

## FREQUENTLY ASKED QUESTIONS FOR BUSINESS LICENSES

You have inquired about a city business license for Seal Beach. Frequently asked questions are listed for your convenience.

### 1) What exactly is a business license?

A business license is a permit to conduct business activity within the Seal Beach city limits. Business license/permits require a completed application form and payment of an annual tax/fee.

### 2) Do I need a business license?

Yes. Any and all businesses having activity, work, office, sales, or performing services in the City of Seal Beach are required to obtain a business license. The business license/permit is required "before" any business activity can be conducted. The business license/permit allows city-approved business activity including although not limited to commercial, corporate, professional, occupational, service providers, trades, and/or nonprofit organization business types. Any person carrying on two (2) or more businesses at the same location shall obtain a separate business license for each such businesses (SBMC 5.10.060).

### 3) I am a senior citizen or disabled person, is there a reduced business license rate for me?

Yes. A reduced business license rate is available for disabled persons or seniors (with proof of age over 65), engaged in a home occupation as defined in the city's zoning ordinance, and where gross revenue/income derived from such home occupation does not exceed \$10,000 (before deductions) in any calendar year (SBMC 5.10.025). The reduced business license tax rate shall be 50% of the prevailing Seal Beach business tax. The State of California American Disability Act (\$1.00) will be added to all business licenses until the year 2018. In order to qualify for this reduced rate, licensees shall submit proof of age and a copy of his/her most recent qualifying business tax returns. Qualifying Federal Tax Returns are: A) Form 1040 Schedule C – Profit or Loss From Business Sole Proprietorship; or B) Form 1040 Schedule E – Supplemental Income and Loss From Rental Real Estate, Royalties, Partnerships, etc.; or C) Form 1040 Schedule C-EZ – Net Profit From Business Sole Proprietorship; or D) Form 1065 – U.S. Return of Partnership Income. A home occupation with a start date in the initial year of business will be required to pay the appropriate full business tax/permit fee. If the business' gross revenues/receipts for the initial year are \$10,000 or less (before deductions) the business may receive a refund upon submission of the appropriate qualifying Federal Tax Return forms.

### 4) Do I need/require a business license if...

- a. I make a few crafts and sell them...
- b. I am an artist; I work out of my home...
- c. I have full-time employment, but moonlight as a consultant...
- d. I just do house cleaning for other people a couple days a week...
- e. I want to establish an "on-line" or internet business....

Yes. Whenever you make something, provide a service, or give advice (consulting) for which you receive compensation in the form of money, goods or services, you are in business and are required to obtain a city business license.

### 5) Is a post office box a legal address for a business?

No. You must provide the physical address of your business in order to obtain a city business license. A post office box may only be used for the business mailing address. Businesses located outside the city limits that relay a Seal Beach post office box as their business location to others are subject to the city business license policies, procedures, and business license tax.

### 6) Do I need a city business license if I am a caregiver in Leisure World?

Yes. All caregivers are required to have a current business license regardless if the caregiving service is being provided in Leisure World or at another location in the City of Seal Beach. A current valid business license is required if you are employed as an independent contractor who is issued Federal Tax Form 1099-Misc at year end for reporting taxable earnings. If your employer issues a Federal Tax Form W-2 - Wage and Tax Statement, you are not required to obtain a city business license. The agency who employees you is responsible for obtaining a business license.

**7) Do I need a business license if I only have an office in the city?**

Yes. All businesses in the city is required to have an active business license.

**8) What if my business is home-based?**

A home office is required to have a business license, a home occupation permit will be issued. The location of the business is the main residence of the of the person(s) conducting the business and shall be clearly incidental and secondary to the use of the property for residential purposes. The conditions and regulations regarding home occupations contained in Section 11.4.05.060 of the Municipal Code of the City of Seal Beach.

**9) What type of ownership do I have?**

Individual – A sole proprietorships is an unincorporated business that is owned by one person or by husband and wife. You will include the income expenses of the business on your own tax return.

Partnership – A partnership is the relationship existing between two or more persons who join to carry on a trade or business. We require a Federal Tax ID number (EIN).

Limited Liability Company – A limited liability Company (LLC) combines traditional corporate and partnership characteristics.

Corporation – Is a separate legal entity owned by shareholders. For more information go to [www.sos.ca.gov](http://www.sos.ca.gov).

**10) What is an independent contractor?**

Typically an independent contractor is an individual that received a 1099 Federal tax form from a business. An independent contractor is considered independent and not an employee of the business. All independent contractors file for there own business license.