

EVERYTHING YOU NEED TO START A BUSINESS IN SACRAMENTO COUNTY

SOLE PROPRIETORS, PARTNERSHIPS AND LIMITED LIABILITY COMPANY BUSINESS STRUCTURE TABLE

	Sole Proprietorship	Partnership (GP or LP)	Limited Liability Company (LLC)
SUMMARY	This structure is owned and operated by a single individual. It is simple, low cost, and fast to set up. No separate legal entity is created. The sole proprietor is exposed to unlimited liability; lawsuits against the business likely put personal assets at risk and vice versa.	The business owned and operated between two or more people. In a General Partnership (GP) , all parties are typically owner-operators. Rights and duties are typically proportional to ownership. A Limited Partnership (LP) consists of one general partner with unlimited liability who manages the business and one or more limited partners who behave as silent investors.	LLCs are popular for good reason. LLCs combine the liability protections of corporations with the pass-through taxation available to sole proprietors and partnerships
NUMBER OF OWNERS	One	Two or more	Most states allow single-member LLCs, but some require 2+ members. LLCs that elect S-Corp taxation may have no more than 100 shareholders and face other IRS restrictions.
CONTROL	The owner has total control of business operations and profits.	Partners define the management and profit-sharing of the business in a document called the Partnership Agreement. Owners in a GP have total control of business operations and profits. Only general partners in an LP may exercise control.	An LLC is owned by members who receive profits per their ownership percentage or as defined in the Operating Agreement. The members can manage the LLC themselves, known as "member-managed", or can declare the LLC "manager-managed" and appoint managers.
LIMITED LIABILITY	No. The owner's personal assets are at risk.	GP: No. Each partner is liable for the decisions of the other(s). LP: Limited partners may only act as investors. General partners may participate in management decisions but lack liability protection.	Yes. Members are protected from the liabilities of the business.
TAXATION	Income or loss is passed through to the owner.	The business is taxed as a partnership. Income or loss is passed through to the owners.	Most small business start with pass through taxation (the same as a sole proprietorship or partnership). The LLC may make a special election to be taxed as an S-Corp or C-Corp, which helps save on taxes as the business grows.
TRANSFER OF OWNERSHIP	No. Cannot be transferred or sold. Business dissolves upon owner's death.	Based on Partnership Agreement.	Yes.
HOW TO START	<ul style="list-style-type: none"> · BSA, if desired. · EIN may be required. · State / local tax ids, as needed. · Business licenses, as needed. 	<ul style="list-style-type: none"> · GP: No state filing required, but some states allow filing. · LP: State filing required. · EIN · State / local tax ids, as needed. · Business licenses, as needed. 	<ul style="list-style-type: none"> · Articles of Organization · Operating Agreement · EIN · State / local tax ids, as needed. · Business licenses, as needed.

SACRAMENTO COUNTY BUSINESS LICENSE

The County regulates businesses with a physical location in all areas of the County that are in the "unincorporated area," (not within the incorporated cities of Sacramento, Folsom, Isleton, Galt, Citrus Heights, Elk Grove, and Rancho Cordova). All businesses based in commercial locations or homes require a General Business License.

LINK

finance.saccounty.net/Tax/BusinessLicensing/Pages/default.aspx

CITY OF SACRAMENTO BUSINESS OCCUPANCY TAX CERTIFICATE

The City of Sacramento does not issue a general business license but does require all businesses that operate in the City of Sacramento to obtain a Business Operations Tax certificate.

LINK

www.cityofsacramento.org/Finance/Revenue/Business-Operation-Tax

FICTITIOUS BUSINESS NAME (FBN)/DOING BUSINESS AS (DBA)

A Fictitious Business Name (FBN) Statement is a public record intended to make available to the public the identities of persons doing business under the FBN. Banks often insist on a copy of the FBN Statement before opening a commercial account to satisfy them that Joyce Smith has a right to deposit checks written to "Smith and Company Catering."

- Must be published in a newspaper of general circulation in the county once a week for 4 consecutive weeks
- Expires 5 years from the date of filing
- Not a license to conduct business

Sacramento County processes its FBN Statement filings in the Business License Unit of the Department of Finance, 700 H Street, Room 1710, Sacramento, CA 95814.

PDF

finance.saccounty.net/Tax/Documents/BusLicense-FBNforms/FBNStatement.pdf

BSBA Preferred Publisher: Sacramento Observer
Contact: Wilma Whitfield, (916) 452-4781 (Direct)
\$17/4 week publication

FEDERAL EIN

You need an EIN if you:

- Started a new business
- Hired or will hire employees, including household employees
- Opened a bank account that requires an EIN for banking purposes
- Changed the legal character or ownership of your organization (for example, you incorporate a sole proprietorship or form a partnership)
- Purchased a going business
- Created a trust
- Created a pension plan as a plan administrator
- Are a foreign person and need an EIN to comply with IRS withholding regulations
- Are a withholding agent for taxes on non-wage income paid to an alien (such as an individual, a corporation, or a partnership)
- Are a state or local agency
- Are a federal government unit or agency
- Formed a corporation
- Formed a partnership
- Administer an estate formed as a result of a person's death
- Represent an estate that operates a business after the owner's death.

LINK

sa.www4.irs.gov/modiein/individual/index.jsp

SOS BUSINESS ENTITY FILING DOCS

LINK

<https://www.sos.ca.gov/business-programs/business-entities/starting-business/types#sole>

*** No formation documents are filed with the California Secretary of State's office for sole proprietors. Other state filings may be required depending on the type of business. ***

Limited Liability Company (LLC)

A California LLC generally offers liability protection similar to that of a corporation but is taxed differently. Domestic LLCs may be managed by one or more managers or one or more members. In addition to filing the applicable documents with the Secretary of State, an operating agreement among the members as to the affairs of the LLC and the conduct of its business is required. The LLC does not file the operating agreement with the Secretary of State but maintains it at the office where the LLC's records are kept. To form an LLC in California, **Articles of Organization** (Form LLC-1) must be filed with the California Secretary of State's office.

COMMON REQUIREMENTS TO OPEN A BUSINESS BANK ACCOUNT

- Federal EIN
- Business License
- DBA/FBN Certificate
- Government Issued ID
- Articles of Incorporation/Articles of Organization (LLC)
- Ownership Agreements (Partnerships & Corporation)

Note: Always refer to the City, County, and/or State of your business to determine the appropriate licenses and permits required.

LOOKING FOR ADDITIONAL SUPPORT?

Join Black Small Business Association on a weekly basis for Business Education Huddles, Networking Opportunities, Lectures, and more



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