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Introduction

Because of the time, fees, and red tape involved, obtaining licenses and permits and figuring out tax requirements may be some of your last steps before opening a business. You want to take the time to do things right so you don’t run into problems (or face fines) once your business is up and running.

Businesses must meet different requirements set by the city, county, state, and federal governments. In this e-book, information is arranged by level of government – local, state, or federal. Inquire at your respective city and county offices for guidance specific to your area.

In addition, agencies and boards related to specific disciplines or industries regulate many occupations and/or businesses. Make sure that the business or job function you perform is properly licensed by the appropriate regulatory agency.

It is impossible to list all legal requirements for every business or self-employed individual. This publication offers guidelines only. Make sure you keep up with regulatory changes as they occur.
If you are preparing to start or buy a business, this e-book is for you!

- Business start
- Business purchase
- Existing business

As you prepare to open your business, consider attending ASBTDC’s “Starting a Business in Arkansas” seminar. You will learn keys to success and common pitfalls to avoid. Visit asbtdc.org/training to find upcoming classes in your area.
Local Requirements

- ZONING APPROVAL & PERMITS
- APPLYING FOR A BUSINESS LICENSE
- REGISTERING A BUSINESS NAME
- LOCAL TAXES
Zoning Approval & Permits

Before applying for a business license, first verify that the type of business and its physical location comply with local zoning regulations. Although there is no fee associated with verifying zoning compliance, permit application fees to change zoning status vary. Contact your city planning commission or zoning department.

Zoning laws vary significantly throughout the state. Where zoning laws apply, they are strictly enforced.

- Generally, zoning approval is a one-time occurrence.
- If the proposed business site is not in compliance, you must apply for a permit to change the current zoning.
- Home-based businesses may need to apply for a home occupation permit. Certain limitations apply.
- Signage for your business may require a sign permit.
- Apply for a building permit if you plan to build a new building or to renovate or alter an existing building.
Applying for a Business License

After verifying zoning compliance, the next step is to apply for a business license. The application fee for obtaining a business license will vary between $50 to more than $1,000 depending on the type of business and amount and kind of inventory. Generally, business licenses are renewed annually.

- Some cities and counties do not issue business licenses.
- Apply for a business license in the city in which the business is physically located. If located outside of the city limits, contact the county collector or clerk's office.
- If the business has physical locations in other cities, inquire about a business license for each of these cities.
- Businesses located outside the city limits may still need a business license to operate within the city limits.
- Depending on the type of business, there may be additional licenses and fees required.

To learn more about starting a business, visit asbtdc.org/services/business-startup

A business license is also known as a privilege license.
Registering a Business Name

DOING BUSINESS AS CERTIFICATE (DBA)

Sole proprietors and general partnerships operating their businesses under **fictitious or assumed names** must apply for a “Doing Business As” (DBA) certificate from the county in which the business is physically located. **Contact your county clerk.**

- A business name change, ownership change, or business closure will require filing an amendment at this office.
- The county clerk’s office will conduct a complimentary name search for the business.
- Inquire about a DBA application if a business is incorporated but operating under another business name.
- A DBA does not protect or reserve a business name.
- For businesses operating under a fictitious name, filing is also required with the Secretary of State’s Office.

Local Taxes

There are more than 300 local taxes in Arkansas. Local municipalities (cities and counties) define their respective tax rates, so it’s a good idea to become familiar with local taxing authorities. To learn more see [dfar.arkansas.gov/sales-and-use-tax-section-local-tax-lookup-tools](http://dfar.arkansas.gov/sales-and-use-tax-section-local-tax-lookup-tools).

Depending on location, restaurants and lodging facilities may be required to collect an additional sales tax (sometimes referred to as a “hamburger” tax) that is remitted to their local advertising and promotion commissions.
State Requirements

- Incorporating Your Business
- Business Property Assessment
- State Labor Laws
- State Withholding
- Sales & Use Tax
- Special Permits & Licenses
- Insurance Requirements
Incorporating Your Business

A business is not required to incorporate or to form a limited liability company (LLC). If you decide to do either, contact the Arkansas Secretary of State’s Office.

A one-time, $50 filing fee is required to incorporate or to form an LLC. Thereafter, a corporation or LLC will pay an annual franchise fee minimum of $150.

These legal structures can offer individuals a safeguard in protecting personal assets from liability.

Incorporating ensures a business name will not be used by other incorporated businesses within the state but does not offer overall name protection. A trademark offers the best name protection. If you have concerns about someone else using your business name, explore the possibility of a trademark at www.uspto.gov/trademarks/index.jsp?partnerid=4. The Secretary of State’s Office can conduct a complimentary name search for the business.

If a business files and never does business as a corporation, the business is still responsible for annual franchise taxes. Dissolving one of these business entities requires payment of a one-time fee plus the current year’s franchise taxes. If you plan to incorporate or to form an LLC, you may want to wait until your business is ready to operate to do so.

Arkansas Secretary of State’s Office
Business/Commercial Services Division
1401 W. Capitol Ave., Suite 250
Little Rock, AR 72201
(501) 682-3409
www.sos.ar.gov
Business Property Assessment

A business owner must assess the property of the business (building, equipment, and furnishings, but not land). Even home-based businesses and those with limited assets are required to assess. The annual deadline is May 31.

Be sure to assess immediately if purchasing an existing business. (To avoid liability, make sure there are no back taxes before buying a business.) Taxes can be paid the first working day of March through October 10 without a penalty. There is a 10-percent penalty for missing the assessment deadline.

Your county assessor will generate an invoice based on the business’ amount, age, and type of equipment. Don’t forget to itemize leased equipment, even though the owner of the equipment is the one taxed.

Contact your county assessor’s office to assess.

Arkansas Assessment Coordination Department
(501) 324-9242
www.arkansas.gov/acd
State Labor Laws

Small businesses with employees must comply with applicable state labor laws and posting requirements. Contact the Labor Department with questions concerning minimum wage, overtime, and child labor laws or visit the website.

Arkansas Department of Labor
10421 W. Markham St., 1st Floor
Little Rock, AR 72205
Phone: (501) 682-4500
www.labor.ar.gov

State Withholding

Small businesses with employees working in Arkansas have to withhold and pay Arkansas income tax. An employer is required to register with the state by submitting the Combined Business Tax Registration Form. Use the Arkansas Taxpayer Access Point, atap.arkansas.gov, to register online.

Department of Finance and Administration
1509 W. 7th St.
P. O. Box 9941
Little Rock, AR 72203
Phone: (501) 682-7290
Email: Withholding@dfa.arkansas.gov
www.dfa.arkansas.gov/income-tax/withholding-tax-branch/withholding-tax-forms-and-instructions/
Sales & Use Tax

All retail businesses (including online-only retailers), and some service businesses should have a sales and use tax permit.

The Arkansas Department of Finance and Administration will issue a sales and use tax permit number to your business. It is not the same number as the Employer Identification Number. To apply for a permit, submit an application along with a $50 nonrefundable fee. For more information on sales and use tax, check the websites listed below.

Taxes are paid monthly. If the business collects $25 or less, taxes are reported quarterly or semiannually.

Check on the status of tax liability when buying an existing business. Sellers should provide buyers with a current statement from DFA’s Sales and Use Tax office.

The State of Arkansas has a sales tax holiday, typically in August, when certain school supplies and clothing may be purchased with no state or local sales tax. All retailers are required to participate.

Department of Finance and Administration
1816 W. 7th St., Suite 1330
Little Rock, AR 72201
P.O. Box 1272
Little Rock, AR 72203
Phone: (501) 682-7104
Email: Sales.tax@dfa.arkansas.gov

www.dfa.arkansas.gov/excise-tax/sales-and-use-tax
www.dfa.arkansas.gov/offices/policyAndLegal/Documents/starting_a-new_business.pdf
Special Permits & Licenses

RESTAURANT AND FOOD SERVICES

Anyone in food services, such as food processing, restaurants, caterers, mobile food units, convenience stores, and bed and breakfasts, must have your kitchen plans approved before establishing these businesses. These rules also apply to home-based businesses. Contact the state or the county sanitarian, an on-site inspector of restaurants and food preparation facilities. Be sure to inquire about issues pertaining to plumbing, grease traps, and fire code requirements.

Division of Environmental Health Protection
Arkansas Department of Health
4815 W. Markham St.
Little Rock, AR 72205
Phone: (501) 661-2171 (state sanitarian)
www.healthyarkansas.gov

PERMIT TO SERVE ALCOHOL

The Alcoholic Beverage Control Division (ABC) conducts a four-hour educational seminar twice monthly. Applicants are required to attend before a permit is issued. Plan to attend even if buying a business with an existing permit. Permit fees range from $40 to $1,000, plus a federal occupational tax of approximately $250.

Arkansas Department of Finance and Administration
Alcoholic Beverage Control Division
1515 W. 7th St., Suite 503
Little Rock, AR 72201
Phone: (501) 682-1105
www.dfa.arkansas.gov/alcoholic-beverage-control
LICENSES, PERMITS, & TAX REQUIREMENTS

PERMIT TO SELL CIGARETTES, TOBACCO, AMUSEMENT, AND VENDING MACHINES

Contact to apply for special permits to sell these types of goods or to operate amusement or vending machines:

Arkansas Department of Finance and Administration
Miscellaneous Tax Section
Phone: (501) 682-7187
www.dfa.arkansas.gov/excise-tax/miscellaneous-tax

CONTRACTOR LICENSES

Contact to apply for licensing to do commercial or residential construction or home remodeling or improvement:

Arkansas Contractors Licensing Board
4100 Richards Rd.
North Little Rock, AR 72117
Phone: (501) 372-4661
aclb.arkansas.gov

OCCUPATIONAL LICENSES

Search online for specific occupational licenses required in Arkansas or contact the Department of Workforce Services.

Arkansas Department of Workforce Services
Phone: (501) 682-3798
dws.arkansas.gov

CHILD CARE

Contact for requirements and licensing of a child care business:

Arkansas Department of Human Services
Division of Child Care and Early Childhood Education
700 Main St., Slot S-140
Little Rock, AR 72201
Phone: (501) 682-8590
humanservices.arkansas.gov/about-dhs/dccece?ChildCareLicensing.aspx
humanservices.arkansas.gov/about-dhs/dccece
STATE UNEMPLOYMENT INSURANCE

Every business entity meeting the definition of an employer is required to have a state unemployment account. Contact the Department of Workforce Services to register the business. Arkansas unemployment insurance tax rates currently range from 0.8% to a maximum rate of 6.7%.

Arkansas Department of Workforce Services
#2 Capitol Mall
Little Rock, AR 72201
Phone: (501) 682-3798
dws.arkansas.gov

WORKERS’ COMPENSATION INSURANCE

All employers, regardless of the number of employees, should contact the Arkansas Workers’ Compensation Commission to determine if you are legally obligated to provide workers’ compensation insurance coverage for your employees.

Workers compensation insurance is purchased by the employer from an insurance provider. Employers must also comply with workplace posting requirements and must comply with procedural and documentation requirements in the event of an accident in the workplace.

Arkansas Workers’ Compensation Commission
324 Spring St.
P. O. Box 950
Little Rock, AR 72203-0950
Phone: (501) 682-3930
www.awcc.state.ar.us
Federal Requirements

- EMPLOYER IDENTIFICATION NUMBER (EIN)
- FEDERAL UNEMPLOYMENT TAX (FUTA)
- SELF-EMPLOYMENT TAX
- FEDERAL LABOR LAWS
- HEALTH INSURANCE
Employer Identification Number

The Employer Identification Number, also known as the Federal Employer Identification Number, is used to report withholding taxes and should be applied for 6-8 weeks prior to hiring.

Apply for an EIN application (SS-4) if hiring employees, incorporating or operating a partnership, opening a bank account in the name of the business, administering a Keogh plan, or filing excise, alcohol, tobacco and firearms tax returns. The SS-4 application is available online at the link below.

While sole proprietors are not required to have an EIN, a sole proprietor can obtain one in order to avoid using his or her personal Social Security Number on business documents. An EIN will also likely be required in order to open a business banking account, regardless of the business’s legal structure.

- Some vendors or suppliers will ask for a business’s EIN.
- Requesting an EIN will not necessarily trigger an IRS audit or place scrutiny on the business.
- Once your EIN is issued, the IRS will send materials for remitting federal withholding taxes on a monthly or semi-weekly basis and submitting tax reporting on a quarterly basis.

Internal Revenue Service
Taxpayer Education
Federal Building, 1st Floor
700 W. Capitol Ave.
Little Rock, AR 72201
Phone: (501) 324-5111 OR Business Speciality Tax Line, (800) 829-4933
www.irs.gov
Federal Unemployment Tax

FUTA (Federal Unemployment Tax Act) tax is paid by employers and works with state unemployment systems (see page 16). Currently, the tax rate is 6% and is applied to the first $7,000 in wages paid to each employee during the year.

Employers may take a credit against the FUTA tax for amounts paid into state unemployment funds. If entitled to the maximum credit, the FUTA tax rate is 0.6%. FUTA tax deposits occur quarterly, using Form 940 or 940-EZ.

Employers utilizing independent contractors do not pay FUTA tax on these individuals. Correctly classifying a worker as an employee or independent contractor is vital because misclassification can be costly. Proper classification is based on Internal Revenue Service guidelines, not on employer preferences.


Arkansas Department of Workforce Services
Phone: (501) 682-3268
dws.arkansas.gov

Self-Employment Tax

For individuals who work for themselves, the self-employment tax consists of Social Security and Medicare taxes. See Form 1040 Schedule SE to figure the tax. The Internal Revenue Service allows a tax deduction for the employer-equivalent portion of the self-employment tax.

Federal Labor Laws

Small businesses with employees must comply with applicable U.S. labor laws and posting requirements. The FirstStep Employment Law Advisor online tool, found at www.dol.gov/elaws/FirstStep, can help business owners determine the federal labor laws and requirements that apply to their business.

The Labor Department is your source for information about wage and hour laws, occupational safety, the Americans with Disabilities Act, and the Family Medical Leave Act.

U.S. Department of Labor
10421 W. Markham St.
Little Rock, AR 72205
Phone: (501) 324-5436
(866) 4-USA-DOL
www.dol.gov

To learn more about OSHA requirements and workplace safety, visit www.osha.gov.
To learn more about the ADA, visit www.ada.gov.

Health Insurance

If your business has employees, it will likely be subject to rules and regulations set forth by the federal Patient Protection and Affordable Care Act of 2010 – regardless of whether the business offers health insurance.

Visit healthcare.gov to learn more about employer responsibilities.
Checklist

☐ ZONING — Have you verified that your type of business and its physical location comply with local zoning regulations?

☐ BUSINESS LICENSE — Have you applied for your business license?

☐ REGISTERING BUSINESS NAME — Have you registered your business name?

☐ LEGAL STRUCTURE — Have you chosen the legal form of your business?

☐ STATE TAXES — Have you applied for a state sales and use tax permit?

☐ PROPERTY ASSESSMENT — Have you assessed your business property this year? (The deadline to assess is May 31.)

☐ STATE & FEDERAL LABOR LAWS — Are you in compliance with all labor laws pertaining to such areas as minimum wage, overtime, and child labor?

☐ STATE WITHHOLDING — Have you registered with the state for state withholding for your employees?

☐ UNEMPLOYMENT INSURANCE — Have you registered with the Arkansas Department of Workforce Services?

☐ WORKERS’ COMPENSATION INSURANCE — Have you checked with the Arkansas Worker’s Compensation Commission about whether you need workers’ compensation insurance?

☐ SPECIAL LICENSES, PERMITS, & INSPECTIONS — Have you received all special permits and licenses applicable to your particular business?

☐ EMPLOYER IDENTIFICATION NUMBER — Have you applied for your EIN?

☐ FEDERAL UNEMPLOYMENT TAX — Have you registered for FUTA?

☐ HEALTH INSURANCE — Do you know your rights and responsibilities as an employer?
About the ASBTDC

The Arkansas Small Business and Technology Development Center (ASBTDC) is a university-based economic development program that assists entrepreneurs and small businesses, both new and seasoned. Through our seven offices in the state, we help with every aspect of business creation, management, and operation.
ASBTDC Services

CONSULTING
Get one-to-one professional consulting at no cost. Our confidential guidance can be tailored to your specific venture. Help available includes review of business plans and strategies, guidance in starting new businesses, preparation of loan requests, financial analysis and budget development, advice on operating challenges in existing businesses.

MARKET RESEARCH
We can help small businesses better understand who their customers are, what motivates their purchasing decisions, and who their competitors are.

The ASBTDC specializes in gathering and applying market intelligence to solve real-world business problems. Utilizing an array of tools and resources, ASBTDC market research helps clients identify the best location for a new store, improve the effectiveness of direct mailings, find an underserved niche, and much more. Market research services are offered free of charge to ASBTDC’s small business clients.

PROGRAMS
Expand your expertise with ASBTDC’s affordable small business programs and events! We offer live seminars in locations throughout the state as well as webinars and other online learning opportunities.

Training on a variety of business topics is offered including starting a business, business planning, marketing, financing, and managing a business. Instructors and facilitators include ASBTDC staff and business professionals such as accountants, bankers, attorneys, marketing professionals, small business owners, and others.
Arkansas Small Business and Technology Development Center is funded in part through a cooperative agreement with the U.S. Small Business Administration through a partnership with the University of Arkansas at Little Rock College of Business and other institutions of higher education. All opinions, conclusions or recommendations expressed are those of the author(s) and do not necessarily reflect the views of the SBA. All programs are extended to the public on a non-discriminatory basis.