

Title:

Do I Really Need A Business License And Tax ID?

Word Count:

672

Summary:

I've gotten quite a few emails recently from ebusiness owners who seem to think that just because their business is conducted online or from the comfort of home that the rules and regulations that govern brick and mortar businesses do not apply to them.

The ebusiness questions I get most often do not involve building websites or conducting ecommerce.

They are more what I call the "Do I Really Have To" line of questions, such as:

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Article Body:

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The ebusiness questions I get most often do not involve building websites or conducting ecommerce.

They are more what I call the "Do I Really Have To" line of questions, such as:

"Do I really have to get a business license?"

"Do I really have to get a tax ID number?"

"Do I really have to pay taxes on income from my website?"

Yes, yes, and yes.

Do I really have to get a business license? This is one requirement that many

ebusiness entrepreneurs think they can skirt because they don't have a brick and mortar establishment.

Sorry Charlie. Operating an ebusiness out of your office or out of your home does not get you off the hook when it comes to licensing.

Depending on your location you may need a city and county license.

Luckily, such licenses are relatively easy to obtain and are not expensive. For local licensing requirements, contact your city or county government offices.

Home businesses are also subject to zoning laws that regulate how property can be used and may restrict various activities. You should check local zoning requirements and property covenants.

You can find this information at the court house or by calling your local license department.

Legalities aside, the best reason to get a business license is it allows you to set up a business bank account using what's called a DBA.

"DBA" stands for "doing business as."

A DBA is another name that you use in the operation of your business instead of your personal name. For example your name might be Joe Jones, but you might use "Jones Internet Services" as your business name. Having a business license will enable you to set up a business account and get checks printed with your business name, giving you that all important air of professionalism that many ebusinesses lack.

Do I really have to get a tax ID number? Online companies with a physical presence, or nexus, in a state are required to collect and report taxes on sales of taxable goods made to customers living within that same state.

For example, if your online business is based in California, you must collect and report sales tax derived from fellow Californians making purchases on your site.

For this reason you will be required to have a tax ID number if you're selling taxable goods (most services are not taxed).

Getting a tax ID number is usually a simple process of filling out a form and paying a nominal fee. You will file quarterly reports and remit any sales tax

that is due.

One word of warning: many entrepreneurs have gotten themselves into deep trouble because they saw fit to spend the sales tax they had collected instead of sending it to Uncle Sam. This can mean death to your business and jail time for you. Many times this mistake is innocently made when a business owner commingles funds collected as sales tax with their normal business checking account.

Open a separate bank account and deposit sales tax monies into the account and do not touch it until the time comes to send the money in with the quarterly report.

Do I really have to pay taxes on income from my website? We've talked about this before and the answer is still the same: Just because your income is derived from an ebusiness does not mean that the income is not taxable.

It's not manna from Heaven. It's income so report it.

The point to remember is this: the "e" on the front of "e-business" does not stand for "exempt."

In the eyes of the law your ebusiness is susceptible to the same laws and regulations that govern the corner mom and pop, so make sure you conduct your business as such.