

A Step-by-Step Guide to Applying for Your Washington Business License

Contractors: Includes information about registering your business.



For more information

The back cover of this publication includes a list of agencies, their services, and how to contact them if you have questions.

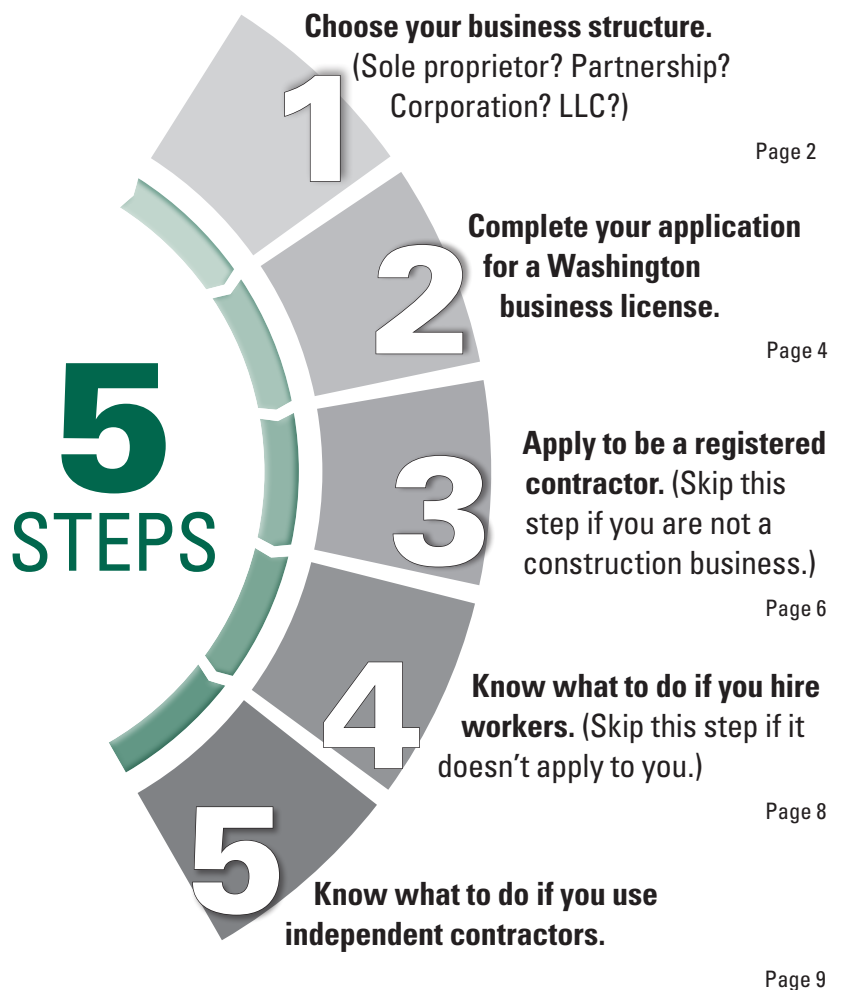
We recommend you review the "Start" chapter of the Washington Small Business Guide at business.wa.gov.



Getting started

This pamphlet explains in a quick, step-by-step format how you apply for a Washington Business License. It also includes information for construction companies on contractor registration requirements.

For more in-depth information on starting and operating a business in Washington State, please see the online Washington Small Business Guide at business.wa.gov/guide.



1

Choose your business structure

You may operate your business under any of the business structures below. Make this decision before you fill out any paperwork. Consider issues such as: how many owners you will have, personal liability, the complexity of the required paperwork, federal taxes, and whether you plan to seek investors. You may want to consult an attorney or other professional for advice on the best business structure for you.

Is your business a: (Choose one. More options on the next page.)

Sole proprietorship

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

General partnership

General partnerships are like sole proprietorships but 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 limited liability companies (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.

Profit corporation

Corporations are more complex structures than the others. As with limited liability companies (LLCs; see next page), 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 called “bylaws.”

- Corporations also have other requirements, such as issuing stock certificates, holding annual meetings and keeping minutes, electing directors, etc. Working owners of corporations are employees and must have federal payroll taxes withheld and be reported the same as other employees. Corporations file

federal corporate tax returns with the Internal Revenue Service (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”).

Limited liability company (LLC)

LLCs have limited legal liability like corporations but have fewer governance requirements. 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 a married couple), 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 or S-corporations for federal tax purposes. Among other requirements, LLCs are required to create a governance document called an “operating agreement.”

Other options (such as limited partnership, limited liability partnership, limited liability limited partnership, or nonprofit corporation)

These business structures are used less commonly for small businesses. Talk to your advisor to decide if one of these makes sense for your business.

If you have selected a business structure other than sole proprietorship or partnership and you haven’t yet registered with the Secretary of State, you must do so before going forward.

After consulting with your advisors:

- Start with the Washington Secretary of State’s office.
 - Complete the appropriate application online and pay at sos.wa.gov/corps.
 - Or download forms at sos.wa.gov/corps/forms.aspx and send your completed application with payment to the Secretary of State’s office (the current fee is on the application).

The Secretary of State’s office will make sure that another registered business in Washington State does not already have your business name. Your registration document with your legal business name will be mailed to you.

The Secretary of State’s office will assign your business a Unified Business Identifier (UBI) number for you to use as identification with all Washington State agencies.

See Step 2 for licensing instructions for the business structure you choose.

2

Complete your application for a Washington business license

Your business must be licensed by the State of Washington as well as by many cities where your business provides services.

Sole proprietorships and partnerships will be assigned a Unified Business Identifier (UBI) number through the state licensing process. You will use the UBI for identification with all Washington State agencies.

1. Prepare to apply for your Washington business license. Be ready to answer questions such as:

- What will be the official name of your business?
- Will you be hiring employees? Will any be under age 18?
- If you won't have employees, would you like to sign up for optional workers' compensation coverage? (This is insurance coverage for you and other owners if you are hurt while working.)

See the full list of questions you must be ready to answer at dor.wa.gov/apply.

2. Get the Washington Business License Application:

- Online at dor.wa.gov/register.
- In person at Washington State Department of Labor & Industries (L&I) locations listed at Lni.wa.gov/Offices; at Washington State Department of Revenue locations listed at dor.wa.gov.

3. Complete the application and pay the fee, as instructed online or on the printed form.

Should you be a registered contractor?

If you do any of the following on someone else's property, register as a contractor with the Washington State Department of Labor & Industries (L&I).

- Construct buildings and other structures.
- Do flooring, roofing, siding, painting, install drywall, or similar work.
- Install cabinets.
- Install plumbing, electrical, HVAC, septic, or other building systems.
(See additional requirements on the next page for plumbing and electrical).
- Repair or alter buildings and structures.
- Plant plants, build flower or garden beds, or create a path.
- Clear land, if it involves cutting trees or moving dirt.
- Develop residential property for sale.
- Serve as consultant or superintendent on a building project.
- Add to or subtract from real property.
- Clean up construction sites.
- Pressure wash decks, roofs, buildings, or other structures.

You must be a registered contractor to even offer to do work. Don't advertise or bid a job until your registration is finalized. Once you're registered with L&I, your ads and bids must include the name and address you used to register and your registration number.

Do you "flip" (buy, fix up and sell) homes or other properties you have owned for less than one year?

If you do, you're required to register as a general contractor, even if you hire registered contractors to do all the work.

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Apply to be a registered contractor

Skip this step if you are not a construction business.

Plumbing

- Will you offer plumbing-related services?
 - If your work involves plumbing, you must be registered as a licensed plumbing contractor with L&I and have a full-time, certified plumber on your staff. Licensed plumbing contractors should also be registered as general contractors if they plan to do construction other than plumbing. Go to Lni.wa.gov/NewPlumbingRequirements for more information.

- Will you use subcontractors for plumbing?
 - You must be a general contractor to subcontract work. In addition, general construction contractors must subcontract all plumbing to a licensed plumbing contractor. The “specialty plumbing” registration classification is no longer valid. Only licensed plumbing contractors can hire certified plumbers, who must do all the plumbing work on-site.

Electrical

- Will you offer electrical-related services, including computer cabling, security systems, replacing light fixtures, and other activities?
 - If you will, you must be licensed as an electrical contractor with L&I and have certified electricians perform the work. Go to Lni.wa.gov/ElectricalLicensing for more information.

- Will you use subcontractors for electrical work?
 - In most cases you must be a general contractor to subcontract work to an electrical contractor.

Other Contractors

- Obtain and complete a *Construction Contractor Registration* application.
 - Download it at [Lni.wa.gov/go/F625-001-000](https://lni.wa.gov/go/F625-001-000).
 - Pick it up at L&I offices listed at [Lni.wa.gov/Offices](https://lni.wa.gov/Offices).
 - Call Contractor Registration at 1-800-647-0982 to request a mailed copy.
- Purchase a bond *and* liability insurance. Start with your insurance agent.

*Note: Applicants must be 18 years old or older to register as a construction contractor.

Required Bond

- General Contractors: \$12,000.
- Specialty Contractors: \$6,000 (one specialty trade only). See the application form for more information.
- On July 1, 2024, bond requirements will increase to:
 - General Contractors: \$30,000
 - Specialty Contractors: \$15,000 (one specialty trade only). See the application form for more information.

Or instead of purchasing a bond, you may set up a dedicated account at your bank in Washington State. Use an *Assigned Savings Account* form. Download it at [Lni.wa.gov/go/F625-008-000](https://lni.wa.gov/go/F625-008-000).

Required Insurance

- Minimum of \$50,000 in property damage and \$200,000 in public liability insurance.
- Or \$250,000 in a combined, single limit policy.

Reminder: Tell your agent to provide L&I with an updated copy each time you renew or change your policy to avoid suspension of your license. Your agent must submit this information online.

Did you know?

If you change your business structure or business name, you must get a new contractor registration.

Bring all paperwork and payment to an L&I office

This must include:

- Your payment (check, money order, VISA or MasterCard). Ask L&I for the current contractor registration fee.
- Your original completed and notarized *Construction Contractor Registration* application. (Notaries are available at most L&I offices).
- Your original insurance and bond documents. (They cannot be copies and cannot have changes, marks or white-outs, which will invalidate them.)

Drop off your application at an L&I office and Skip the Line by booking an appointment online at Lni.wa.gov/SkipTheLine.

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Know what to do if you hire workers

Did you indicate on your Business License Application that you will hire employees? If so, the state agencies with tax requirements for businesses with employees will set up accounts for you. They will mail you the documents you need and explain the rates you will pay.

You also will need to:

- **Create an** accident prevention plan and meet other workplace safety requirements.
- Find out about employment rules such as minimum wage, overtime, break requirements, paid sick leave, and authorized payroll deductions.
- Obtain a completed Parent/School Authorization form for each employee you hire under age 18. Download the form at Lni.wa.gov/go/F700-002-000.
- Set up an employer account with the Internal Revenue Service.

The Washington Small Business Guide has more information and links to forms you and your employees will need to complete. The guide is online at business.wa.gov/guide. Helpful websites and numbers are listed at the end of this publication, as well.

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Know what to do if you use independent contractors

Many workers consider themselves to be independent contractors. However, based on legal definitions, they actually would be classified as *employees* for minimum wage, overtime, payroll tax, workers' compensation insurance, and other purposes.

Steep penalties can result if you are found to be an employer and you haven't met employer requirements. In addition, your clients can face steep penalties if they should have classified you as their employee rather than as their contractor.

- Carefully review the independent contractor information in section 10 of the "Start" chapter of the online Small Business Guide at business.wa.gov/guide.
- If you determine the person you're hiring qualifies as an independent contractor, keep the supporting business documents on file in case you are audited.



More information

Your business must meet other government requirements. Learn what those are by reading the Washington Small Business Guide: business.wa.gov/guide. You can also get a customized Business Licensing Guide for your business by going to dor.wa.gov/licensewizard or calling 360-705-6741.

Office for Regulatory Innovation and Assistance:
oria.wa.gov | 1-800-917-0043

Business Licensing: dor.wa.gov | 360-705-6741

Washington's Website for Businesses: business.wa.gov

Department of Labor & Industries:
lni.wa.gov/SmallBusiness

- Small business liaison, 1-800-987-0145
- Agency information and assistance, 1-800-547-8367
- Contractor registration, 1-800-647-0982
- Prevailing wage requirements, 1-855-545-8163
- Employment standards/workplace rights/hiring minors, 1-866-219-7321
- Workplace safety and health, 1-800-423-7233
- Workers' compensation insurance, 360-902-4817

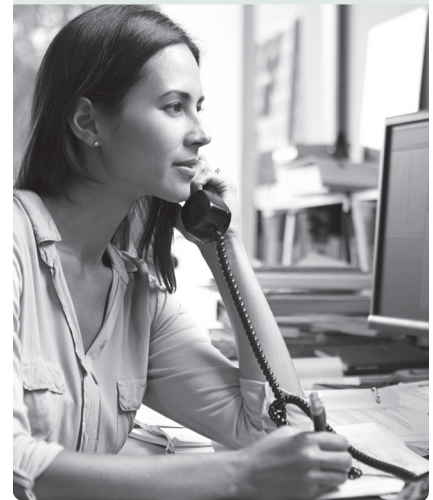
Employment Security Department: esd.wa.gov
(Employer Resources tab)

- Shared Work Program, 1-800-752-2500
- Unemployment tax information, 1-855-829-9243
- Paid Family and Medical Leave information, 1-833-717-2273
- Labor market information, 1-800-215-1617

Internal Revenue Service:
irs.gov
1-800-829-4933

The Internal Revenue Service (IRS) is a federal, not a Washington State, agency. Whether or not you plan to hire workers, you must get an Employer Identification Number (EIN) for your business. Get one at [IRS.gov/ss4](https://irs.gov/ss4).

Sole proprietorships that won't have employees are an exception. They can choose to use their Social Security number as their federal business identification number, though they may not want to for security reasons.



Upon request, foreign language support and formats for persons with disabilities are available. Call 1-800-547-8367. TDD users, call 711. L&I is an equal opportunity employer.