

STARTING A NEW BUSINESS IN CALIFORNIA

(LLC, CORPORATION, LP)



CALIFORNIA
SECRETARY OF STATE





bizfile California is the Secretary of State's new online portal to help businesses file, search, and order business records. Whether you are filing a financing statement or searching for a Corporation (Corp), Limited Liability Company (LLC) or Limited Partnership (LP) filing, or looking for an immigration consultant, this hub consolidates all your online filing and search needs.

Secretary of State's Business Programs Division

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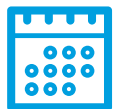
10 Easy Steps to Launch a Business

Thank you for your interest in registering a business with the California Secretary of State's office. The Secretary of State supports California businesses by registering business entities and processing millions of filings and records requests each year.

There are several key steps to launching a business in the state of California. These steps will vary according to the type of business you intend to start and the county and city in which the business will be located. Therefore, be sure to check specific rules and regulations within the county and city in which you want to conduct business, and any other agency's requirements regarding zoning,

licensing, employment, permits and taxes. For more information see #7, below – "Obtain Specialty Licenses and Permits." This document should be used as a general tool to help you broadly assess how to start a business in California, not as a direct step-by-step guideline. In order to maintain your business, there may be recurring reporting, fees, taxes, and filings that the business must provide to state, local, and federal agencies.

A "Starting a New Business Checklist" is provided at the end of this brochure to help you start your new business.



1. Prepare & Plan

Research: For any business, preparation and planning are critical for success. You should conduct market research about potential competitors and to determine how much it will cost to start up and establish your business.

Business Plan: A business plan is the blueprint for your new venture. It maps out the course of your business from the market research and analysis stages through financing, marketing, implementation and beyond. A well thought-out business plan ensures that you have considered the issues necessary to be successful and have anticipated how to handle potential difficulties that may arise during the course of starting and operating your business.

You are not alone. The U.S. Small Business Administration (SBA, sba.gov) provides assistance for business planning at offices throughout the state and at 144 California resource partner offices. The SBA provides free access to a variety of information designed to help entrepreneurs start and operate their business. In addition, onsite free or low cost counseling is available, which is provided by the Service Corps of Retired Executives (SCORE, score.org).

Seek Professional Advice: You should consult private legal, financial and accounting professionals for specific advice related to your particular situation before starting your business.



2. Secure Financing

Financing a startup business may be costly requiring personal savings, secured loans, or a second income stream. For additional information on financing a business, visit the Governor's Office of Business and Economic Development's California Business Portal (businessportal.ca.gov).

- **Small Business Development Centers** – Provide comprehensive business assistance, including helping business owners access capital.
- **Small Business Loan Guarantee Program** – Provides loans to small businesses that experience capital access barriers.
- **Financial Development Corporations** – Provide loan capital and other financial services to existing and start-up small businesses.
- **California Capital Access Program** – Encourages banks and other financial institutions to make loans to small businesses that have difficulty obtaining financing.
- **Industrial Development Bonds** – Provide financing for the acquisition, construction, rehabilitation, and equipping of manufacturing and processing facilities for private companies.



3. Choose an Entity Type & Business Name

Your choice of entity type will have an effect on how your business and its participants are taxed; your ability to obtain financing, transfer assets and ownership interests, manage and run the business; and your personal liability. You should consult a private attorney and tax accountant for guidance on determining the best entity type for your situation. Depending on the entity type you choose, it may be necessary to register the entity with the California Secretary of State.

- **Entities Requiring Registration:** Corporations (including nonprofits), Limited Liability Companies (LLC), Limited Partnerships (LP), and Limited Liability Partnerships (LLP).
- **Entity that May Register:** General Partnerships are not required to register with the Secretary of State.
- **Entity Not Requiring Registration:** Sole proprietorships

Corporations, LLCs, LPs and LLPs must comply with statutory name requirements. Businesses that involve activities that require professional or vocational licenses may have additional requirements. A business name may be in use by someone else or it may have trademark or trade name ramifications. You should review any statutory or regulatory requirements and restrictions when choosing a business name. You can conduct a preliminary search of names in use in California for Corporations, LLCs and LPs through our online California Business Search tool (BusinessSearch.sos.ca.gov). Also, the Secretary of State provides name availability guidelines on its website. Please note: The California Business Search is only a preliminary search and not intended to serve as a formal name availability search which is completed by the Secretary of State upon submission of your filing or reserving a business name.

Additional Resources:

Secretary of State (SOS) for business filing information websites:

- bizfile.sos.ca.gov
- www.sos.ca.gov/business/be/starting-business/types
- www.sos.ca.gov/business/be/name-availability
- BusinessSearch.sos.ca.gov
- www.sos.ca.gov/business/be/faqs
- www.sos.ca.gov/business/be/filing-tips
- Franchise Tax Board (FTB) for tax filing information website: ftb.ca.gov/businesses/filing-information.shtml



4. Register Your California Business

Forms are available on the Secretary of State website (bizfile.sos.ca.gov). For Secretary of State filing fee information, see the grid below:

Business Structure	Form Identifier	Fee to file with SOS	Counter* Fee	Certified *Copy	Total
Limited Liability Company (LLC)	LLC-1	\$70	\$15	\$5	\$90
Limited Partnership (LP)	LP-1	\$70	\$15	\$5	\$90
Limited Liability Partnership (LLP)	LLP-1	\$70	\$15	\$5	\$90
Corporations:					
General Stock	ARTS-GS	\$100	\$15	\$5	\$120
Nonprofit Public Benefit	ARTS-PB-501(c)(3)	\$30	\$15	\$5	\$50
Nonprofit Mutual Benefit	ARTS-MU	\$30	\$15	\$5	\$50
Nonprofit Religious	ARTS-RE	\$30	\$15	\$5	\$50

* The counter fee is required if submitting the forms in person at the Secretary of State's Business Programs Division filing counter. Do not include the \$15 counter fee if delivering the forms by mail.

** The certified copy fee is required if the person registering a business wants a certified copy of the filed form. There is no charge for a regular copy of filings with a filing fee of \$25 or more. The Secretary of State advises newly registered business owners to obtain a certified copy since banks and others may require that type of copy for their business purposes. The fee to receive more than one certified copy is \$5, plus a copy fee of \$1 for the first page, and \$.50 for each additional page, per document.



5. Register a Fictitious Business Name (if necessary)

In some circumstances, a business may choose to do business under a name other than the business' legal name, or it may be required to do business under a different name to obtain business licenses and permits. In California, fictitious business names are filed with the county clerk/recorder where the business is located. You should refer to the county's website for information on requirements, forms and fees, as well as California Business and Professions Code sections 17900 through 17930.

Fictitious business name (or "doing business as"/"DBA") filings in the county where you choose to do business help consumers find the true legal name of the business. Filing for a fictitious business name also allows other businesses and startups to search locally for fictitious business names already in use within a particular county. If your business operates under an unregistered fictitious business name, then you, as the owner, may not be able to enforce the contracts you sign or make any other enforceable agreements on behalf of your business.



6. Choose a Location and Check Local Zoning Regulations

If you intend to own or lease a building, lease space in someone else's building, operate your business from your home (note: your business address is a public record) or some other location, you should contact the city and county where you intend to conduct your business before finalizing the lease and location plans to ensure you comply with any zoning or permit requirements. Local Community Development Departments can assist with obtaining this information. If you need additional help to determine if your business location is zoned for the type of business you want, you can contact the Governor's Office of Business and Economic Development (GO-Biz at business.ca.gov) for information related to tailored site selection services for businesses, real estate executives, and site selection consultants.



7. Obtain Specialty Licenses and Permits

Once the business entity is formed or registered with the California Secretary of State, the business must obtain the necessary licenses and/or permits to conduct business. The Secretary of State does not issue licenses or permits for business entities. Please refer to the CalGold website (calgold.ca.gov) for information about business license/permit requirements. The CalGold website provides detailed information on business permits, license, and registration requirements from all levels of government. Bear in mind that other requirements may apply.

Additional Resources:

- SOS Business Resources: www.sos.ca.gov/business/be/resources
- Governor's Office of Business and Economic Development (GO-Biz): businessportal.ca.gov/Business-Assistance
- California State Association of Counties – County Profile Information: counties.org/county-websites-profile-information



8. Employer Responsibilities

If you intend to have employees for your business, you must register your business as an employer and obtain a federal Employer Identification Number (EIN). As an employer, there are obligations to consider such as payroll taxes, wage withholding requirements, matching employer withholding requirements, and employee employment eligibility requirements, along with requirements for State Disability (workers' compensation) insurance, unemployment insurance, and equal employment opportunity.

Additional Resources:

- **Internal Revenue Service (IRS):**
irs.gov/businesses/small-businesses-self-employed/employer-id-numbers-eins
- **California Franchise Tax Board (FTB):**
ftb.ca.gov/businesses/filing-information.shtml
- **California Employment Development Department (EDD):**
edd.ca.gov/Payroll_Taxes/Am_I_Required_to_Register_as_an_Employer.htm

9. Tax Information



There are several agencies that administer a variety of taxes for businesses in California. As a business owner, you will have different tax requirements than you had as an employee. Striking Gold in California (taxes.ca.gov/strikinggoldbus.shtml) outlines the state tax system for businesses.

Additional Information and Resources:

- **Internal Revenue Service (IRS)** administers all federal taxes except alcohol, tobacco, and customs duties: irs.gov
- **Franchise Tax Board (FTB)** administers two of California's major tax programs essential to our state—Personal Income Tax and Corporation Tax: ftb.ca.gov phone: (800) 852-5711
- **Employment Development Department (EDD)** administers four state payroll taxes—Unemployment Insurance (UI), Employment Training Tax (ETT), State Disability Insurance (SDI), and Personal Income Tax (PIT): edd.ca.gov
- **California State Board of Equalization (BOE)** - reviews and adjusts assessments for property, alcoholic beverage and insurance taxes: boe.ca.gov
- **California Department of Tax and Fee Administration (CDTFA)** administers business permits and taxes, such as seller's permits, sales and use taxes, excise taxes, and other special taxes: cdtfa.ca.gov
- **California Tax Service Center** is a partnership of tax agencies that have joined together to streamline and improve taxpayers resources and educational programs sponsored by the California Fed State Partnership: taxes.ca.gov

Please note Minimum Tax: Immediately upon registering with the California Secretary of State, until the business applies for and is granted a tax exemption, all corporations, including nonprofit corporations, limited liability companies, limited partnerships, and limited liability partnerships are all subject to pay an annual minimum franchise tax of \$800 to the California Franchise Tax Board. A separate application to the Internal Revenue Service or California Franchise Tax Board is required in order to obtain tax exempt status. The annual minimum franchise tax continues to apply until termination documents for the business are filed with the Secretary of State.

If you fail to file a return by the original or extended due date, a penalty may be imposed by the Franchise Tax Board. (ftb.ca.gov/businesses/Penalty-Information.shtml).

10. Ongoing Registration Requirements



Every Corporation and Limited Liability Company is required to file a Statement of Information with the California Secretary of State within the first 90 days of registering with the California Secretary of State and annually thereafter for California Stock Corporations and Foreign (formed outside of California) Corporations and every two years for California Nonprofit Corporations and all Limited Liability Companies based on the calendar month of the entity's registration date.

For faster processing, the required statement for most Corporations and all Limited Liability Companies can be filed online (bizfile.sos.ca.gov).

Get email updates from us. To sign up to receive electronic updates of the latest news, changes in the law and other helpful information from the California Secretary of State, please visit: www.sos.ca.gov/eUpdates or look for the "Sign up for e-updates" button on our homepage (www.sos.ca.gov).

Notes

STARTING A NEW BUSINESS CHECKLIST:



- ___ 1. Prepare and Plan (do market research and create an outline of your business)
- ___ 2. Secure Financing (if necessary)
- ___ 3. Choose an Entity Type (e.g., LLC, Corporation, LP, LLP, GP, or Sole Proprietorship) and Business Name
- ___ 4. Register Your Business with the Secretary of State (LLC, Corporation, LP, LLP or GP)
- ___ 5. Register a Fictitious Business Name (if necessary)
- ___ 6. Choose a location and check local zoning regulations
- ___ 7. Obtain specialty licenses and permits (if necessary)
- ___ 8. Employer Responsibilities (if necessary: EIN Number, workers' compensation, etc.)
- ___ 9. Tax Information (FTB, BOE, EDD, IRS)
- ___ 10. Ongoing Secretary of State Filing Requirements (Statements of Information)

