



Home-Based Business Fact Sheet #3014

Taxes and Permits

Among the “facts of life” in the business world are government regulations and taxes. Federal, state and local governments regulate and tax businesses for several reasons, such as raising revenues, protecting the public from dangerous substances and fraud, and protecting businesses from unfair or illegal competition.

If you are thinking of starting a business, you’ll find it’s worth your while to know in advance what licenses, permits and tax stamps you’ll need. Few things can be more frustrating than finding out by accident—while you’re trying to purchase supplies, perhaps, or applying for a loan, or filling out your tax returns—that you need some business permit or license. Taking care of all your license and permit needs **before** you actually start doing business will save you time and trouble later on.

Meeting your business’ tax, permit and licensing needs should not be extremely difficult. This publication outlines the more common tax, license and permit needs of someone starting a small business in Maine.

Addresses of various state and federal agencies that can provide more detailed information on taxes, licenses and permits are listed.

Local requirements

The first place to go before you start operating a business is your city clerk’s office or your town office. Here you’ll be able to find information to help you meet local permit and licensing requirements. Local regulations vary from place to place, but there are some common requirements.

Zoning regulations

Many cities and towns have zoning ordinances that restrict certain commercial activities to certain areas. There may also be local guidelines regulating business activities, such as the use of advertising signs, lighting and parking. Be sure you know about your local ordinances **before** you make any major investment in your business.

Business permits

Some cities and towns require businesses to obtain a general business permit before they will allow them to begin operation. Local governments also may require special permits for operators of amusements like video games or billiard tables, personal services like massage parlors or barber and beauty shops, and other businesses.

Building permits

If you’ll be erecting a new building or remodeling an existing one, you’ll need a building permit. The city or town building inspector will need to make sure your building meets local code requirements before you open.

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Beer and liquor licenses

Even though they're issued by the state, licenses to sell beer or liquor must be approved by the city or town. Your clerk or auditor can provide information on applying for a license and can also explain any special local requirements or permit required.

Tobacco sales permits

If your business will include retail sales of cigarettes or other tobacco products, you'll need to obtain a state license. If you will be distributing or selling such products at wholesale, you'll also need an appropriate license from Maine Revenue Services.

You must decide what form of organization—sole proprietorship, partnership, corporation or limited liability company—your business will have.

Business registration

Before you start in business, you must decide what form of organization—sole proprietorship, partnership, corporation or limited liability company—your business will have. (For information on organizing your business, see *How to Organize Your Business* in this series.) The form of organization you choose will have a bearing on whether and how you'll register your business with state and local governments.

If you choose to start a sole proprietorship, you may not need to register your business at all. (If you give your business a name different from your own, however, you may need to file a d/b/a ("Doing Business As") certificate at the municipal clerk's office in the city or town where your business is located.) If your business will be a partnership, you should file a partnership certificate with the Secretary of State. Both these certificates require a small recording fee.

If you plan to incorporate a new or existing business, you must file articles of incorporation with the Secretary of State. These are legal documents describing the planned structure and

operations of your business and, in most cases, are best prepared with the aid of an attorney. There is an initial fee to file articles of incorporation. Contact the Secretary of State if you plan to organize your business as a limited liability company.

Sales and use tax permits

If you'll be selling retail goods or services subject to Maine sales tax, you'll need a sales permit. Along with this permit you'll receive information about how to file your sales tax returns. You may want to inquire about a temporary permit if you'll be making sales only one or two days each year. To apply for a sales permit, contact

Maine Revenue Services
Sales Tax Division
P.O. Box 1065
Augusta, ME 04332-1065
(207) 624-9693

Payroll taxes

All corporations and other employers in Maine are required to withhold estimated income tax payments and other payroll taxes from employees' wages. Before you hire employees, you'll need to register with state and federal tax-collecting agencies and receive information about withholding procedures.

Employer Identification Number (EIN)

An Employer Identification Number (EIN) is issued to businesses by the Internal Revenue Service for federal tax purposes. All partnerships, corporations and limited liability companies are required to have an EIN. Sole proprietorships are also required to have an EIN if they do either of the following:

- Pay wages to one or more employees
- File any type of federal pension or excise tax return

Sole proprietorships not required to have an EIN can use their social security numbers on all tax returns.

You can get an application (Form SS-4) to receive an EIN from the IRS. Along with your identification number, the IRS will also send you information about federal income tax and

social security withholding and any federal taxes for which your business may be liable.

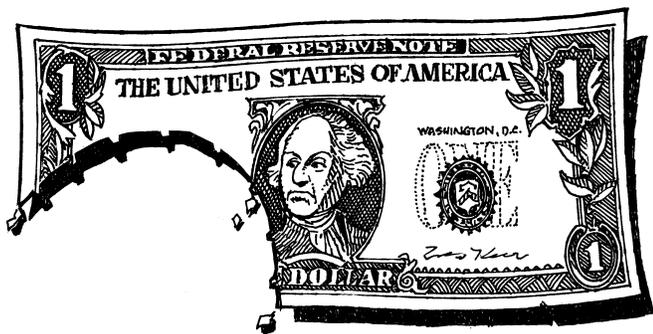
To apply for an Employer Identification Number, contact

Internal Revenue Service
68 Sewall St.
Augusta, ME 04333
1-800-829-4933

There are several IRS offices conveniently located around the state. Call the toll-free number for additional information.

State income tax withholding

If your business is a corporation, or if you will have one or more employees, you must withhold estimated state income tax payments from your employees' wages. To comply with this require-



ment, you'll need to register with Maine Revenue Services. When you register, you'll need to provide your federal Employer Identification Number, which you'll use on most of your state as well as federal tax documents. Maine Revenue Services will then send you information about state income tax withholding requirements.

To register with Maine Revenue Services, contact

Maine Revenue Services
Income Tax Division
24 State House Station
Augusta, ME 04332-0024
(207) 626-8475

Unemployment insurance, workers' compensation, labor laws

In addition to withholding federal and state payroll taxes, employers in Maine are required to comply with several other related regulations.

If you're starting a business that will employ one or more people, you'll benefit by finding out in advance about your responsibilities for unemployment insurance, workers' compensation, and health and safety standards.

Unemployment insurance

All employers in Maine must contribute to the state's unemployment insurance fund. Job Service of Maine, which administers the fund, has an *Employer's Guide to Maine Employment Security Law*, explaining the state's unemployment insurance requirements. To receive a copy, contact your local Job Service office or

Maine Department of Labor
Bureau of Unemployment Compensation
ATTN: Central Registration Unit
P.O. Box 259
Augusta, ME 04332-0259
(207) 621-5103

Workers' compensation

Maine law requires all employers or their insurance carriers to furnish medical and hospital services to employees who suffer job-related injuries or diseases. To obtain workers' compensation insurance, contact your insurance agent. Contact the Workers' Compensation Board for additional information:

Workers' Compensation Board
27 State House Station
Augusta, ME 04333-0027
(207) 287-3751

Maine law requires all employers or their insurance carriers to furnish medical and hospital services to employees who suffer job-related injuries or diseases.

Labor laws

If you have employees, you should be aware of state and federal laws affecting the workplace. If you have one or more employees, you must comply with U.S. OSHA (Occupational Safety and Health Administration) and Maine Bureau of Labor Standards regulations. You may also have to meet minimum wage laws or be aware of child labor standards. For information, contact

Maine Department of Labor
Bureau of Labor Standards
45 State House Station
Augusta, ME 04332-0045
(207) 623-7900

The state of Maine does require certain kinds of businesses and occupations to be licensed.

Operating licenses and permits

Most small businesses can start doing business once they've satisfied state and federal tax and employment-related requirements and local regulations. However, the state of Maine does require certain kinds of businesses and occupations to be licensed. Following are a few of the more common licenses issued.

Restaurant and food sales licenses

All Maine businesses where food is sold, stored, prepared or processed must be inspected and licensed by the state Department of Human Services. (Restaurants and other food service businesses must obtain a food service permit. Retail food stores—including vending machines—and food manufacturers, processors, and wholesalers, must have food establishment permits.) To apply for inspection and licensing, contact

Department of Human Services
Division of Health Engineering
10 State House Station
Augusta, ME 04333-0010
(207) 287-5671

Liquor licenses and beer permits

Any business selling beer or other alcoholic beverages must have a state beer permit or liquor license. Several classes of licenses are available. To apply for a beer permit or liquor license, contact your city or town clerk. For more information about state beer and liquor control requirements, contact

Department of Public Safety
Licensing and Inspection Unit
164 State House Station
Augusta, ME 04332-0164
(207) 624-7220



Home Food Manufacturing License

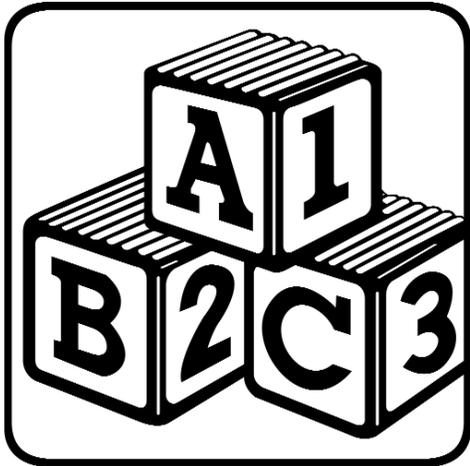
Any Maine business that manufactures food products in the home must obtain a home food manufacturing license. To apply for a license contact

Maine Department of Agriculture, Food
and Rural Resources
Division of Quality Assurance and
Regulations
28 State House Station
Augusta, ME 04333-0028
(207) 287-3841

Hotel and motel licenses

Businesses offering lodging to the public must also be inspected by the state Department of Human Services. To apply for inspection and licensing, contact

Department of Human Services
Division of Health Engineering
10 State House Station
Augusta, ME 04333-0010
(207) 287-5671



Child care facility licenses and registration

The Maine Department of Human Services administers licensing and registration programs for child care providers. For more information, or to apply for licensing and registration, check with the Department of Human Services.

Department of Human Services
Auditing, Contracting and Licensing
Service Center
11 State House Station
Augusta, ME 04332-0011
(207) 287-5060

Professional and occupational licenses

Following is a partial list of occupations that require licensing by the state of Maine.

- Accountant, CPA
- Architect
- Barbering occupations
- Commercial pesticide applicator
- Cosmetology occupations
- Detective
- Education occupations

- Engineer
- Funeral director
- Health-related occupations
- Hearing aid dealer
- Insurance sales agent
- Landscape architect
- Physical therapist
- Real estate occupations
- Securities occupations
- Surveyor

To learn if you'll need to license your planned occupation, check with a trade or professional organization or contact

Department of Professional and Financial
Regulations
35 State House Station
Augusta, ME 04333-0035
(207) 624-8500

The Home-Based Business Fact Sheet Series

This is one of a series of publications designed for the person entering or considering a new small business operation. Other publications in this series are available through your county Extension office. The full series includes:

- *Starting a Home Business*, bulletin #3007
- *Capital Sources for Your Business*, bulletin #3008
- *How to Organize Your Business*, bulletin #3009
- *Record Keeping for Profit*, bulletin #3010
- *How to Insure Your Business*, bulletin #3011
- *Estimating Retail Market Potential*, bulletin #3012
- *So You're in Sales*, bulletin #3013
- *Taxes and Permits*, bulletin #3014
- *Starting a Business in Your Home: Weighing the Pros and Cons*, bulletin #4190

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