. Businesses using a fiscal year must file by the 15th of the third month after the end of a fiscal year.

2. State business taxes

Washington State does not have a personal or business income tax. Instead, its tax structure includes the Business & Occupation Tax, sales and use taxes, 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 excise tax 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 taxes electronically using E-file, DOR's online filing system, and pay electronically using one of several payment options. For assistance with E-file registration and filing, call 1-877-345-3353. 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 hotel/motel, rental cars, cigarettes, etc. Click 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 look-up tool to determine tax rates and the location code.

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

- New Business Tax Workshops Schedule
- Common tax classifications
- Industry specific guides
- Tax incentives & specialized credits
- Reseller permits
- Look up a sales tax rate
- Send us your general tax questions
- Request a tax ruling
- Unclaimed property
- Update business information

Consult your tax professional for further information. DOR cannot discuss confidential tax account information with a tax representative/preparer until you complete a Confidential Tax Information Authorization form.

3. Local business taxes

Cities & towns

Most cities and towns have a local sales tax and a local business & occupation (B&O) tax. DOR collects sales tax for local communities, but cities and towns collect their own local B&O. Depending on the amount of money your business makes, your local B&O tax may be due quarterly or annually. Contact the cities and towns where you do business for more information.

Counties

Counties are responsible for assessing and levying property tax on both real property and personal property. While the title "personal property" may not imply as such, it includes business furnishings, fixtures, equipment, supplies and other assets.

Personal property tax

Most people know that property tax applies to real property; however, some may not know that property tax also applies to personal property. Most personal property owned by individuals is exempt. For example, household goods and personal effects are not subject to property tax. However, if these items are used in a business, property tax applies. Personal property tax does not apply to business inventories, or intangible property such as copyrights and trademarks.

Personal property is subject to the same levy rate as real property. The characteristic that distinguishes real and personal property is mobility. Real property includes land, structures, improvements to land, and certain equipment affixed to land or structures. Personal property includes machinery, equipment, furniture, and supplies of businesses and farmers. It also includes any improvements made to land leased from the government (leasehold improvements).

Property taxes are due April 31 and October 31 of each year. Contact the counties where you do business for more information.

4. Federal employment taxes

- For instructions related to federal employment taxes, refer to the IRS Employer's Tax Guide. Employers are responsible for collecting employee income, social security, and Medicare taxes, plus paying the employer share of social security and Medicare taxes (6.2% and 1.45% of wages respectively). When and how you have to pay that money to the IRS depends on the amount of taxes being collected.
- 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 0.6% of the first $7,000 each worker earns, up to a maximum of $42 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.

5. State employment taxes

- Unemployment taxes are due quarterly to the Employment Security Department (ESD). Reporting and payment is generally done on-line. Due dates are April 30,

July 31, October 31 and January 31 for the preceding calendar quarters. Taxes are calculated based on the rate provided to your business by ESD, multiplied by each employee's wages up to annual maximum. Additional information about Unemployment Insurance taxes and benefits is available through the ESD website.

- If you are facing a temporary decline in business, the SharedWork Program offers you a viable way to retain your workforce. Instead of enduring a layoff, you can reduce the work hours of your permanent employees, and they can collect partial unemployment benefits to replace a portion of their lost wages.
- Corporate Officers who provide services in Washington are automatically exempt from unemployment insurance unless the employer specifically requests to cover them. If you want to cover your corporate officers, you must submit a Voluntary Election Form. (Note: this applies only to corporations. Find out more here).

- Workers' compensation premiums are due quarterly to the Department of Labor & Industries (L&I). Reporting and payment is generally done on-line. Due dates are April 30, July 31, October 31 and January 31 for the preceding calendar quarters. Premiums are calculated based the risk classification rate(s) provided to your business by L&I, multiplied by the hours worked by employees in that risk classification. Employers can deduct from employees' pay a portion of the premium amount, as shown on the rate notice received from L&I. Additional information about Workers' Compensation is available through free Employer's Introduction to L&I Workshops.

6. Annual report, license and permit renewals

- Corporations, limited liability companies, and limited partnerships must file an annual report. Profit corporations, nonprofit corporations, limited liability companies, and limited partnerships file their annual reports with the Secretary of State and all services are available online at www.sos.wa.gov/corps.
- Your state's business license does not need to be renewed. However, many specialty licenses, permits, local licenses and professional licenses do require annual renewal. Keep track of your renewal dates to ensure your licenses are current and to avoid extra fees. You may need to check with the individual state agency where the permit was issued.

- Renewal of contractor registration is required every two years, and cost $113.40. You renew your registration with L&I. L&I also renews specialty licenses related to trades (such as electrical, plumber, etc.).
- Health provider license and facility renewals.
- If you are now doing business in cities and towns where you weren't licensed previously, you will need to get additional local licenses. "Doing business" can include sales, delivery, installation, or service. Contact the cities or towns for further information.

7. Regulatory Compliance

There are many regulations that businesses must comply with on an ongoing basis or otherwise face potential citations and penalties that can prove challenging and costly. Below is a basic listing of some of the agencies and regulations not addressed previously in this chapter. Be aware that the list isn't fully comprehensive. You should seek advice from your attorney, industry or business association, and other advisors to ensure you are in compliance with all applicable regulations. Agencies want to help you understand your responsibilities, so please ask for their assistance.

Federal

- Consumer Product Safety Commission – Regulates product standards, etc.
- Department of Labor – Regulates federal minimum wage, overtime requirements, and equal employment opportunity, etc.

State

- Department of Agriculture – Regulates food safety, product labeling, pesticides, crops and livestock, etc.
- Office of the Attorney General – Oversees consumer protection, etc.
- Department of Ecology – Regulates waste, pollutants, and water rights, etc.
- Department of Financial Institutions – Regulates franchise requirements, business investments, and business loans, etc.
- Human Rights Commission – Regulates public accommodations and non-discrimination, etc.
- Department of Labor and Industries – Regulates workplace safety, workers' compensation, and employment regulations, etc.

- Liquor and Cannabis Board – Issues licenses and permits. Educates and enforces laws and regulations on production, sale, and serving of alcohol and the production, distribution, sales of marijuana, tobacco and vapor products.
- Department of Natural Resources – Regulates forest practices, surface mining, etc.
- Office for Regulatory Innovation and Assistance – Helps businesses and citizens navigate complex permitting and licensing requirements.
- Utilities and Transportation Commission – Regulates taxi and limousine services, moving and trucking services, etc.
- Washington's Lottery – Licenses businesses to sell lottery products and regulates the sale of lottery products by Lottery retailers. Reviews Lottery retailers' accessibility for people with disabilities.

Local

- County health departments – Regulate food establishments, hazardous materials, environmental health, etc.
- County assessors – Provide valuations of business real estate, equipment, furnishings and other assets for property tax purposes.
- Cities – Regulate zoning, signage, parking, and issues building and business permits, etc.
- Fire departments – Regulate fire code.

Note: Please check with cities where your employee(s) work, as cities may have different minimum wage and/or paid sick leave requirements

8. Prepare for the unexpected

- The Department of Health provides a wide range of resources to help you prepare for public health emergencies including bioterrorism events, disease outbreaks and natural disasters. You can find fact sheets, links and additional information at the Department of Health website.
- Being part of an industry or business association can provide you a network of colleagues and opportunities for specialized training to help you deal with the unexpected.
- **Unexpected events**, such as **fires, floods, storms** and **earthquakes**, could damage or destroy your records, damage critical equipment, or **close your**

business for a period of time. Establishing a business continuity plan in advance will help you get your business up and running more quickly.

- Get prepared for disasters.
- Tools, templates, and in-depth information on developing a business continuity plan.
- Public health emergency.
- When Trouble Strikes: A Crisis Planner.

- If there has been a death of a **business partner, principal, or owner** and you decide to continue with the business, please see Closure Due to Death.
- For questions about scams or fraud, please contact:
  - Washington State Office of the Attorney General

    Consumer Protection Consumer Resource Center

    1-800-551-4636 (in-state only)

    1-206-464-6684 (out-of-state callers)

    1-800-833-6388 (Washington State Relay Service for the hearing impaired)
  - Federal Trade Commission

9. Need assistance?

State of Washington Small Business Liaisons can help you get the information and resources you need. Also, help us improve the Small Business Guide by filling out a short, confidential survey.

GROW your business

GROW your business

Do you want to expand your business?

Expanding a business can require many different things, including money, employees, new locations, and new markets.

1. Money

Money can come in the form of loans, invested capital, tax incentives, bonds and other forms. For one-on-one assistance to discuss financing options, consider meeting with a Small Business Development Center, Women's Business Centers or SCORE advisor (free and confidential). For general financial information, see the following links:

- U.S. Small Business Administration
- SCORE
- Small Business Development Center
- Washington Department of Commerce
- Office of Minority and Women's Business Enterprises
- SBA Veterans Office
- Washington Department of Financial Institutions
- Microlenders
- Washington Economic Development Finance Authority
- Export Voucher Program
- Bond financing assistance for construction projects
- Fundera
- Startup Wisdom: 27 Strategies for Raising Business Capital

Loans:

There are a variety of business lenders. "SBA loans" are actually loans made through commercial banks and credit unions that are guaranteed by the federal government, in this case the U.S. Small Business Administration. The U.S. Department of Agriculture has business loan guarantee programs that are handled similarly.

Business loans typically require the "5Cs":

Before lending money, reputable financial institutions will want to know that certain conditions are met, frequently referred to as the 5Cs:

- Capital/Cash – This is the owner's cash investment. Typically, owners are expected to bring 25-30% of a new business's start-up costs. With an expansion loan for an established business, owners are typically expected to show equity in the business equaling at least 25% of the loan amount, or to bring in additional cash so that the sum of the added cash and the equity will total at least 25%.
- Capacity/Cash Flow – Evidence that the business owner has the ability to start and run the business successfully. The owner's industry experience, business training and management experience, in combination with a well-developed business plan, will help establish capacity. For existing businesses, the firm's financial records will be important for demonstrating profitable operations and good financial management. A cash flow projection is typically for both new and established businesses. The projections need to show the ability of the business to meet its financial obligations, including making loan payments, and to withstand unexpected events.
- Collateral – The owner needs to pledge something of value. Typically collateral includes business property, furnishings, fixtures, equipment, and inventory, plus owner assets outside of the business (real estate, stock, etc.).
- Character – The lender will want evidence that the owner takes responsibility seriously. This is partially demonstrated through the owner's credit history.
- Conditions – The lender will also want to see the overall environment (economy, industry trends, and market forces) supports the business's potential for success.

Business Lenders:

- Banks and credit unions for standard commercial loans.
- Banks and credit unions for SBA 7a loans (can be used for any business purpose) and U.S. Department of Agriculture guaranteed loans.
- SBA Microlenders (loans up to $50,000 for any business purpose).
- SBA 504 lenders (for real estate and major equipment purchases): Northwest Business Development Association, Evergreen Business Capital, Ameritrust CDC.

Investment Capital: Many businesses grow using funds from investors. The word "investor" implies that the individual or group has partial ownership of the business.

The act of securing investors and private lenders, whether family members, friends or strangers, is highly regulated and requires an understanding of securities laws.

Below are some groups in Washington that connect investors with entrepreneurs. There is a comprehensive list of resources on the Startup website.

- Alliance of Angels
- Bellingham Angel Group
- ZINO Society
- Portland Angel Network (includes Vancouver area)

Washington State offers limited financial assistance in the form of grants and loans, bonds, incentives, and tax exemptions for some industries.

Grants are available for small businesses to help cover the costs of hiring temporary employees when a member of your team uses Paid Family and Medical Leave. To be eligible for these grants, your business must average 150 or fewer employees. Businesses that average fewer than 50 employees must pay the employer portion of the premiums to be eligible.

Businesses certified as Woman or Minority Owned Businesses are eligible for the Office of Minority and Women's Business Enterprises (OMWBE) Linked Deposit Program. Veteran and Service Member Owned Businesses are eligible for the Veteran Linked Deposit Program.

2. Employees

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.

In addition, offering employees options for Retirement Savings keeps your business competitive, may provide you with tax incentives, and is easy and affordable to set up through the Retirement Marketplace.

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 - Career Bridge.
- Apprenticeship programs.
- WorkSource Apprenticeship
- Work study employees.

If you're hiring your first employees, you'll need to re-file your Business License Application with the State. Once you've filed your business license, the Employment Security Department will set up your state unemployment tax account, and the Department of Labor & Industries creates your workers' compensation insurance account and issues 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 rehired 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 birth date.

Employment is an area of significant regulation, including minimum wage, overtime pay, employment of minors and family members, workplace safety, nondiscrimination, etc.

If you are facing a temporary decline in business, the SharedWork Program offers you an alternative to laying off workers. Instead, you can reduce the work hours of your permanent employees and the workers can collect partial unemployment benefits to replace a portion of their lost wages

A frequently misunderstood area involves the use of independent contractors. Unless an individual is truly in business for himself or herself, is licensed, files federal and state taxes as a business, actively markets, has multiple clients/customers, and is performing work that is outside the business' normal activities, chances are state and federal law would require that the individual be treated as an employee.

Employment is also an area of significant recordkeeping and tax responsibilities. It's important that you understand the regulations and costs as you plan and operate your business.

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
- Retirement Marketplace

Note: If you have workers in Seattle, Tacoma or SeaTac, check with your city for minimum wage and other employment requirements.

3. New locations

Choosing new locations requires that you consider many factors: market desirability, zoning, build-out costs, on-going occupancy costs, access to infrastructure and services, access to qualified employees, etc. Below are tools that will help you make an informed decision.

- If you're opening a new location, you'll need to file a new Business License Application with the State of Washington.
- SizeUp
- Site selection information.
- Current labor market information, by industry and county.
- The economic development organization serving your region (a good resource for site selection).
- Contact your city or county location to learn about zoning and permitting requirements.
- Some industries and locations may require environmental permitting. The Office for Regulatory Innovation and Assistance provides information on local, state, and federal environmental issues.

4. New markets

General market expansion assistance: Whether you're considering expansion through new products or services, new customer groups, or new marketing methods, conducting demographic and other types of research prior to moving forward can help you make better and more cost-effective decisions. Do you want assistance with research or development of an expanded marketing plan?

- U.S. Small Business Administration: marketing resources
- SCORE: marketing resources and no-cost counselors
- Small Business Development Center: marketing resources and no-cost advisors
- Business Impact NW
- Washington Women's Business Center
- Washington Economic Gardening Program

Export assistance: Do you want to sell products or services to customers outside of the U.S.?

- Small Business Development Center
- Washington State Department of Commerce
- Washington Export Resource Center
- How to begin exporting
- Financing options for exporting
  - Export Finance Assistance Center of Washington
  - Export-Import Bank of the United States

Government contracting assistance: Do you want to sell products or services to federal, state or local government agencies?

- PTAC Program (Procurement Technical Assistance Center) – Offers training and no-cost advising.
- WEBS system (Washington Electronic Business Solution Resource Center) – Allows businesses to register for free, to view and download public procurement invitations for qualifications and bids. The registration process includes self-certification for qualifying Washington Small Businesses and an opportunity to request Washington state veteran business certification.
- Diversity Supplier – Let the Department of Social and Health Services (DSHS) help you succeed in your small business as a Diversity Supplier. Your business may be eligible if you are a licensed small business owner and one or more of the following applies to your business: minority owned; women owned; veteran owned; or disadvantaged small business enterprise.
- Prevailing Wage Requirements – Are standard for construction-related contracts, paid for with public funds (all or in part). Public works contractors are required to pay employees at or above the "prevailing wage" that has been established through formal government surveys. Employers must also meet special reporting requirements.
- Small Business Development Center (SBDC) – Advisors offer one-on-one, no-cost advising.
- Native Procurement Technical Assistance Center (Native PTAC) - helps Native firms with federal, Tribe, state, and local government contracting through one-to-one assistance with government certifications and registrations, classes and workshops, bid match opportunities, interpretation of solicitations, bid/proposal

reviews, marketing advice, and contract performance support for designated socio-economic programs.

The Washington State Office of Minority and Women's Business Enterprises (OMWBE) certifies small businesses owned and controlled by minority, women, and socially and economically disadvantaged persons. You can apply for state certification, federal certification, or both. You will need federal certification if you plan to do business on a project funded by the U.S. Department of Transportation.

MBE – Minority Business Enterprise
WBE – Woman Business Enterprise
MWBE – Minority Women Business Enterprise
CBE – Combination Business Enterprise
SEDBE – Socially and Economically Disadvantaged Business Enterprise

OMWBE Certification

The Washington State Department of Veterans Affairs wants to thank you for your service to our country. We are committed to providing you with the information you need and invite you to e-mail or call if you or someone you know needs assistance. If you are also a business owner, you should know that Washington State agencies purchase from Veteran or Service-member Owned Businesses. By linking the WDVA Certified Veteran and Service-member Owned Business list to WEBS, state agencies will now have a way to identify WDVA Certified Businesses AND keep track of how they're doing toward their purchasing goals. The Washington State Department of Veteran Affairs has teamed up to streamline the registration and certification process for vendors who want to do business with Washington State agencies and municipalities.

Veteran Owned Business Certification

5. Regulatory compliance

Growing a business may lead to new regulatory requirements. Review the "START" and "RUN" chapters of the Small Business Guide to see if additional regulations may apply due to the nature of the changes in your business.

6. We wish you success!

Growing a business brings with it rewards, both personal and financial. Planning growth carefully and taking advantage of resources and assistance will help increase your opportunities for success.

7. Need assistance?

State of Washington Small Business Liaisons can help you get the information and resources you need. Also, help us improve the Small Business Guide by filling out a short, confidential survey.

CLOSE your business

August 2020

CLOSE your business

Do you want to close your business?

Closing your business, also known as liquidation or dissolution, is the process in accounting by which a business is brought to an end for different reasons and by different processes. The assets and property of the company are sold or transferred.

People close their businesses for many reasons. Sometimes it's because the business hasn't gone in a direction they had hoped and they're not happy with the result. Sometimes it's because the owner is ready for something new, sometimes it's due to time or money considerations, and sometimes it's due to death. Regardless of the reasons, choosing to close a business is a significant decision. However, going out of business does not always require closing the business or liquidation.

A business exit is an entrepreneur's plan to sell his or her ownership interest in a company. An exit gives a business owner a way to reduce or liquidate his stake in a business and, if the business is successful, make a substantial profit. If the business is not successful, an exit plan enables the entrepreneur to limit losses. An exit may also be used by an investor such as a venture capitalist in order to plan for a cash out of an investment.

Sell: Selling requires careful planning—everything from cleaning up sloppy books and tax records to dressing up a tired storefront and updating old operating systems—even ramping up marketing to juice sales and command a higher asking price.

IPO (Initial Public Offering): Initial public offering is a type of public offering in which shares of a company are sold to institutional investors and usually also retail investors; an IPO is underwritten by one or more investment banks, who also arrange for the shares to be listed on one or more stock exchanges.

Merge: A merger is the combination of one or more business entities into a single business entity. The joining of two or more companies is often to achieves greater efficiencies of scale and productivity.

The U.S. Small Business Administration has an online resource to assist you in understanding the considerations and closure process: Getting Out. Additionally, it may be helpful to meet with a business advisor to address alternatives to closing, such as selling your business in whole or in part, hiring a manager and taking a less active role, merging with another business, etc. The following programs offer no-cost business advising:

- Small Business Development Center (statewide)
- SCORE (statewide)
- Washington Business Center (Puget Sound area)

Steps to closing a business:

1. Seek legal advice

You'll need sound counsel to understand your obligations regarding business closure notifications, contracts, and debts. If you don't have an attorney, ask your accountant or other trusted advisors for recommendations, or refer to the Washington State Bar Association's Lawyer Directory.

Potential issues to discuss with your attorney:

- Outstanding salaries, wages, commissions, vested benefits due to employees, if applicable. When all debts can't be paid, debt to employees is considered legally to be high priority.
- Outstanding loans and lender requirements.
- Outstanding contracts, including leases, service agreements, purchase agreements, warranties, employment contracts, etc.
- Disposal of assets, especially where business property has been used as collateral for a loan or where you intend to convert business property to personal use.
- Tax debt, recognizing that most taxing agencies have the legal authority to assign business and employment tax debt to the owners (or former owners) of the business.
- Creditors – While all individuals and businesses have obligations to pay their debts, corporations and LLCs have special requirements related to notifying creditors of closure.

- Bankruptcy – If bankruptcy is a consideration, legal advice is critical for learning what debts can be discharged through a bankruptcy process and how you should proceed.

2. Notify regulatory agencies

Federal

Internal Revenue Service (IRS)

- Follow the Closing a Business Checklist.
- If bankruptcy is a consideration, review the Declaring Bankruptcy web page.

State

Department of Revenue (DOR)

- Complete the Business Information Change Form.
- DOR will share the closure information with Business Licensing, the Employment Security Department, and the Department of Labor & Industries.
- Complete your final DOR Excise Tax Return within 10 days of business closure. Note on the form (near the top) that the business has or will close and provide a closure date.
- If inventory is being converted to personal use, pay use tax on the cost of the inventory (unless sales tax was paid previously).
- Keep your business records for five years in case your business is selected for an audit.

Employment Security Department (ESD)

- Complete the Business Change Form and ensure ESD has updated contact information for you.
- Complete your final Quarterly Report within 10 days of closing your business.
- Carefully review and respond to notices that will come from ESD if any of your former employees apply for unemployment benefits.
- Complete your final Paid Family and Medical Leave quarterly report.

Department of Labor and Industries (L&I)

- Complete your final Quarterly Report.

- If a contractor, send written notice to L&I's Contractor Registration Division:
  Email: contreg@lni.wa.gov
  Fax: 360-902-5812
  Mail: Department of Labor & Industries
  PO Box 44450
  Olympia, WA 98504-4450
- Your contractor bond must remain in effect for two years beyond the contractor registration expiration date (which is typically later than the business closure date).

Secretary of State

- Corporation
  - Complete and submit the DOR Revenue Clearance Certificate Application form to verify that all excise tax returns have been filed and taxes have been paid.
  - Complete and submit Articles of Dissolution, or for a foreign (non-Washington) corporation, Statement of Withdrawal, attaching the Revenue Clearance Certificate received from DOR. All dissolution and withdrawal filings are available online.
- Limited Liability Company (or other limited liability organization)
  - Complete and submit a Certificate of Dissolution, or for a foreign (non-Washington) LLC, Statement of Withdrawal. All dissolution and withdrawal filings are available online.

State Certified Businesses

- Office of Minority and Women's Business Enterprises (OMWBE)
  - If you are certified with OMWBE as a woman owned or minority owned business, contact our office to remove your company from the certified firm directory. Call our toll free number at (866) 208-1064.
- Department of Veteran Affairs
  - If you are certified as a veteran owned business, contact our office to remove your company from the certified business list. Call our toll free number at (800) 562-0132 and press 1 for assistance.

Liquor and Cannabis Board

- If the business you are closing sold liquor, vapor products, tobacco products, or marijuana, contact your enforcement officer through our website http://lcb.wa.gov/enforcement/contact-your-officer or call Enforcement customer service at (360) 664-9878. For licensing application queries, please call (360) 664-1600.

Department of Health

- If your business is in a profession licensed through the Department of Health, notify the Department that your business is closing.

Department of Licensing

- If your business is in a profession licensed through the Department of Licensing, notify the Department that your business is closing.

Local

Notify the cities or towns and counties where you do business. Complete final tax returns (Business & Occupation for cities; property tax for counties).

3. Notify other interested parties

Notify employees, lenders, insurers, vendors, service providers, landlords, customers, and other interested parties of your intent to close the business. If money is due to them, pay it or provide information about how and when you will pay.

Corporations and LLCs are required to inform creditors that the company has (or will be) dissolved, provide a mailing address to send claims, and provide a deadline to submit claims. Notice to creditors includes a required published notice of the dissolution requesting claims against the dissolved business be handled a specific way as provided or described in RCW 23B.14. LLC's may have a different set of requirements in Article VIII RCW 25.15

4. Closure of business due to death

Notify the following state agencies if you are closing a business due to a death. Not all agencies will be listed in this section. If an agency is not listed they do not have a special process for a business to follow when closing due to death**.**

Liquor and Cannabis Board (LCB):

WAC 314-07-100 pertaining to Death's for the WSLCB.

Death or incapacity of licensee.

(1) The appointed guardian, executor, administrator, receiver, trustee, or assignee must notify the board's licensing and regulation division in the event of the death, incapacity, receivership, bankruptcy, or assignment for benefit of creditors of any licensee.

(2) Subject to a criminal background check, the board may give the appointed guardian, executor, administrator, receiver, trustee, or assignee written approval to continue liquor sales on the licensed business premises for the duration of the existing license and to renew the license when it expires.

(3) When the matter is resolved by the court, the true party(ies) of interest must apply for a liquor license for the business.

RCW 66.24.025 for transferring of license that could be due to death.

Transfer of license — Fee — Exception — Corporate changes, approval — Fee.

(1) If the board approves, a license may be transferred, without charge, to the surviving spouse of a deceased licensee only if the parties were maintaining a marital community and the license was issued in the names of one or both of the parties. For the purpose of considering the qualifications of the surviving party or parties to receive a liquor license, the liquor control board may require a criminal history record information check. The board may submit the criminal history record information check to the Washington State Patrol and to the identification division of the Federal Bureau of Investigation in order that these agencies may search their records for prior arrests and convictions of the individual or individuals who filled out the forms. The board shall require fingerprinting of any applicant whose criminal history record information check is submitted to the Federal Bureau of Investigation.

(2) The proposed sale of more than 10% of the outstanding and/or issued stock of a licensed corporation or any proposed change in the officers of a licensed

corporation must be reported to the board, and board approval must be obtained before such changes are made. A fee of $75 will be charged for the processing of such change of stock ownership and/or corporate officers.

Department of Revenue (DOR) – Business Licensing Services (BLS) Taxes:
DOR will need to be notified, depending on the business activity, the ownership structure, etc. For specific questions about this, please contact DOR – Business Licensing Service at 360-705-6741 or DOR – Tax Payer Services at 360-705-6705.

Department of Labor and Industries (L&I):
If the business has an open workers' compensation account, a written notification of the change is required. If the business is a registered contractor, a copy of the death certificate to remove an LLC member/manager, corporate officer, or partner from the registration is required. In the event that the contractor business is a partnership, the business must be re-registered.

Employment Security Department (ESD):
If you're closing the business due to death, please submit a Business Change Form closing the business . You can provide a copy of the death certificate so no one will try to contact you, but it's not required.

If there has been a death of a business partner and you decide to continue with the business that has multiple business partners in a partnership or LLC, follow the same process as one above, with a 5208C-2 Update Ownership Form so the account can be updated.

There are no requirements from ESD for notification (sending death certificate, etc.).

Secretary of State
There is no notification of death needed. However, if the business is sold or assumed by another, then an annual report or amended annual report may be needed to update the list of governors in the entity. Both annual and amended reports are available online at www.sos.wa.gov/corps.

Department of Licensing (DOL)

Depending on the types of licenses granted to a business, notification of closure due to death may be as simple as notification of the administrating program/agency or may be more prescribed, with specific instructions that must be followed.

Basic Notification- Copy of Death Certificate

If the business closing has any of the following license types, the administrating program only expects to be notified of the closure due to death:

- Cosmetology, Tattoo (Except Cosmetology Postsecondary School)

  Program Contact:
  Cosmetology/Tattoo Program
  Department of Licensing
  PO Box 9026
  Olympia, WA 98507
  Email: plssunit@dol.wa.gov
  Phone: (360) 664-6626 / Fax: (360) 664-2550

- Auctioneer and Auction Company

  Program Contact:
  Auctioneer Program
  Department of Licensing
  PO Box 9026
  Olympia, WA 98507
  Email: plssunit@dol.wa.gov
  Phone: (360) 664-6626 / Fax: (360) 664-2550

- Combative Sports

  Program Contact:
  Combative Sports Program
  Department of Licensing
  PO Box 9026
  Olympia, WA 98507
  Email: plssunit@dol.wa.gov
  Phone: (360) 664-6644 / Fax: (360) 570-4956

- Security Guard Company

  Program Contact:
  Private Security Guard Program
  Department of Licensing
  PO Box 9649
  Olympia, WA 98507-9649
  Email: security@dol.wa.gov
  Phone: (360) 664-6611

- Private Investigator Agency

  Program Contact:
  Private Investigator Program
  Department of Licensing
  PO Box 9649
  Olympia, WA 98507-9649
  Email: security@dol.wa.gov
  Phone: (360) 664-6611

Detailed Notification

If the business closing has any of the following license types, specific instructions must be followed to properly close the business:

(Please review and follow the instructions for each applicable license type)

- Vehicle Dealer

Program Contact:
Dealer & Manufacturer Services
Department of Licensing
PO Box 9039
Olympia, WA 98507-9039
Email: dealers@dol.wa.gov
Phone: (360) 664-6466

Instructions:
A business can be closed by a request put in writing and faxed or emailed.

- If the license will expire more than 60 days from close of business, the dealership is to return the license and all special plates to the department within 10 days of termination. This can be done either by mail or by contacting a dealer investigator to pick them up.
- If the license is sent by mail, it must be accompanied by a signed statement from the licensee that it is being voluntarily surrendered. The dealer or an authorized representative should sign either on the license or a separate paper indicating the voluntary surrender of the license.

In the case of death of the principal or owner of the business:

- The personal representative of the dealer must apply for new application and license fees for authority to "wind the business down" and close it over six months.
- If the personal representative is assuming an LLC/Corporation, the representative can forego the application but must submit fingerprint cards and a personal/criminal history statement form.
- Instead of the representative taking over the business, they may choose to consign the inventory to another dealer. If this is the case, they have 30 days to do so.
- The program will assign a person to assist in these processes.

If an owner becomes incapacitated, in addition to the above, we require a statement of power of attorney if someone is acting on behalf of the dealer.

- Registered Tow Truck Operator/ Dealers/ Limousine Carriers/ Vehicle Transporters/ Taxi/For Hire Vehicles/ Snowmobile Dealer

Program Contact:
Limousines
Department of Licensing
PO Box 9039
Olympia, WA 98507-9039
Email: dealers@dol.wa.gov
Phone: (360) 664-1389

Instructions:
The license and special plates must be sent or delivered to the department, or a dealer investigator can be contacted to pick up the license within 10 days of termination of the business.

- Vehicle Hulk Haulers/Scrap Processors

Program Contact:
Dealer & Manufacturer Services
Department of Licensing
PO Box 9039
Olympia, WA 98507-9039
Email: dealers@dol.wa.gov
Phone: (360) 664-6466

Instructions:
The license and special plates must be sent or delivered to the department, or a dealer investigator can be contacted to pick up the license within 10 days of termination of the business.
WAC 308-65-160

- Vehicle Wreckers

Program Contact:	Instructions:
Dealer & Manufacturer Services Department of Licensing PO Box 9039 Olympia, WA 98507-9039 Email: dealers@dol.wa.gov Phone: (360) 664-6466	The wrecker must, within 10 days of terminating the business, return the license and special plates to the department. WAC 308-63-130

- Scrap Metal Processors, Suppliers, Recyclers

Program Contact:	Instructions:
Scrap Metal Program Department of Licensing PO Box 9649 Olympia, WA 98507-9649 Email: scrapmetal@dol.wa.gov Phone: (360) 664-6611	The scrap metal business must, within 10 days of terminating the business, return the license and special plates to the department. WAC 308-70-220

- Vessel (Boat) Dealers

Program Contact:	Instructions:
Dealer & Manufacturer Services Department of Licensing PO Box 9039 Olympia, WA 98507-9039 Email: dealers@dol.wa.gov Phone: (360) 664-6466	Submit to the department (the envelope must state "Attn: Dealer Services Program"): 1. Notification that the business is closing 2. The vessel dealer registration that was issued by the department.

- Manufactured Home/Travel Trailer Dealer/Vehicle Manufacturer/Wholesalers/ Miscellaneous

Program Contact:	Instructions:
Dealer & Manufacturer Services Department of Licensing PO Box 9039 Olympia, WA 98507-9039 Email: dealers@dol.wa.gov Phone: (360) 664-6466	The license and special plates must be sent or delivered to the department, or a dealer investigator can be contacted to pick up the license within 10 days of termination of the business.

- Appraisal Management Company

Program Contact:	Instructions:
Appraisal Management Company Program Department of Licensing PO Box 9021 Olympia, WA 98507-9021 Email: dolbpdamc@dol.wa.gov Phone: (360) 664-6504	Complete and send to the department the Designated Controlling Person Closing Company Affidavit form.

- Cosmetology Postsecondary School

Program Contact:
Cosmetology Program
Department of Licensing
PO Box 9026
Olympia, WA 98507
Email: plssunit@dol.wa.gov
Phone: (360) 664-6651

Instructions:
Send to the department:
1. Where records will be kept for the required 3 years
2. Contact information for each enrolled student (address, phone, email)
3. Proof students are supplied with a refund for any remaining tuition due
4. Proof student hours are terminated from the online reporting system
5. Copies of all final student monthly reports
6. Documentation of which students owe the school tuition for hours already earned
7. Contact information regarding the representative for the school
8. Bond information

- Driver Training School

Program Contact:
Driver Training School Program
Department of Licensing
PO Box 9027
Olympia, WA 98507-9027
Email: tse@dol.wa.gov
Phone: (360) 664-6692

Instructions:
1. Complete and submit DTS Closing Report found at http://www.dol.wa.gov/forms/661017.pdf
2. Enter all course completions into the Secure Access Washington (SAW) portal
3. Return school's license and copies of instructor license to the department DTS program
4. Provide the department a list of any students that have not completed your course
5. Provide the department a student record for any student that has not completed the course
6. If closing a testing location:
   - verify all test scores have been entered into the SAW portal
   - verify and confirm that all unused copies of the knowledge and skills exam forms have been destroyed

- Bail Bond Agencies

Program Contact:
Bail Bond Program
Department of Licensing
PO Box 9649
Olympia, WA 98507-9649
Email: security@dol.wa.gov
Phone: (360) 664-6611

Instructions:
1. Business continues to be obligated on all outstanding bonds until the director receives notification from the jurisdiction in which the agency/branch offices are located that all bonds have been exonerated.
2. The department of licensing has received no complaints from indemnitor about the return of collateral.
3. The director may require an audit of the closing agency at any time upon notification of the closing of the agency.

- Scrap Metal Business

Program Contact:
Scrap Metal Program
Department of Licensing
PO Box 9649
Olympia, WA 98507-9649
Email: scrapmetal@dol.wa.gov
Phone: (360) 664-6611

Instructions:
Within ten business days of the closure of a scrap metal business, the business must return the license and the special license plates to the department for cancellation.

- Funeral Establishment

Program Contact:	Instructions:
Funeral and Cemetery Licensing Department of Licensing PO Box 9012 Olympia, WA 98507-9012 Email: funerals@dol.wa.gov Phone: (360) 664-1555	1. Handle prearrangement funeral service contracts in accordance with RCW 18.39.250(8). 2. Notify the department.

5. Need assistance?

State of Washington Small Business Liaisons can help you get the information and resources you need. Also, help us improve the Small Business Guide by filling out a short, confidential survey.