

Small-Business Guide

WASHINGTON STATE



CLOSE **GROW** **RUN** **OPEN** **PAYROLL** **START** **PLAN**



This page is left blank intentionally

Table of Contents

- PLAN your business 2
 - Are you considering starting a business? 2
 - Business training 2
 - Business planning 2
 - 1. Mission & vision statements 3
 - 2. Business description 3
 - 3. Market analysis 7
 - 4. Marketing plan 7
 - 5. Operations plan 7
 - 6. Personnel plan 8
 - 7. Financing plan 9
 - 8. Need assistance? 11
- START your business 14
 - 1. Have you prepared your business plan? 14
 - 2. Are you buying an existing business? 14
 - 3. Choose a business structure 14
 - 4. Determine your business name 18
 - 5. If selecting a corporation or LLC structure, get registered 18
 - 6. Determine your business location 19
 - 7. Get your federal tax number and consider federal tax filing options (LLCs and corporations) 19
 - 8. Obtain required licenses and permits 20
 - 9. Set up your operations 21
 - 10. Hire employees 22
 - 11. Open your doors 24
 - 12. Need assistance? 24
- PAYROLL your business 26
 - 1. What is Payroll? 26
 - 2. Do I need a payroll? 26

3.	Can I handle payroll myself, or do I need a professional?	27
4.	What payroll reporting and tax responsibilities do employers have?	27
	Federal income taxes – employee paid.....	29
	Federal Social Security and Medicare taxes – employee and employer paid	30
	Federal Unemployment Taxes (FUTA) – employer paid	30
	Federal Wage and Tax Statement (Form W-2) and Transmittal (Form W-3)	30
	State Unemployment Taxes (SUTA) – employer paid.....	31
	State workers’ compensation insurance premiums – employer and employee paid.....	31
	Do you have employees based out of Washington State?.....	31
5.	What payroll records do I need to create and keep?	32
6.	What payroll records do I need to create to give my employees?	32
7.	What do I need to have in place before issuing pay checks?	33
8.	What else do I need to know about paying employees?	34
9.	How can I estimate payroll costs?.....	34
10.	What other responsibilities do I have as an employer?	35
11.	Need assistance?	36
	OPEN your business.....	39
	Is your out-of-state business planning to operate in Washington?.....	39
1.	Are you buying an existing Washington business?	39
2.	Foreign (non-Washington) Registration - corporations and limited liability companies ...	39
3.	Obtain required licenses and permits.....	40
4.	Hire employees in Washington	41
5.	File required reports and taxes.....	43
	State business taxes:	43
	Local business taxes:	44
	State employment taxes:.....	45
6.	Understand and comply with other Washington regulations	46
	State	46
	Local	46
7.	Growing in Washington	47
8.	Need assistance?	47

- RUN your business50
 - Run your business.....50
 - 1. Federal business income taxes.....50
 - 2. State business taxes.....52
 - 3. Local business taxes53
 - Cities & towns53
 - Counties.....53
 - Personal property tax.....53
 - 4. Federal employment taxes54
 - 5. State employment taxes.....54
 - 6. License and permit renewals, corporation, LLC, and LP annual filings.....55
 - 7. Regulatory Compliance.....56
 - Federal.....56
 - State56
 - Local56
 - 8. Prepare for the unexpected.....57
 - 9. Need assistance?.....57
- GROW your business60
 - Do you want to expand your business?60
 - 1. Money.....60
 - Loans:.....60
 - Business loans typically require the "5Cs":.....61
 - Business Lenders:61
 - 2. Employees.....62
 - 3. New locations64
 - 4. New markets64
 - 5. Regulatory compliance66
 - 6. We wish you success!.....66
 - 7. Need assistance?.....66
- CLOSE your business.....69
 - Do you want to close your business?.....69

1. Seek legal advice	69
2. Notify regulatory agencies.....	70
Federal.....	70
State	70
3. Notify other interested parties	72
4. Need assistance?.....	72

PLAN



your business

CLOSE **GROW** **RUN** **OPEN** **PAYROLL** **START**



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.

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](#)
- Community Capital Development - [Washington Business Center / Women's Business Centers](#)
- [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](#)
- Community Capital Development – [Washington Business Center / Women's Business Centers](#)
- [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 ownership, the type of business, start date, and the location.

Your business ownership structure will be included in this section. 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 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. 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. 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.
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.



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.

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. Include:

- 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 events could damage or destroy your business and its records. [Prepare a plan](#) in advance.

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 [Workforce Explorer](#).

Employment is an area that has a lot of 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. 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.

- [Employment Law Advisor](#)
- [Wage and hour laws](#)
- [Employment of minors](#)
- [Independent contractors \(Labor & Industries\)](#)
- [Independent contractors \(Employment Security\)](#)
- [Independent contractors \(IRS\)](#)
- [Workplace safety](#)



- [Federal payroll taxes](#)
- [State unemployment taxes](#)
- [Workers' compensation](#)
- [City of Seattle sick leave requirement](#)
- [Washington Health Benefit Exchange](#)
- [Washington Healthplanfinder](#)

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. The start-up costs and cash flow projection together 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:
$$\text{Revenues} - \text{Expenses} = \text{Profit (or Loss)}$$
- 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:
$$\text{Assets} - \text{Liabilities} = \text{Net Worth (or Equity)}$$



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.
- 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](#)
 - [Community Sourced Capital](#)

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](#).



This page is left blank intentionally.

START  **your business**

November 2015

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](#)
- Community Capital Development - [Washington Business Center / Women's Business Centers](#)
- [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're buying a business or even just some of the assets of a business, be aware that you may inadvertently be buying past liabilities; workers' compensation and unemployment insurance experience ratings, as well as unpaid debts. As the buyer of a business, you could be liable for the unpaid taxes of the former owner. Therefore, you should require the owner to provide a [Tax Status Letter](#) with regard to any outstanding taxes owed 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. Get competent legal advice before purchasing a business.

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. 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. 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.

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.
Washington Excise Taxation and Liability	Taxes based on business income. Sole proprietor has	Taxes based on business income. General partners have	Taxes based on business income. Members may	Taxes based on business income. Governing

Considerations	Sole Proprietorship	General Partnership	Limited Liability Company (LLC)	Corporation
(Washington Department of Revenue)	unlimited liability.	unlimited liability.	have liability for taxes.	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 trademark or service mark? Learn the difference between a “[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.).

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" corporation or LLC. 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 is to receive your official business entity notifications. It can be you, your attorney, or an outside party
- Create "Articles of Incorporation" (corporation), or "Articles of Organization" (limited liability company), and file them with the Secretary of State's office. Alternatively, you can use the Secretary of State's forms available online. See [filing costs](#).
- By filing, you will receive your Washington State Unified Business Identifier, or UBI number (state business identification number).
- 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](#) is 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 Guide](#) 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, you will need a liquor license. Contact the [Business Licensing Service](#) for more information. 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 modify flower beds, build paths, plant plants, cut branches with something more powerful than loppers, or use power equipment to remove unwanted plants; (c) janitorial services remove construction debris when cleaning new construction; (d) pressure washing services clean buildings or decks. There is a minimum \$1000 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. Select 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.
 - Your county - property tax, food-related requirements, environmental requirements.
 - Your cities, towns and counties - license renewals, signage ordinance, zoning restrictions, local business & occupation tax.
- 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 [Workforce Explorer](#).
- 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](#)
 - [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 3 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.
- 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.
 - [Employment Law Advisor](#)
 - [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 plan)
 - [Federal payroll taxes](#)
 - [State unemployment taxes](#)
 - [Workers' compensation insurance](#)
 - [Child Support Withholding Laws](#)
 - [City of Seattle sick leave requirement](#)
 - [Washington Health Benefit Exchange](#)
 - [Washington Health Plan Finder](#)

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](#).



PAYROLL



your business

November 2015

CLOSE



GROW



RUN



OPEN



START



PLAN



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.
 - 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



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.

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
<u>W-4 Form</u> (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
<u>I-9</u> (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

Requirement (in order of action timing)	Purpose	Action	Agency
<u>New Hire Reporting</u> (completed by employer within 20 days of hire or rehire)	Agency determines if employee has child support enforcement obligations.	online, fax or call in to DSHS (800-562-0479)	WA. Dept. of Social & Health Services
<u>IRS Electronic Federal Tax Payment System</u> (EFTPS)	Need account to pay federal taxes.	Set up account	U.S. Internal Revenue Service
<u>IRS Form 941</u> - 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
<u>Workers' compensation premium report</u> (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
<u>State unemployment tax report</u> (1 each calendar quarter per employer)	Unemployment benefits for employees who lose their jobs.	Complete and pay online at www.esd.wa.gov (due 4/30, 7/31, 10/31, 1/31)	WA Employment Security Dept.
<u>IRS Form 940</u> - 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





Requirement (in order of action timing)	Purpose	Action	Agency
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.



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.



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 \$41,300 for 2014).
- 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
 - 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)
- The information can be provided electronically if the employee can access it on the established payday.

- Employers of Seattle-based employees must also include accrued hours of “sick and safe leave”

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
- Read the Dept. of Labor & Industries' [Getting Paid](#) 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?

- Use the online "[Payroll Calculator](#)" to estimate payroll costs. 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.

- 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	\$ <input type="text" value="15"/>
2	Hours at straight time	hours	<input type="text" value="80"/>
3	Hours at overtime	hours	<input type="text" value="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	6.5% \$92.63
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 Tax**	line 6 x rate	<input type="text" value="0%"/> \$0.00
11	Workers' compensation premium***	lines 2+3 x rate	\$ <input type="text" value="0"/> \$0.00
12	Less employee share of wkrs' comp***	lines 2+3 x rate	\$ <input type="text" value="0"/> \$0.00
13	Employer paid benefits (if any)		\$ <input type="text" value="0"/>
14	Total employer cost		\$1,546.84
* Gross payroll should include value of noncash items, such as apartments and vehicles			
** Rate provided to you by Employment Security Dept.			
*** 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	-\$92.63
	Medicare	line 8	-\$20.66
	Income Taxes	per tax tables	\$ <input type="text" value="0"/>
	Workers' comp - employee share	line 12	\$0.00
	Other voluntary deductions (if any)		\$ <input type="text" value="0"/>
	Net paycheck		\$1,311.71

PAYROLL CALCULATOR - SALARIED EMPLOYEE

Employer payroll costs (one employee, one pay period)			
1	Salary	\$ per payperiod	\$ <input type="text" value="1200"/>
2	Regular hours	hours	<input type="text" value="80"/>
3	Overtime hours	hours	<input type="text" value="10"/>
4	Annualized salary		\$ <input type="text" value="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	6.5% \$92.63
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 Tax**	line 7 x rate	<input type="text" value="0%"/> \$0.00
12	Workers' compensation premium***	lines 2+3 x rate	\$ <input type="text" value="0"/> \$0.00
13	Less employee share of wkrs' comp***	lines 2+3 x rate	\$ <input type="text" value="0"/> \$0.00
14	Employer paid benefits (if any)		\$ <input type="text" value="0"/>
15	Total employer cost		\$1,546.84
* Gross payroll should include value of noncash items, such as apartments and vehicles			
** Rate provided to you by Employment Security Dept.			
*** 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	-\$92.63
	Medicare	line 9	-\$20.66
	Income Taxes	per tax tables	\$ <input type="text" value="0"/>
	Workers' comp - employee share	line 13	\$0.00
	Other voluntary deductions (if any)		\$ <input type="text" value="0"/>
	Net paycheck		\$1,311.71

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.
- 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.
- 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.

1. Are you buying an existing Washington business?

If you're buying a business or even just some of the assets of a business, be aware that you may inadvertently be buying past liabilities; workers' compensation and unemployment insurance experience ratings, as well as unpaid debts. As the buyer of a business, you could be liable for the unpaid taxes of the former owner. Therefore, you should require the owner to provide a [Tax Status Letter](#) with regard to any outstanding taxes owed 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. Get competent legal advice before purchasing a business.

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 it's a corporation or limited liability company (LLC), obtaining a "[foreign profit corporation - certificate of authority](#)" or "[foreign LLC 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 requiring Washington specialty licenses and certifications. Talk with your legal advisor to understand the benefits and risks.

Registration will require 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.

The online [Business Licensing Guide](#) 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.
 - 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 (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, you will need a liquor license. Contact the [Business Licensing Service](#) for more information. 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](#).



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 [Workforce Explorer](#).
- 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](#).
- 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.
 - [Wage and hour laws \(such as minimum wage, overtime, breaks, etc.\)](#)
 - [Workplace poster requirements](#)
 - [Employment of minors](#)
 - [Independent contractors \(Labor & Industries\)](#)
 - [Independent contractors \(Employment Security\)](#)
 - [Independent contractors \(IRS\)](#)
 - [Workplace safety \(including required written accident prevention plan\)](#)
 - [Federal payroll taxes](#)
 - [State unemployment taxes](#)
 - [Workers' compensation insurance](#)
 - [Child Support Withholding Laws](#)
 - [City of Seattle sick leave requirement](#)
 - [Non-Discrimination Laws](#)
 - [Washington Health Benefit Exchange](#)
 - [Washington Health Plan Finder](#)



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 two nexus standards; physical presence nexus related to retail or wholesale sales; and economic nexus related to apportionable income. For general information about nexus, please see the [Nexus](#) section on 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 [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 1-800-647-7706. 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:

- [Business Tax Guide](#)
- [New Business Tax Workshops Schedule](#)
- [New Business Tax Workshop Guide](#)
- [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 Department of Employment Security (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 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](#).

License and Permit Renewals:

- Corporations, limited liability companies, and limited partnerships must file an annual report. Profit corporations and limited liability companies file annual reports with the [Business Licensing Service](#). Nonprofit corporations and limited partnerships file their annual reports with the [Secretary of State](#).
- Your state's business license does not need to be renewed. However, many [specialty licenses](#), [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 cost \$113.40. You renew your registration with L&I. L&I also renew 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

- [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. Educates and enforces laws and regulations on productions, sale, and serving of alcohol and the production, distribution and sales of marijuana.
- [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.
- [City of Seattle](#) – Has paid sick leave requirement.



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](#).



This page is left blank intentionally.





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'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.
- [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:

- [Business Tax Guide](#)
- [New Business Tax Workshops Schedule](#)
- [New Business Tax Workshop Guide](#)
- [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 Department of Employment Security (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 [Shared-Work 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. This translates into immediate payroll savings and prevents the loss of your skilled employees.
- 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. License and permit renewals, corporation, LLC, and LP annual filings

- Corporations, limited liability companies, and limited partnerships must file an annual report. Profit corporations and limited liability companies file annual reports with the [Business Licensing Service](#). Nonprofit corporations and limited partnerships file their annual reports with the [Secretary of State](#).
- Your state's business license does not need to be renewed. However, many [specialty licenses](#), [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 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 on-going 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. Educates and enforces laws and regulations on productions, sale, and serving of alcohol and the production, distribution and sales of marijuana.
- [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](#) – Regulates sale of lottery products to 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.
- [City of Seattle](#) – Has paid sick leave requirement.

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.](#)

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](#).



This page is left blank intentionally.



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](#)
- New! [Small Business Credit Initiative](#)
- [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](#)
- [Community Sourced 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.

- [Alliance of Angels](#)
- [Bellingham Angel Group](#)
- [Tacoma Angel Network](#)
- [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](#).

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 [Workforce Explorer](#).

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](#).
- [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 Department of Employment Security 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 3 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 [Shared-Work 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.

- [Employment Law Advisor](#)
- [Wage and hour laws \(such as minimum wage, overtime, breaks, etc.\)](#)
- [Workplace poster requirements](#)
- [Employment of minors](#)
- [Independent contractors \(Labor & Industries\)](#)
- [Independent contractors \(Employment Security\)](#)
- [Independent contractors \(IRS\)](#)
- [Workplace safety \(including required written accident prevention plan\)](#)
- [Federal payroll taxes](#)
- [State unemployment taxes](#)
- [Workers' compensation insurance](#)
- [Child Support Withholding Laws](#)
- [City of Seattle sick leave requirement](#)
- [Non-Discrimination Laws](#)
- [Washington Health Benefit Exchange](#)



- [Washington Health Plan Finder](#)

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.
- [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](#)
- Community Capital Development - [Washington Business Center / Women's Business Centers](#)



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 notices about state contracting opportunities.
- [Selling your goods and services to the government.](#)
- [OMWBE](#) (Office of Minority and Women’s Business Enterprises) – Provides certification of minority-owned, woman-owned, and disadvantaged small business. This certification can be valuable for businesses interested in contracting with state government agencies. OMWBE also provides no-cost training to help build knowledge and skills related to public contracting. See [more details here](#).
- [Washington State Department of Veterans Affairs](#) – Certifies veteran and service member-owned businesses (important for contracting with some government agencies).
- [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.



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**

CLOSE your business

Do you want to close your business?

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, and sometimes it's due to time or money considerations. Regardless of the reasons, choosing to close a business is a significant decision.

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.

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: berp235@lni.wa.gov
Fax: 360-902-5812
Mail: Dept. 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, [Certificate of Withdrawal](#), attaching the Revenue Clearance Certificate received from DOR.
- Limited Liability Company (or other limited liability organization)
 - Complete and submit a [Certificate of Dissolution](#), or for a foreign (non-Washington) LLC, Certificate of Cancellation.

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 business list. Call our toll free number at (866) 208-1064 and ask for the Certification Desk.
- [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, tobacco, or marijuana, contact your enforcement officer through our website <http://lcb.wa.gov/enforcement/contact-your-officer> or call (360) 664-9878.

Department of Health

- If your business is in a profession licensed through the Department of Health, [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.14.030

4. 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](#).

