



# Business Licenses That Side Hustlers Need



The rise of the side hustle economy, encompassing activities from selling crafts online to offering specialized freelance services, presents an exciting [opportunity for income generation and business development](#). However, many entrepreneurs overlook a critical, non-negotiable step: understanding and complying with the legal framework of business licenses and permits. While requirements vary significantly based on location, industry, and business model, obtaining the proper documentation is essential for operating legally, avoiding severe penalties, and building a legitimate, scalable business.

## Why Licensing is Essential

Operating a side hustle without the required licenses, even if the operation is small and informal, can be costly. Non-compliance risks significant fines, legal liability, forced closure, difficulty obtaining business insurance, and problems with tax deductions. Conversely, proper licensing demonstrates professionalism, helps attract more customers, and is necessary to transition the venture into a full-time career or sell it in the future. Fundamentally, licenses exist to protect consumers, ensure public safety, maintain fair competition, and generate essential revenue for local services. Every side hustler must understand that generating any revenue from a business activity typically triggers licensing requirements, regardless of the amount.

**Key Types of Business Licenses and Permits**

Side hustlers must navigate several layers of local, state, and federal requirements. The guide breaks down the most common types of licenses and permits required:

### 1. General Business License or Business Operating Permit:

This is the most fundamental license, a local government's way of registering that business activity is occurring within their jurisdiction. It is often called a business tax certificate and is typically obtained from the city or county government. Requirements



are highly variable, with some municipalities requiring a license for any activity, while others have minimum revenue thresholds. Renewal is usually required annually. For home-based side hustles, a general license often necessitates verifying compliance with **local zoning laws** and potentially obtaining a **Home Occupation Permit**. This permit regulates factors like noise, traffic, parking, signage, and limits on employees working from home, ensuring the business does not negatively impact the residential neighborhood.

## **2. Fictitious Business Name or DBA Registration:**

If a side hustle operates under any name other than the owner's legal personal name (e.g., operating as "Golden Hour Photography" instead of Sarah Johnson), a "Doing Business As" (DBA) or fictitious business name registration is likely required. This filing creates a public record of the business operator, helps prevent confusion and fraud, and is often mandatory for opening a business bank account or processing payments under the business name. The filing process typically involves the county clerk's office or state business registry and usually requires renewal every few years.

## **3. Professional or Occupational Licenses:**

These state-level licenses regulate specific industries and professions to ensure practitioners meet minimum competency standards and protect public safety. Common side hustles requiring this type of license include real estate agents, contractors, financial advisors, massage therapists, and tax preparers. These licenses typically require passing exams, meeting educational requirements, and maintaining continuing education credits. A critical point is that any compensation for professional services usually triggers these requirements, regardless of whether it is a "side job."

## **4. Sales Tax Permit or Seller's Permit:**

Essential for any side hustle selling physical products, this permit authorizes the business to collect sales tax from customers and remit it to the appropriate state tax authority. Obtaining the permit, which is often free or low-cost, is done through the state's department of revenue. Sellers must file regular returns and remit collected taxes. This requirement applies even to online sellers due to recent expanded economic nexus thresholds. The permit also allows sellers to purchase inventory wholesale without paying sales tax.

## **5. Food Handler's Permit and Food Business Licenses:**

Food-based ventures, such as catering or baked goods, are heavily regulated due to public health concerns. Requirements typically include a food handler's permit/safety certification, a local health department food business license, and kitchen inspection/approval. Home-based food businesses must also comply with varying **cottage food laws**, which often restrict the types of food that can be prepared, impose maximum annual revenue caps, and set labeling requirements.

## **6. Federal Employer Identification Number (EIN):**

Though not a license, an EIN is a "social security number for a business." It is required if the business has employees or operates as a corporation or partnership. Even sole proprietors often choose to obtain a free EIN from the IRS to open business bank accounts, apply for business credit, and add a layer of privacy by not using their personal Social Security number.

## **7. Special Event and Temporary Permits:**

Side hustlers participating in events like craft fairs, farmers markets, or pop-up shops need separate temporary vendor permits, which are specific to the event and location.



These often include temporary food vendor permits, temporary sales tax certificates, or fire safety permits.

### The Application Process and Pitfalls

The process generally involves three steps:

1. **Research:** Consulting city, county, or state business licensing offices to determine all applicable licenses.
2. **Gather Documentation:** Collecting necessary items like personal ID, EIN, business formation documents, proof of insurance, and zoning approval.
3. **Application and Renewal:** Completing forms, paying fees, and potentially scheduling inspections. Licenses require ongoing renewal, and failing to stay current with these dates is a common pitfall.

Other common mistakes include neglecting requirements in other jurisdictions where a business serves clients (important for online services) and delaying the licensing process, which exposes the business to risk during its entire operating period.

To balance compliance with starting small, entrepreneurs should **prioritize** licenses based on legal risk and safety concerns, utilize low-cost resources like the [U.S. Small Business Administration](#) or [SCORE](#), and consider forming a formal entity like an LLC early for liability protection. By handling licensing properly from the start, side hustlers establish a professional, legal foundation for sustainable growth.

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