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## Licenses and Permits

# LEARNING OBJECTIVES

- Identify some of the business licenses and permits that pertain to small businesses
- Distinguish among general business licenses, occupational licenses, and machinery licenses
- Identify some of the key industries that require permits
- Identify the sources of and application processes for permits and licenses
- Summarize land zoning and important permits related to the location of a business

# Business Licenses

- Licenses verify health standards, review owner qualifications, and assure quality for consumers.
- Holding required licenses allows a business to operate as a legal entity, conduct transactions, and pay taxes.
- Missing licenses can lead to fines, restricted transactions, or business closure.

# Business Licenses (cont.)

- Types of Licenses:
  - General Business Licenses: Required for all businesses in certain states (e.g., Alabama, Alaska, Washington) and some local jurisdictions
  - Occupational Licenses: Ensure operators have proper education and follow safety/sanitary protocols (e.g., doctors, teachers, electricians, barbers)
  - Operator's Licenses: Required for specific machinery like dump trucks (CDL), commercial boats/planes, or drones used for business
  - Federal Business Licenses: Mandatory for fields regulated by federal agencies, such as broadcasting, large-scale agriculture, and import/export.
  - Sales Tax Licenses: Allow businesses to collect and forward sales tax to the state or local collector.
  - Health Licenses: Required for high-risk operations like nursing homes
  - Environmental Licenses: Required by businesses disposing of hazardous materials like machine oil

# Business Permits

- Permits are often temporary or location-specific certifications ensuring compliance with health and safety standards.
- They serve as proof that a business meets relevant standards and that all operations—such as carnival rides or public beaches—are safe.
- For more information, check the county's Department of Health and state-specific portals like New York's OPAL (Online Permitting and Licensing).

# Business Permits (cont.)

- Application scenarios:
  - Houston, TX (carnivals): Uses a straightforward online search and application through the city's municipal website
  - Boulder, CO (mobile food vendors): Requires careful review of different requirements for food carts versus food trucks
  - Miami, FL (pet groomers): Requires proof of EIN, a certificate of occupancy, and a business tax receipt

# Zoning and Other Permit Considerations

- Types of Zones:
  - Local requirements categorize how land is used and can be highly restrictive regarding business placement.
- A business can formally request a zoning board allow a variance permitting a business to operate in an area where it does not meet current requirements.

# Zoning and Other Permit Considerations (cont.)

- Zoning Types:
  - Residential: This land is intended for private housing; home businesses may be limited by noise, parking, or employee count.
  - Commercial: This land is designated for retail, restaurants, and professional services.
  - Industrial: This land is for light or heavy manufacturing and transportation hubs like airports.
  - Agricultural and Rural: This land is reserved for produce, livestock grazing, and specific environmental processes.
  - Historic: This type of zoning protects sites worthy of preservation and provides specific guidelines for business operations.

# CHAPTER SUMMARY

- Licenses and permits are essential legal authorizations that protect consumers and ensure businesses meet health, safety, and professional standards.
- Occupational and operator's licenses verify that individuals are qualified to perform specific services or handle specialized machinery.
- Permit requirements vary significantly by municipality, requiring entrepreneurs to utilize local government websites and contact health departments.
- Zoning ordinances dictate where a business can physically exist, with specific rules for residential, commercial, and industrial areas.
- Proactive research into legal requirements is a hallmark of a smart business owner and prevents costly fines or legal summons.