

Do I Need a Business License for an Online Business?

BizFilings

Those looking to start an online business often wonder, “Do I need a business license to sell online?” After all, online businesses are, by their nature, different from their brick-and-mortar counterparts. There is a perception among some entrepreneurs that online businesses are less formal and therefore may not be regulated in the same way as businesses with physical locations.



In reality, online businesses must follow the same legal requirements as businesses with physical locations. [License and permit requirements](#) are intended to protect consumers and employees. In the eyes of the government, it does not matter if your business is conducted primarily (or entirely) online.

In addition to [all the things you need to do](#) to get your business up and running—things like registering a [domain name](#), selecting a web host, [designing your website](#), and coming up with a marketing plan—online business owners also need to think about legal requirements, which will vary depending on the nature of your business and where you are located.

In this article, we explore some common business license and other requirements that can apply to online businesses.

Common License and Permit Requirements for Online Businesses

Regardless of whether or not business activities are conducted exclusively online, common license and permit requirements include the following:

General business license

A [general business license or permit](#) may be required by the city or county where you are located in order to legally operate the business in that local jurisdiction. These general licenses may have to be renewed each year. Certain businesses also require federal permits. Check the [U.S. Small Business Association’s list](#) to determine if your business is affected.

Assumed name registration

In certain states, if your business is operating under a name other than your name (if you are a sole proprietor) or the name of all your partners (if you have a general partnership) or the name of your [corporation](#) or [LLC](#) (if you formed one), you will also need to obtain a [DBA \(Doing Business As\)](#) or “Assumed Name” license or registration.

Professional and trade licenses

Depending on the nature of your online business, you may also need to obtain a professional or occupational license. These types of license requirements affect state-regulated professions like childcare, legal advice and law practices, real estate, architecture, financial planning, and insurance.

Health inspection certificates

If your online business will prepare and sell or distribute food products, you may need health inspection [certificates](#) at both the state and local levels.

Home occupation permit

If you are [operating your business from your home](#), you may need a home occupation permit from your state or

local government. This type of permit is designed to protect your neighbors' rights by ensuring your home-based business will not create traffic disruptions or otherwise negatively impact the neighborhood.

Weights and measures registration

If your business involves weighing objects for sale, you may need a weights and measures permit. These permits are state-specific and sometimes even city-specific, so check with your local government to determine what may be required.

Additional Considerations for Online Businesses

In addition to obtaining required licenses and permits, online business owners also need to be mindful of their obligations under tax laws, unemployment and workers' compensation, zoning restrictions, and more.

Tax requirements

If your business sells tangible goods in a state that has a sales and use tax you will have to collect, report and pay the taxes to the state. You will also need to register with your state and local taxing authorities and obtain a sales tax permit.

[Sales tax](#) requirements for online businesses can be more complex than for traditional brick-and-mortar stores or offices, particularly if you sell your product to customers in several states. Understand how your business is affected, and seek help from an accounting professional as needed.

In addition to sales taxes, most businesses—including online businesses—must have an [Employer Identification Number \(EIN\)](#) issued by the IRS. Depending on your business structure (if it's a corporation or partnership, for example) and other criteria, this tax identification number is required whether or not your business has employees.

Unemployment and workers' compensation

[Requirements for unemployment insurance](#) programs and workers' compensation programs are state-specific, so it's important to understand what your state requires. Don't assume that these requirements don't apply to you because you don't have any employees.

Location-specific requirements

If you intend to run your online business out of your home, be aware of local zoning requirements. If your business will involve customers physically coming to your home, creating noise or other potential disruptions, you may have a zoning issue. Check with the city and county before getting too far into the process of establishing your online business.

Similarly, check any homeowners' association or condo-owners' association agreements to ensure your business won't violate the agreements' terms.

Privacy, advertising, and digital rights/copyright laws

Finally, every business owner needs to be aware of—and comply with—a [variety of privacy laws](#) and online advertising and marketing laws.

If your business will be largely conducted online, you will also need to understand your obligations under digital rights and copyright laws. Violating these provisions, even unintentionally, [can be a costly mistake](#).

Be Mindful of All Requirements That May Affect Your Business

When you are starting a business, it is smart to evaluate all the potential laws, regulations, and requirements that may affect your operations. Every business has different requirements, so the best thing you can do is to start by reviewing your [state's specific requirements](#) to understand what your business needs.

Approach your business formation thoughtfully and methodically, and allow enough time in the planning stages to identify and obtain all required business licenses and permits. When you do so, you can be confident that your [business is in compliance](#) and you can focus your energies on pursuing your business goals.