

1, 2...Go!

Excerpt ** Excerpt ** Excerpt

- ① Prepare for Licensing
Get Licensed
- ② Get Your First Customer
- ③ Go! Do Your Work + Set Up Shop

Prepare for Licensing

Recommended for everyone. Check when complete.

Decisions

- ☐ Business Entity—Sole Proprietor or LLC (Or PLLC)
- ☐ Determine Legal Name
- ☐ Create Primary Business Name
- ☐ DBAs
- ☐ Write Description of the Business
- ☐ The Start Date

Research

and Review

- ☐ NAICS Code
- ☐ Categories of Business Activity
- ☐ Location
- ☐ Your Due Diligence
- ☐ *Professional or special license(s) needed?*
- ☐ *Permits required?*
- ☐ *Rules or regulations to know?*
- ☐ Determine If You Need to Collect Sales Tax
- ☐ Example Starting Costs

Notes

Introduction to Prepare for Licensing

Getting licensed is actually pretty simple. You'll be asked for your address a million times, along with a few basic questions about your business, e.g., your expected income, location, if you're hiring employees, etc.

Having said that, a lot of people get tripped up filling out these applications if they haven't prepared ahead of time. That's what this chapter is for! We'll cover some terms you need to know and make some decisions, so you'll be ready to skip through the licensing process. Please be aware that websites change and move. If any of the links don't work, perhaps search for the terms or call the related government agency.

The checklist is provided to help you keep track of your progress. Feel free to add notes to the checklist and to record your choices as you go along, so you can refer to it when applying for your licenses.

Important notes:

- Some things apply to everyone, and some things vary by occupation. I'm providing the basics. It'll be up to you to find out what else you need; that is what due diligence is all about. (Covered on page 71.)
- If you plan to hire employees, you will have additional responsibilities that are not covered in this book. (See page 357.)

Some people like to get help from a small business expert or lawyer. This can be extremely valuable. I still encourage you to work through this chapter first to become familiar with the terms. Then, you can better understand their advice and utilize their expertise to fill in the gaps.

ProTip: people will try to give you additional advice. Help them help you by staying on task. At this step, you want to understand only what's needed to get set up as a legal business. Do this first before digesting other advice.

Lastly, have fun! You're creating something new. Make it your own!

Business Entity: Sole Proprietor or LLC (Or PLLC)

One of your first decisions is to choose what type of business entity you want to have. There are different types; each have their own requirements, obligations, and benefits. Most self-employed folks pick either *Sole Proprietor* or *Limited Liability Company*, or *LLC*. (Or if your work requires a professional license, then a special version of an LLC is required called a *PLLC*, or *Professional Limited Liability Company*.)

Some people choose to set up an S Corporation. That is beyond the scope of this book.

Sole Proprietor

The simplest option is the *Sole Proprietor*. In this case, you and the business are considered one and the same. There's no real structure to set up or maintain. You are simply required to have licenses and pay taxes. The structure is free; that is, there are no additional costs for being a sole proprietor besides licensing fees.

There are no special obligations or benefits. The main advantage is that the paperwork is the most streamlined. There is a risk, though. If for some reason, someone sues your business, they are suing you personally. If they win and you owe them damages, they will come out of your personal assets, such as your savings accounts, retirement, or properties.

One benefit to having a sole proprietorship is that checks can be made out to your name—so that makes banking easy. You can even use a personal banking account versus a business account. (Having said that, it's best to get separate accounts for your business. We'll look at those later.)

Note: It's fairly easy to change from a sole proprietor to an LLC, if you change your mind.

Limited Liability Company, or LLC (Or Professional Limited Liability Company, or PLLC)

The second option is an *LLC*, or *limited liability company*. (If you work in a field that requires a professional license—lawyers, massage therapists, counselors—then you must get a *PLLC*. They cost the same, function the same, and are grouped with LLCs. Generally, if you read about LLCs, here or in other places, the information applies to PLLCs as well.)

In this case, the business is a company that is separate from you. This offers a layer of protection. When someone sues a LLC, they can take the company's assets, but not the personal assets of the owner. If Jane Q. Carpenter builds a house that collapses, she can lose everything if she gets sued. Her home, her savings account, all of it. But if JQ Carpentry, LLC gets sued, a plaintiff can only take the assets that belong to the business. (In my case, my company assets only include a small business savings account, my computer, printer, and lots of great books.) The idea is that your home and personal monies are protected.

Having said that, it is possible to get around that protection—depending on the case and the lawyer. If you want to know more on the subject, I suggest meeting with a small business lawyer to share more about your specific situation.

You must apply with the Secretary of State of Washington to be granted the LLC entity. It costs about \$200. You must renew each year on the anniversary month, for about \$70.

Some people consider it an additional benefit that the LLC label looks and sounds super legit. Some find that it helps potential clients, friends and families all take your business seriously. This can be a boon for certain types of businesses, especially if you have a unique job or one that doesn't require any degrees or licenses, like a consultant or artist.

1, 2...Go!

For an LLC, you will need to get a separate banking account, since it's a company separate from you. (More LLC stuff on page 81.)





Here's a cool thing about LLCs. If you're the only owner or member, you don't have to do anything different for the IRS! You use the same forms as a sole proprietor because the finances work in exactly the same way. In fact, the IRS refers to you as a "*disregarded entity*." Your entity is not regarded! You are ignored. 😊 This allows you to use the simplest reporting option. (If you want to be regarded as a corporation or partnership, you may do that instead if you meet those requirements. Regarded entities have their own special forms.)

-

Once you know which type of entity you'd like, enter it onto the checklist.

Legal Name and DBAs

When you register your business, you'll be asked for the legal name. This is like the root name. It'll be on all your licenses and tax forms. You can still do business under different names. These are called DBAs (doing business as) or trade names. Here are a couple rules to know:

-  If you're a sole proprietor, your legal business name must be your own legal name.
-  If you're an LLC, your legal name must include limited liability company, limited liability co., LLC, or L.L.C. in the name somewhere. The 'LLC' tells everyone this is a registered entity they can look up with the Washington Secretary of State.)
-  Your legal name can be changed—for a \$30 fee, using a form called: Amended Certificate of Formation/Registration
-  DBAs for an LLC may NOT include any variation of the LLC label. (For example, my official business name is Girl Friday LLC. If I want a DBA for Jenny Girl Friday, that's fine. But it can NOT be Jenny Girl Friday LLC.)

Example with a Sole Proprietor—

Legal name: Alexander MacLeod

DBA/Trade Name: Old Time Entertainment

Example with an LLC—

Legal Name: Girl Friday LLC

DBA/Trade Names: Girl Friday, Jenny Girl Friday, and Jenny MacLeod

•

DBAs cost about \$5 each with the state. (They are free with the city.) They can be added at any time. This is great to remember, since we're employing a build-as-you-go mentality.

Business Name

Your business name is the name you actually use—whether it's your legal name or a DBA. It's the one on your business cards, flyers, and invoices.

Pick one that you like! For whatever reason—it's fun, it's traditional, it's outrageous. Pick one that your target customers will like. (You can change it later.)

If you don't have one yet, brainstorm ideas. Perhaps ask some friends to help. Then, narrow down your list, using the ideas on page 64. Resist the temptation to hold out for the perfect name. If it comes to you, great. Otherwise, just pick a decent one and get going.

Here are some different types of name structures...to help with your brainstorming.

A Clear Description—e.g., Custom Cupcakes for Parties

Your Target Customer—e.g., First-Time Landlord

Prepare for Licensing

What You're Selling/Benefit—e.g., Peace of Mind Estate Planning

Something Clever/Eye-catching—e.g., Not a Number Cards & Gifts

Combine the one of the above with your name or initials—e.g., tk Consulting

Combine one of the above with your neighborhood—e.g., Green Lake Dog Walkers.

Narrow your list down to your top 5:

-
-
-
-
-

To narrow further:

- Review available domain names. Go to namecheap.com, and put in your desired name. If what you want is not available, see page 252 for ideas.
- Check to see if other businesses have this name already. Go to the Washington State Look Up tool at: <http://apps.dor.wa.gov/BRD/>
- Research any trademarks with this name. (See page 72.)
- Look at the usability of your name.

Is it easy to spell?

Is it easy to say?

How does it look written out?

How does it look as a URL?

Narrow your choices to your top three:

-
-
-

Description

You will be asked to provide a detailed description of your business activities on all license applications. This can be a phrase or a couple sentences.

This has several purposes. First, the state can check to see if you have the correct permits or licenses. Second, it's part of the public record for consumers. Third, it is used to assign your *NAICS* code. (See page 67.) If you care about the code, be sure to craft language to match the one you want.

It's okay to be concise, but be sure to include the main elements of your work.

Incomplete Example: Massage Therapy

Good Example: Massage Therapy: treatment-based, in clinic settings, spas, and private homes.

Practice your description here. Think about what you do, where, with whom, categories of service, and specialty offerings.

The Start Date—Some Considerations

When you apply for your licenses, you will be asked for a start date. You can make it the date of filing or pick a different one.

Sometimes the specific date of filing will be on the LLC certificate or city license. However, in the database, it will show a different date— usually the first of the month of filing.

Here are a few things to keep in mind:

- If you register an LLC, you will renew on the anniversary month, so it might be practical to choose a certain month over others. I suggest sometime between January and April—since you'll be busy with tax season work anyway.
- Pick a date that's memorable. You will be asked about it from time to time, and it's nice to have a solid memory of your start date.
- Lastly, you might have the opportunity to make it fun or meaningful. Mine was 4/9/13*. I love how the first two numbers add up to make the year. Whatever your records say, it's nice to remember your original filing day, and perhaps celebrate business anniversaries.

*Later, I changed my start date to 5/1/13, because May Day is my favorite day of the year. But my certificate still says 4/9/13,—which I still like to see too.

NAICS Code

This code is used for statistics only. Usually it is assigned to you by the state. From time to time, you'll be asked for it. (Opening a business banking account is one example.) So, it's good to know what it is, or where to find it!

NAICS stands for North American Industry Classification System. It collects statistics about business and industry. It was originally developed in the 1930s, and has evolved over time. Every business is given an NAICS code—which also puts your business into a specific category—and you cannot change it. It's kind of fascinating to see all of the business categories.

Typically, the state assigns this to you, using the business description that you provide. To find out what you've gotten, use the business lookup tool.

- 1 Go to the business lookup tool at: www.dor.wa.gov/content/doingbusiness/registermybusiness/BRD/
- 2 Put in your business name.
- 3 Look at the results, find your name and click on it.
- 4 It will show your business profile, and the NAICS code will be there.




(Note: If the above link has stopped working, try these terms in search: *DOR, business, look up.*)

If you're curious, or want to find one that fits your business, you can go to NAICS.com. It's possible that you could get a specific code assigned to you if you craft your business description to match, or, you call the state to about requesting a specific code. The BLS (The Washington State Business Licensing Services) phone number is 800.451.7985.

List your ideas here: _____.

Types of Business Activity: Service, Retail, Wholesale, Manufacturing

It is important to understand the categories of business activity and to know which ones you'll be doing. Why?

-  You'll be asked about them on your Washington State Business License application.
-  Later, you'll be asked to report your business activities by category to both the state and the city.
-  In order to make these reports, you'll need to figure out the total sales by category. You can track this as you go or add them up later.

Service—This is whenever you help others through words or actions... and you are NOT improving physical items. For example, if you're a consultant or workshop teacher, you're providing services.

Retail—Anytime that you sell a product, or, provide a service that improves a physical thing, you are involved in retail.

Product example: You sell a painting at a street fair.

Service example: You install and paint a bookshelf for someone.

Wholesale—Wholesale refers to anytime you provide products or services when someone else is collecting the payment and sales tax from the customer.

Product example: **Roxie** makes amazing ShamPhree kits. She sells them to hair salons at wholesale prices. The salons sell to the customers and collect sales tax.

Prepare for Licensing

Service example: **Anne** is a color consultant. She sometimes sub-contracts with an architect. An architect gives a bid to a client. Part of that bid includes Anne's services. The architect collects payment and sales tax for the entire job, then pays Anne.

Manufacturing—Manufacturing is anytime you make something. Some examples are artwork, furniture, body lotions, jewelry, and publishing written works.

•

Often, the same work will be a part of multiple categories.

Some examples:

Nikki makes stunning jewelry and then sells it directly to consumers in Washington. This means she is both *manufacturing* and *retailing*.

Alan is a commercial photographer specializing in arts, culture and adventure. He primarily works for businesses—providing photos for websites or advertising. In addition, Alan sometimes provides photos for individuals for personal use. Usually these are clients he meets on the job who request a personal photography session. And/or, when Alan shoots events, such as business conferences and festivals, attendees will sometimes purchase photos afterward. He's both providing *services* (for the business use) and *retailing* (for the private individuals).

Alex writes captivating articles about adventures in the Pacific Northwest for his blog and sometimes for magazines. He also sells products he has made from time to time. He is *manufacturing*, *retailing*, and selling *services* (for the ads).

Which categories apply to your work? Circle or check:

Service

Wholesale

Retail

Manufacturing

Location(s) of Business

Licensing forms will ask for the location of your business. This refers to the city or cities where you're conducting your business activities—that is, where you are physically when you're offering services or selling products. If you're shipping products or providing services over the phone or Internet, then the location is where you are at when working on your computer and handling these products.

If you do business outside of Seattle, you'll need a license for each city. And, you'll need to pay taxes for each city—if they collect them. (Some cities collect tax; others do not.) Additionally, if you work in a different county, you'll need to check their requirements too.

For example, if you are a massage therapist with an office in Seattle, you just need a City of Seattle business license. If you decide to start doing in-home treatments in Shoreline, you'll need to get a license from the city of Shoreline.

To make it easier on yourself, consider starting just in Seattle. Then you can add other cities later.

For more information, you can:

- Call the BLS (The Washington State Business Licensing Services) at 800.451.7985.
- Make an appointment with Greater Seattle SCORE. They offer free advice to small business owners. Go to www.seattle.score.org
- Look on the website of each city. For a list of all cities and websites, go to: www.mrsc.org/Home/Research-Tools/Washington-City-and-Town-Profiles.aspx

Due Diligence

When you open a business, it's your responsibility to find out what is required and to make sure that you're following all of the laws that apply to you and your work. This is what doing your *due diligence* is all about. Examples of what you might need are special licenses, permits, regulatory endorsements and, inspections.

For some jobs, there are *no special requirements*. Examples: consultants, writers-for-hire, or artists.

For some, you need a *professional* or *special license* to practice in your field. Examples include massage therapists, counselors, and day care providers.

Certain products require *permits*. For example, if you make foods in your kitchen to sell at farmers markets, you need a Cottage Food Operation permit.

Some fields have *rules and regulations*. Massage therapists, for instance, are required to put their license numbers on all advertising.

There is help available! Here are some options.

If you want to do this yourself:

- Check the List of Licenses on the Washington Department of Licensing website: www.dol.wa.gov/listoflicenses.html
- Check the City Regulatory Endorsement page: www.seattle.gov/business-regulations/businesses-that-require-a-regulatory-endorsement
- Look for relevant permits on the Washington Business Hub site: <http://business.wa.gov/start.html#LicensesPermits>

1, 2...Go!

- Use the State of Washington Business Licensing Wizard. Go to: <http://bls.dor.wa.gov/licensing.aspx>. Then find the “Business Licensing Wizard” button.

It’s a nice tool where you put in your trade, where you will work, and the nature of your business (entity, employees), and it creates a customized guide. Be warned...there’s a lot of language on there, and it takes careful reading.

If you want help with this:

- Call the Business Licensing Service (BLS), and ask them what you need at 1.800.451.7985
- Check with Greater Seattle SCORE. They offer free advice to small businesses at www.seattle.score.org.
- Talk to someone in your field.
- Meet with a lawyer.

Trademarks

In addition to the above, you will also need to check to make sure that your name and graphics do not infringe on any trademarks.

- Check with the United States Patent and Trademark Office.

Go to: www.uspto.gov/trademark and scroll down. Select *Search Trade-mark Database*

- Check Washington State trademarks. Call the Secretary of State at 360.725.0377.

If you plan to hire employees

If you plan to hire employees, you will have additional responsibilities that are not covered in this book. Please read page 357.

Do I Have to Collect Sales Tax?

It's important to figure this out from the get-go, so you will know if you need to charge customers for this.

Generally speaking, if you make any products or do services that improve physical things (such as painting a house or tuning a piano), you need to collect sales tax. There are exceptions and special cases.

To be sure, check with the Department of Revenue (DOR):

- Look up your industry online,
Go to: www.dor.wa.gov
Select Doing Business from the top Menu
Select Business Types
Select Industry Guides
OR
- Call the DOR and ask at 800.647.7706.

Please note, laws change! **It's important to determine for yourself, if you need to collect sales tax or not.**

Some examples of service industries that—

DO collect sales tax: interior designers, artists, hair-stylists

DO NOT collect sales tax: consultants and massage therapists

Some Fuzzy areas—

Yoga Teachers and Martial Art Teachers. When teachers provide yoga or martial art services *as a spiritual practice*, they do NOT collect sales tax. When teachers provide these in a fitness capacity (e.g. a gym), this falls under a different category, and they DO collect sales tax.

1, 2...Go!

Writers, designers, photographers. Artists who sell their work directly to consumers for personal use DO collect sales tax—whether in physical or digital form. Artists who sell their work to businesses for use in marketing DO NOT collect sales tax.

How Much Does it Cost to Get Started?

The costs vary depending on your choices. Here are some examples of very basic start-ups just to give you an idea. (These costs are approximate and based on 2018 prices.)

Sole proprietor—	City business license, \$55
Basic Option:	State business license + 1 DBA, \$24
<i>About \$79 total</i>	Free website
	Free business cards

.....

LLC—	City business license, \$55
Basic Option:	State business license + 1 DBA, \$24
<i>About \$279 total</i>	LLC registration, \$200
	Free website
	Free business cards

.....

Sole proprietor—	City business license, \$55
Mid Level Option:	State business license + 1 DBA, \$24
<i>About \$235</i>	Website—a year at \$8 a month, \$96
	Business cards—\$60

.....

LLC—	City business license, \$55
Mid Level Option:	State business license + 1 DBA, \$24
<i>About \$435 total</i>	LLC registration, \$200
	Website—a year at \$8 a month, \$96
	Business cards—\$60

In Summary—Prepare for Licensing

Now that you have made some decisions and know more of the language, getting licensed should be a cinch.

You've chosen your entity type (LLC or sole proprietor), legal business name, and DBAs. You've got a short description ready and have picked a start date. You've also reviewed NAICS codes in case you want to try to get a particular one.

Very importantly, you have determined if you need to collect sales tax or not.

You've done your due diligence, so you've researched all the requirements, permits, and licenses for your business type, as well as checking out trademarks. This will help you sleep better at night.

You also understand that every city where you conduct business will require you to get a license.

You're ready!

Get Licensed

Required and recommended. Check when complete, or mark NA.

Getting Set Up

- ☐ Get a Special Notebook
- ☐ Set up Email Folder
- ☐ Set up Special Place for Storage
- ☐ Meet the UBI Number

If Getting an LLC

- ☐ Review Terms
- ☐ Apply for LLC (Or PLLC) w/Secretary of State
- ☐ Wait for LLC Certificate and UBI
- ☐ Write Down UBI for Other Applications

Licenses

- ☐ State Business License
- ☐ Get an EIN (*optional*)
- ☐ Get City Business License Tax Certificate
- ☐ File New Business Form with King County

Finishing Strong

- ☐ Put Everything in Place
- ☐ Business Lookup Tool
- ☐ Record in Special Notebook:
 - ☐ *UBI Number*
 - ☐ *Assigned NAICS Code*
 - ☐ *How Often to Report to DOR*
 - ☐ *SOS - Login and Password*
 - ☐ *My DOR / SAW - Login and Password*
 - ☐ *File Local - Login and Password*

Introduction

Now that you're prepared, getting licensed should go pretty fast*, and is not that expensive. If you have your notes ready from the last chapter, the whole process should take only thirty to ninety minutes.

To set up a new business, we'll do the following:

- 1 Create an LLC (optional)
- 2 Get an EIN from the IRS (optional)
- 3 Get a Washington State business license
- 4 Get a City of Seattle Business License Tax Certificate
- 5 Fill out a New Business Set-Up form with King County

It is important to go in this order, and to make friends with your UBI number. This is your tax ID for Washington state.

Pro Tip: If you feel yourself stalling or getting overwhelmed, consider asking a friend to sit with you while you go through the licensing process. Often, a second set of eyes helps things feel easier.

Let's get started!

*Two important notes, at the time of this writing: All levels of government are currently transitioning to new online portals, so some things in this chapter may not match your experience exactly! Also, some are experiencing some technical difficulties. When in doubt, call to get help.

Currently, wait times for getting an LLC have increased to several weeks. It used to just take a few days. One option to speed up your process is to drive down to the Secretary of State office in Olympia for faster service.

Set Yourself Up for Success

The steps below sound really simple...and you might be tempted to skip or do them later. Please, do not skip these steps! You will thank yourself in the future. Having all the necessary information in one place will come in handy so many times.

- 1 **Get a notebook** to record everything that's related to licensing and taxes—all of your passwords, logins, and numbers for your business, such as your *UBI (unified business identifier)*—and for taking notes in every time you do research or call one of the government agencies.

If you like things organized, consider a notebook with tabs. Mark them: City, County, BLS, SOS (if you get an LLC), DOR*, and Federal. Otherwise, just write notes as needed, and flip through to find things.

You might be tempted to make it an electronic file. I encourage you to use a paper notebook. It's tangible, you don't have to back it up, and no virus can ruin it.

- 2 **Set up a folder in your email inbox** to store all emails and receipts related to government agencies. Perhaps name it "Legal + Taxes".
- 3 **Set up a special place to put all your official documents** such as licenses, license renewal reminders, any printouts from the web. They can be in file folders, or you might use a small metal file box, a special basket, or decorated box. Pick something that feels good to you—either because it looks nice or feels safe. You need to feel comfortable interacting with it and these documents. Make it easy to get to. I have a neat box that closes with a magnet flap and has a "leather" cover. I store it under a chair, so it's easy to slide in and out.

*

BLS is the *Business Licensing Service of WA*

DOR is the *Department of Revenue of WA*

SOS is the *Secretary of State of WA*

Meet the UBI Number

UBI stands for *Unified Business Identifier* and is used for business and tax purposes within the State of Washington, as well as security.

It's used in a similar way as your social security number (SSN). Think about all the times you've been asked for your SSN, or the last 4 numbers as part of a security question. Even though it was created for paying taxes, it's also commonly used as an identifier.

That is exactly how the UBI number is used within Washington. You will use it on all of your licenses, bank accounts, and some correspondence. Also, as soon as you're assigned this number, it is automatically sent to the Department of Revenue, so they can start collecting state taxes from you. (More information to come on this.)

There are two ways you'll receive your UBI—



If you apply for an LLC, the Secretary of State will assign it to your business entity.



If you are a sole proprietor, you will receive it with your state business license.

Important for LLCs: you must apply for your LLC first, and then use that UBI number with your state license application.

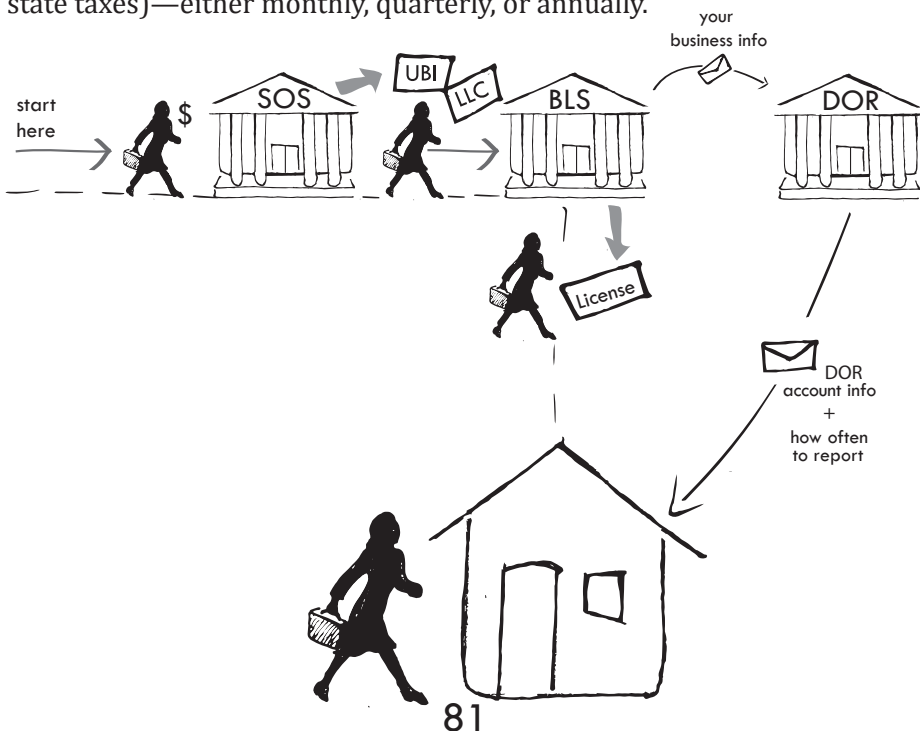
LLC Pathway—For Getting Licensed

For Starting as a Sole Proprietor,
go to page 87

If you're getting an LLC, you'll be dealing with three different agencies of Washington State. It's easy to get them all mixed up. (Read more in the *Legal and Taxes* section. See page 131.)

Here is the pathway for setting up your licenses. **The order is important.** First, go to the Secretary of State (SOS) to set up your LLC. Wait for confirmation that it has gone through and for the UBI assigned to your LLC. This may take 3-5 business days or more. Once you've got the UBI, your LLC is ready to get a state business license.

Take your UBI over to the Business Licensing Service (BLS). The BLS will issue your state business license and will also send your information over to the Department of Revenue (DOR). Then your part is done. The DOR will get in touch with you about how often you will file your excise tax form (for state taxes)—either monthly, quarterly, or annually.



Before Applying for Your LLC: Some Terms to Know

For Starting as a Sole Proprietor,
go to page 87

These are some terms you'll come across when working with banks, or filling out your LLC application.

Certificate of Formation: The piece of paper that grants the status of your LLC is the *Certificate of Formation*. It is issued by the Secretary of State. The current version has some flowers on the border and the seal of the state in gold.

Articles of Formation: The *Articles of Formation* are the papers you fill out to designate which members will get what percentage, and who the managers are, etc.

Sometimes people mix up these terms. So, if a bank asks you for the Articles, they might really need the Certificate. Having said that, they might want the Articles to see which names are on the account. To be safe, bring both.

-

When you're a single member LLC, you fill all the roles. Here are some definitions, in case you're curious about them.

Member: The owners of an LLC are called *members*. The term makes more sense if you imagine a club of people starting a company. Each member (of that club) shares in the responsibility and gets a designated percentage of the profit.

Single Member LLC: Describes an LLC with only one member / owner. Sometimes people say *single owner*. This is a good synonym, although it's not the official term.

Manager: The person or persons who run the business are called *managers*. Now, imagine a club that is composed of grandmas who make knit products and don't want to deal with the business side. They might hire someone to set up the structure, file paperwork, and write checks on their behalf. This would be the *manager*.

Member-managed versus **manager-managed:** This term describes who is running the business—e.g., handling legal documents, banking, overseeing operations)—whether it's the member/s (owners) or manager/s (hired). Typically, single-member LLCs are *member-managed*.

Registered Agent: The person authorized to make reports and changes to the LLC.

Governor: The person in charge of managing the business of the LLC.

Executor: The person creating the LLC, and signing the formation application.

Apply for Your LLC— With The Secretary of State

Takes about 10 – 15 minutes, Cost: \$200

For Starting as a Sole Proprietor,
go to page 87

To get an LLC, you must apply with the Secretary of State (SOS), since you are setting up a legal entity.

It costs about \$200 to start.

It costs about \$60 to renew each year.

The SOS assigns your *Unified Business Identifier (UBI)*. This is your business ID number with the state.

The application is fairly straightforward. Mostly, you'll need to input your address in a million places. This is because you fill all the roles when you are a single member LLC.

On the Secretary of State website, LLCs are handled under the category of Corporations.

You may file on paper or online. For both, go to www.sos.wa.gov/corps/ on the Secretary of State website.

For the Paper Form

The paper form is very straightforward—only two pages, with instructions attached. For Agent type, choose “Noncommercial Agent”. See more Helpful Hints below.

- 1 Go to: www.sos.wa.gov/corps/
- 2 On the right hand navigation, choose “Limited Liability Companies”.

Get Licensed

- 3 Choose: Paper Form.
- 4 Print and fill out.
- 5 Your name and contact information goes in every section.

To File Online

Filing online is fairly easy, and it's pretty quick, when you know the pathway.

Note: If things have changed, or if you get stuck, call the SOS to get help at 360.725.0377.

- 1 Go to: Go to: www.sos.wa.gov/corps/
- 2 Click on the "Corporations and Charities Filing System". It's the big green button on the right hand side.
- 3 Select "Create a User Account".
- 4 Choose "User Account".
- 5 Select "Individual".
- 6 Fill in the remaining information.
- 7 Record your Account login and password somewhere safe.
- 8 Log in to your new account.
- 9 On the left side navigation, find "Create or Register a Business".
- 10 Move the application, putting your name and information in every box. See helpful details below.
- 11 Checkout and print receipt. Well done!!
- 12 Wait for the LLC formation papers to arrive, along with your UBI. (At the time of this writing, this is taking several weeks.)

Helpful Hints

Initial Report Box - Somewhere in the beginning, there's a box to check to include this in your application. **Select this box!** (It will save you filing a report in a few months.)

Filling out Initial Report - Confirm information and submit.

Beware - There's a box that's easy to accidentally check. It asks if you're part of an address protection program....

Submitting the Name for Review - Once you enter your desired LLC name, it will show a list with similar names and tell you if the one you want is available. If yours is taken, you will have to find a variation, or change it all together.

Your LLC legal name *must* include one of the following:

- Limited Liability Company
- LLC
- Limited Liability Co.
- L.L.C.

Tenure - This is how long you want your LLC to exist.

Perpetual or Specific - Perpetual means that it is open until you close it, and is the usual choice. Use Specific if you're forming the LLC for a set period of time.

Place of Business - the city or cities where you intend to work.

Managed by: members or managers? - Single-member LLCs typically select 'member'.

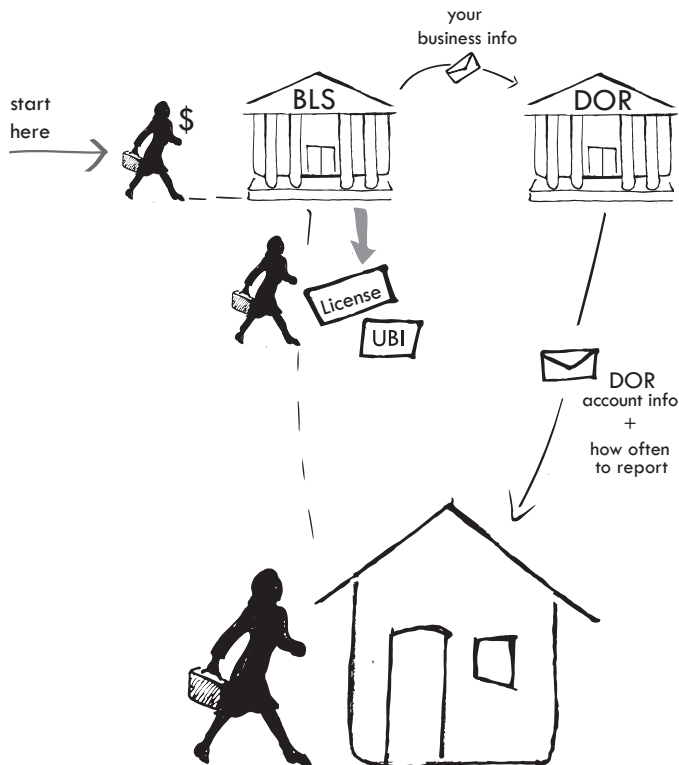
Sole Proprietor Pathway— For Getting Licensed

For LLC Pathway, see page 81.

If you're planning to be a sole proprietor, then you'll be dealing with two different agencies of Washington State. It's easy to get them mixed up. We'll look at this more in the *Taxes and Legal* section.

For now, here's what you need to know. You will register with the Business Licensing Service (BLS). They will issue a UBI and state business license. Then they send your information over to the Department of Revenue (DOR). Your part is done.

The DOR will get in touch with you about how often you will file your excise tax form (for state taxes)—either monthly, quarterly, or annually.



Get Your State Business License

Takes about 15 – 30 minutes

Cost: \$19 +\$5 per DBA

All LLCs and most Sole Proprietors **must** get a Washington State business license.

The only **exceptions** are businesses that meet ALL of the following:

- you are a service business and collect zero sales tax
- plan to do business in your name
- make less than \$12K each year
- require no specialty licensing
- work in a city that handles its own city licensing (such as Seattle).

Even when meeting all the criteria, I tell my clients to get a license with the state anyway. It doesn't cost very much, and they may be more protected or prepared if laws change. Plus, it's the only way to get a UBI, which is often asked for.

It takes about fifteen to thirty minutes.

It costs \$19 for your license and \$5 for each DBA.

Note: Strictly speaking, you do not need to renew your state license. If you have other permits or licenses attached to it, then will you need to renew those.

Note: you **DO** have to renew your LLC. This is separate from your state license.

The state license basically sets you up to collect state taxes—sales, use, and B&O (business and occupation tax). Besides issuing licenses, the Business Licensing Service (BLS) does other important things. The department

Get Licensed

checks to make sure people have correct permits and certifications, offers licenses for smaller cities, and holds your contact information in case a consumer has an issue.

You can apply through the mail or online.

Paper Form through the Mail

If applying **through the mail**, you must print the application found at:

www.bls.dor.wa.gov/forms/700028.pdf.

If you have questions about the paper form, call the BLS at 800.451.7985, or look through the notes below. See Helpful Hints below.

Apply Online

This process matches the current system. It's likely to change soon. If you get stuck or need help, call the Business Licensing Service 800.451.7985.

- 1 go to: www.bls.dor.wa.gov
- 2 Select the "My DOR" button in the top right corner. (Or, select "Get a WA state business license" to read more about the process.)
- 3 Find the button for New User—Note: In order to access My DOR, you will have to set up an a SAW account, which stands for Secure Access Washington.
- 4 Record your login and password somewhere safe.
- 5 Once in My DOR, find the button to apply for new license.
- 6 Fill out the application, confirm and pay.
- 7 Print your receipt for confirmation and bookkeeping.

1, 2...Go!

Helpful Hints

The state will ask if you have a spouse. If yes, provide their name, DOB (date of birth), and social security number.

- They will ask if you already have a UBI. If you set up an LLC, use the one you were given.
- Self-employed workers are NOT considered employees.
- Bank information is optional.
- For DBAs, add all names that you'd like to use when receiving checks. For example, if you have an LLC, you might want to add your personal name as a DBA in case checks are written to you.
- When a list of cities is presented, Seattle is not there because it handles its own business licenses. Just hit the Next button.

Bravo!

Get an EIN (Optional)

(Federal)

Getting an EIN is optional. Probably, the answer is Yes.

Bank applications and programs such as TurboTax, and PayPal will ask for your *EIN*. It stands for *Employer Identification Number*. It was created for employers, and has a reputation of being standard for all businesses. Because of this, many people mistakenly think that you need an EIN. This is not the case. If you are a sole proprietor or single-member LLC, with no employees, then technically, you **do not need an EIN**. The IRS instructions explicitly say to use your SSN because that's what they will use!

Having said that, there are some advantages to getting an EIN. First, many application forms are set up for EINs, and not for SSNs. That is because an EIN has a different format: 00-0000000. This means companies will need to do a work around for you if using your SSN, which may take more time. The EIN will be faster and easier for them. Secondly, there is a privacy advantage with using an EIN for your business—your SSN can be restricted to personal use, and not out in the world in so many places.

If you elect to use only your SSN, and do not want an EIN, you can politely educate your banker that you are allowed to use your SSN. They might have to find a tricky way to get your SSN in their system—that is their problem to solve. If they don't believe you, you might ask to meet with the head of their department, or you show them an IRS publication explaining this. Instruct them to go to www.irs.gov, to search for "Single Member LLC", follow the link to find the publication. Have them look for the section on Tax Payer Identification.

If you would like to get an EIN—it is very easy, and it's free.

- 1 Go to: www.irs.gov
- 2 Search for "apply for EIN"

1, 2...Go!

- 3 Find the search result that says “Apply for Employee Identification Number (EIN) Online”
- 4 Follow the link and the steps
- 5 You will receive your EIN immediately
- 6 Write it in your Legal and Taxes notebook

One thing to note—you may only apply for your EIN during their hours of operation! Currently, these are Monday through Friday, 7 a.m. to 10 p.m., Eastern Time.

City of Seattle Business License Tax Certificate

Takes about 15 – 30 minutes

Cost: \$55 or \$110

Or, city *business license* for short. Everyone doing business within the city of Seattle needs a city license. (This is different, and additional to, the state license.) The standard cost is \$110. If you are planning to make less than under \$20K a year, then it is \$55.

You can apply in person, through the mail, or online.

Apply In Person

Go to the Seattle Municipal Tower.

Financial and Administrative Services
Seattle Municipal Tower
700 5th Ave. Suite 5200
Seattle, WA 98104
Phone: 206.684.2489

Take with you: All the numbers + documents—UBI, EIN, your state license, LLC paperwork—and a form of payment.

Apply Through the Mail

Print the application off the website and mail it in. Go to: www.seattle.gov/Documents/Departments/FAS/Licensing/Seattle-business-license-application.pdf

See Helpful Hints below.

Apply Online using FileLocal

Seattle uses a new portal called FileLocal for license applications. You'll use this same portal to renew your license and report your earnings for the B&O tax (business and occupation tax).

It takes about 15 - 30 minutes to both set up your profile and apply for the license. If you get stuck, or the website is not working, call the city at 206.684.8484.

- 1 Go to: www.filelocal-wa.gov
- 2 Select "Create Business Account".
- 3 Go through the Sign Up process, wait for email confirmation.
- 4 Record your Login and password in a secure place.
- 5 Hurray! Now, sign into your account.
- 6 On your Home page, find the button "Apply for General Business License".
- 7 Work through all the screens.
- 8 Confirm, pay.
- 9 Print receipt for your records.
- 10 Celebrate!

Helpful Hints

- The city application will ask you for Contractor, FEIN, and Vendor numbers. If you don't have these, leave them blank. (FEIN is the same as your EIN. It stands for Federal Employer Identification Number. See page 91.)
- You are NOT an employee.

Get Licensed

- NAICS code was assigned to you by the state when you obtained your Washington State business license. See page 67.
- UBI is the number that the state assigned you. Use the lookup tool online if you're not sure. See page 80.
- 16 Digit UBI - Sometimes the 16 digit version is asked for. Simply add the following numbers to the end: 0010001

Well done!

File New Business Set-Up Form with King County

For many of you, this will be nothing more than a hoop to jump through. The county taxes us on property used for business—both real estate and personal property. *Personal property* includes movable tools and equipment, such as furniture and computers (that you use for business). You report the cost, the county assesses the value, and then sends you a tax bill if they see fit. Generally speaking, if the total value is over a certain amount, you will owe taxes. If it's under, then you will NOT owe any taxes. In 2018, this amount is \$7500.

Note: If your business owns land or a building, please call the county to find out what to do at 206.296.5126.

You need to fill out a New Business Set-Up form. You have three ways to get this:

- Call 206.296.5126
- Email: www.Personal.Property@kingcounty.gov
- Go to: www.kingcounty.gov/depts/assessor/Forms.aspx.

Scroll down to the Personal Property Section

Find “New Business Set-Up

Currently, the form is a one-page interactive PDF. Fill it out, and email it, or print and send it through snail mail. The address is on the form.

The form will ask for:

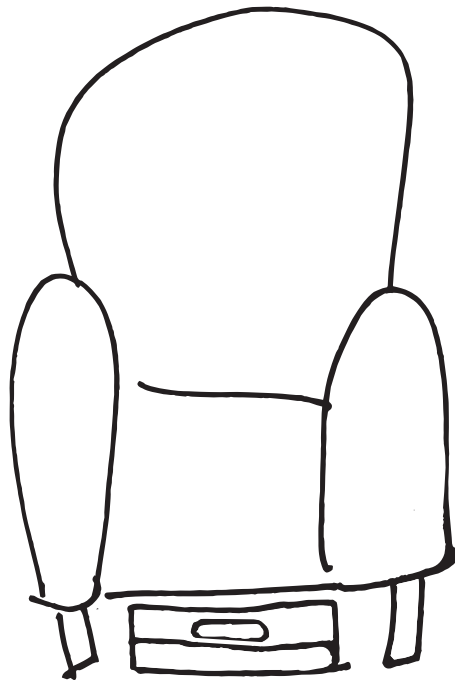
- Your business name, address, and UBI
- A list of all the property you use for business—e.g., computer, furniture, books, and tools (before sales tax)
- The monthly cost of supplies

It is free to set up your business account with the county.

Put Everything in Its Place

Let's finish strong! If you haven't already done so, please—

- 1 Record some of your important information in your notebook:
 - UBI
 - NAICS code
 - EIN (if you have one)
 - State taxes—How often do you report?
 - Secretary of State (If you have an LLC)—login, password
 - Business Licensing Service of WA—Login, password
 - Department of Revenue of WA—login, password
 - City of Seattle (File Local)—Login, password
- 2 Put all emails into a designated email folder.
- 3 Put all paperwork and your notebook into your special place for legal documents.



Business Lookup Tool

If you ever need to look up your business information, or someone else's, you can do so online through the DOR (Department of Revenue) or the SOS (Secretary of State).

For the DOR—

- 1 Go to: <http://apps.dor.wa.gov/BRD/>

Or, search for “DOR”, “business”, “lookup”.

- 2 You can search by name of the owner, name of the business, or UBI number. Once you put in one of those, the search will list any of the businesses that match that information.
- 3 Select the one that you're looking for, and it'll give you their *database detail*, which includes the UBI, NAICS code, date when the account was opened with the DOR, active status, and the address.

For the SOS—

- 1 Go to: <https://ccfs.sos.wa.gov/#/>

Or, search for “Secretary of state wa”, “business”, “lookup”. Scroll to the bottom of the page.

- 2 You can search by using a variety of words, including names, dates, UBI. Once you put in one of those, the search will list any of the businesses that match that information.
- 3 Select the one that you're looking for, and it'll give you their *database detail*, as described above, plus, a list of documents associated with the LLC, and the name of agents and/or managers.

Congratulations!

You have a business now. A lot of people talk about doing this and never do it. You have done it.

Find a way to celebrate or commemorate what you've achieved. This is a stepping stone, and it's good to pause and appreciate this moment.

Here are some ideas: buy a frame for your new licenses or a bottle of champagne. Go out to dinner. Purchase a fun tool for your business or for your work attire—a piece of furniture, some artwork, a fancy pen, maybe some cool shoes, or a new work bag.

Whatever you do, please, pause, enjoy yourself...and rest up for the next part of the journey.

How do you want to celebrate?

Summary—Get Licensed

We talked a little about the three business arms of Washington State:

- The Secretary of State (SOS) grants status to LLCs.
- The Business Licensing Service (BLS) gives licenses to both sole proprietors and LLCs.
- The Department of Revenue (DOR) collects our state taxes; your account with them is automatically set up when you apply for your business license.

You've learned a few new terms now. In addition, we talked about your Unified Business Identifier (UBI), which is used as an ID for your business within the state. And the EIN, a tax ID number with the Internal Revenue Service. Optional, and recommended for privacy and ease with banking.

The NAICS code is for statistical purposes only.

You jumped through all the hoops to get your licenses with the state and city, and then set up an account with the county.

You recorded all your important information.

And celebrated!



2

Get Your First Customer

Recommended for most. Check when complete, or mark NA.

Preparing

- ☐ You're Prototyping
- ☐ Create a Price Sheet / Menu of Services
- ☐ Offer Discounts or Not?
- ☐ Create Transaction Tools

Get the Word Out

- ☐ Define the Customer You Want
- ☐ Define What You Are Offering
- ☐ Create a Sentence Combining the Above
- ☐ Ideas for Getting the Word Out
- ☐ Pick 1 - 3 Ways to Advertise

Stay

Motivated

- ☐ Set a Goal for Getting First Customer
- ☐ Set a Second Goal
- ☐ "Act, reflect. Act, reflect."

Get Your First Customer

Introduction

You're licensed! This means you're ready to do business. Before too much time goes by, figure out a way to get your first customer. Any customer! Do this as soon as possible—even if it's your neighbor or your mom.

Getting started will break the seal. Doing your work will teach you what you need and what you don't need, and it will give you confidence.

You're Prototyping

In lieu of sitting around thinking or writing business plans, you're going to learn by doing. You're going to prototype. This means your job is to get started and that things do not have to be perfect.

If it helps you to feel better, you can charge less during this period, and you can even tell people that you're prototyping your services or trying some things out.

Big companies have Research and Development departments or usability studies. That's what you're doing too. It's called *iterative design*.

So let's get you ready to prototype.

Make a Price Sheet / Menu of Services

Make a Price Sheet or Menu of Services. Type this up, and print some copies. Have them on hand so you're ready when someone asks you what you charge. It is more comfortable and easier to show them a list, than to say your prices out loud.

ProTip: Do not just do this in your head! It's important to see this on paper.

For Service Providers: make a list of services and rates. If you have one hourly rate, that's fine. Just be sure to list all of the types of services that you're offering.

Product Makers: list your products with their prices. Include wholesale and retail prices, if applicable, and any add on fees.

Write the season and the year on top of your list —such as *Spring 2018*.

If you're not sure what to charge, then just make up some prices that feel right. (You will likely change them later anyway.) Or read pages 174-178.

Please note—it's very tempting to change prices down for a friend or family. That's why you need them printed. Show them your regular prices, then feel free to offer a discount if you want. Be sure to include both the original and discounted prices on your invoice. This way, they will know they are getting a deal; they can feel the gift. And they won't expect these same prices forever.

Transaction Tools

Think through your first sales transaction. What tools will you need that day?

Each business is different, so I won't be able to direct you exactly. Imagine the entire transaction, and make notes about what details would make it go smoothly.

Ideas include:

- invoice and receipt
- knowing what kinds of payment you accept
- any policies (returns, rescheduling, late fees)
- packaging
- tags
- handout or info sheet of some kind.

When people make a purchase, it feels good and reassuring to have a token, or something tangible to mark what has taken place. For service providers, it helps if you can give clients something in writing—perhaps a handout describing your process or an info sheet related to your work.

For product makers, this isn't as necessary, although it is still an opportunity to add value. You might leave instructions for care of an item or some information on how it was made.

What else? You might flip through the chapter called *Nitty Gritty*, for inspiration.

You can write ideas here:

Getting the Word Out

You've got a service or product that you're excited about, prices, and transaction tools. Now's the time to find your first customer. It's time to get the word out!

Be creative. Be talkative. Tell everyone!

Before we talk about how to do this, I would like to pause and acknowledge that sometimes talking to people can feel difficult. Clients say to me, "I don't like having to sell myself." This feeling makes sense, and I have some good news. You don't have to sell yourself. Instead, think of it this way. You're simply informing people about the activities in your life; you're just sharing life news. If you were moving, or getting a new pet, you'd let people know.

In the same way, you can simply share about your work developments and be honest about your own feelings too. You can say things like, "Guess what? I'm almost ready to launch my website! I'm not sure if it looks right, but it's still pretty exciting." Or, "I've got a couple dozen products made, I think I'm ready to start approaching some boutiques." You'd be amazed at how making little comments here and there can lead to opportunities. Practice will make this easier too.

•

To help you get ready, define the customer you hope to work with and what you can do for them. If you make products, then think about where you want to sell them. Write these down, then create a sentence to use when talking to friends and family.









Some examples are:

"I'm offering in-home haircuts—especially for busy moms of young children."

"I make videos that tell a story. I want to work with local businesses that need a video for their website, or for nonprofits for fundraising events."

What sentence will you say? Try one here:

Here are some ideas for getting the word out:

-  Start talking about it **all the time** with friends, family, neighbors, and people at work if you have another job. Tell them that you're excited to get started and that you're looking for customers or places to sell your work. This is a real and authentic, and will often lead to work or sales opportunities.
-  Put the word out on Facebook or other social media. If you have an Etsy page or website, always include the link.
-  Try some low-cost advertising: flyers, brochures, ads in school plays or directories. Offer your service or products at auctions.
-  Create some incentives: say you're prototyping and charging a "Percentage of your future price," or offer a discounts such as New-to-the-neighborhood or Early-bird specials.
-  Ask family, friends, or professionals to give you feedback. This will give you some ideas...and will often lead to connections or word of mouth marketing.
-  Look for street fairs, expos, and trunk shows where you can have a table—whether you sell products or services.
-  Tell baristas and bartenders.
-  Just keep trying and keep thinking. Ask for ideas from friends or family.

Set Some Goals

Choosing some concrete goals with dates attached will make this venture feel more real. It will also help you when trying to get the word out. When chatting with people, you can say things like, "I'm hoping to find my first client this month." Or, "I have a goal to make at least one sale before Christmas."

When do you want to have your first customer by?

Write it here:

And write on your calendar: ____ (Check here, after putting on calendar.)

Will you do this work for free or for a discount?

Thinking ahead...after your first customer, set another goal for a set of clients or sales. Choose a number between three and ten. Select a due date for completing this set. Decide if they will get a discount.

Example: I want to have three more clients by September 24th, and I will give them a 50% discount.

Write out your goal here:

And write it on your calendar: ____ (Check here, after putting on calendar.)

ProTip: Do three things every workday toward your current goal.

“Act, Reflect. Act, Reflect.” *

Whatever you do, keep moving! You’re prototyping, which means the idea is to learn by doing and then reflecting...later. Not at the same time.

Take your critic hat off. Take action, do your work, try stuff. The more data you get, the better. Full disclosure, it might mean making mistakes. That’s okay. That’s how you’ll learn.

Then, later, reflect on those actions. What worked? What didn’t work? What tools or print materials do you need next time? You might keep a journal, or consider getting a business coach or therapist to help you with this.

Just think of what you’ll know after six to twelve months! You’ll be fine-tuning your service or product and your business practices, and you’ll be making money all the while.

This way of building your business includes risk and takes courage. It will also be highly satisfying.

Quote from Steven Pressfield’s amazing book, *Do the Work! Overcome Resistance and Get Out of Your Own Way

In Summary—Get Your First Customer!

It's official. The moment you've got your first customer, you're in business.

You're prototyping. You're taking action, and then later, you're reflecting and revising. This leads to a richer experience and refined service or product.

Get ready for your first customer by making a Price Sheet/Menu of Services—on paper. Create any tools for your first transactions such as handouts, tags, invoices, receipts, and contracts.

Get the word out! Do it anyway that you can. Talk about your business all the time. Set some goals to keep you moving.

And remember: "Act, reflect. Act, reflect."

Excerpt P.S.

From: *How to Become Self-Employed in Seattle: A Guidebook, Companion, and Reference*, by Jenny MacLeod, *Girl Friday* (c) 2018

Find the Complete Book

At Elliott Bay Book Company, Third Place Books, Seaview Barber Company, Seattle Public Library, and on Amazon and Kindle

I would love to hear you!

What's your story? What's working for you, challenging for you? Please send questions and comments my way. jennygirlfriday.com

You're my HERO. I want to be your SIDEKICK

Get tax + license reminders, how-tos, motivation, resources and more...

delivered right to your inbox. Sign up for Sidekick Service at

jennygirlfriday.com. Join for FREE, requesting annual donation of \$5 - \$120.

Help with the business chores so you can get back to being awesome at your work.

Cheers! :) Jenny Girl Friday