

RESEARCH: THE FIRST STEP IN BUSINESS LICENSE COMPLIANCE

BY: TOM ROWLAND, SENIOR PRODUCT LINE MANAGER



“The essential first step to managing business license compliance is to conduct proper and thorough research regarding business license requirements specific to a company’s business activities in all locations.”

From inception and throughout the lifecycle of an enterprise, [business license compliance](#) is essential. Typical business events including business formations, mergers and acquisitions, launches of new products and services, business name changes, new locations and other amendments often trigger new business license requirements and require special attention.

Under any circumstances, achieving and maintaining business license compliance is fraught with complexity. Even the most diligent enterprise can face many challenges. Failure of an enterprise to comply with business license requirements can have detrimental effects on the business ranging from financial penalties and fees to the closure of work sites in extreme cases.

BUSINESS LICENSE RESEARCH: FUNDAMENTAL AND COMPLEX

The essential first step to managing business license compliance is to conduct proper and thorough research regarding business license requirements specific to a company’s business activities in all locations. This can also be a very challenging step.

- Across the U.S., there are more than 75,000 local, state, and federal jurisdictions or licensing authorities, each with its own requirements.
- There are thousands of different license types.
- Information such as the right licensing authority and how to contact them, their requirements and license types is often not easy to find beyond a basic level. Thorough research requires extensive time either in online searches or talking directly with multiple government entities.
- Governing bodies change their license requirements and forms frequently.
- A given licensing authority may have different timing and recurrence of filing requirements for different licenses. Understanding the requirements of one business license filing may not apply to other required filings.
- Certain straightforward business events may cause new unforeseen licensing requirements. For example, in some states, changing a business name or office location can require an entirely new license.
- Certain types of business activities have special requirements for business licenses. For example, the requirements related to providing architectural services varies significantly by state.

continued on page 2

Clearly, with all these variables, [business license research](#) is a crucial initial step in compliance. It's also where a multitude of structural problems can occur. Some enterprises fail to dedicate the right amount of attention to business license research, if they underestimate its complexity or the time required to do it right. Other enterprises may rely on too few staff members or fail to provide adequate cross-training, leaving them vulnerable to compliance failures when key employees separate from the organization. Even businesses with adequate internal controls and dedicated resources can miss requirements in this ever-changing landscape.

NON-COMPLIANCE IS COSTLY

Incomplete research logically results in incomplete compliance. This failure to obtain and maintain all required business licenses can be costly. Each year, enterprises are faced with fines, penalties and forced cessation of business activities due to missing business licenses.

For example, a Fortune 500 company with many Federal government contracts was required to pay more than \$1 million in fines and penalties to various counties and towns in a single year, all due to business license related non-compliance.

In 2014, an insurance company had to pay tens of millions of dollars to settle claims that it had solicited business without the required business licenses.

In California, a two-day sting operation resulted in ten contractors being cited for missing business licenses. The penalty for a first-time offense can include up to six months jail time in addition to a fine.

As these examples illustrate, non-compliance can lead to:

- Cessation of business operations until all violations have been cleared
- Criminal penalties and the possibility for company officials to be summoned to appear in court on the company's behalf
- Forced delays in mergers and acquisitions, new product and service launches, and opening of new locations that threaten the success of the company's strategic plans

THE VALUE OF ENGAGING A COMPLIANCE EXPERT

Relying on [compliance experts to conduct your business license research](#) saves your staff from enormous initial research time, gives you answers quickly on an ongoing basis, and reduces the risk of missed requirements.



“Failure of an enterprise to comply with business license requirements can have detrimental effects on the business ranging from financial penalties and fees to the closure of work sites in extreme cases.”

The best compliance partner will be responsive to your needs, have deep expertise in determining business license requirements for all industries across the country, and provide a full range of services to guide your organization through the research phase and beyond as your needs evolve.

Look for research that provides:

- A comprehensive report in easy-to-understand language detailing all your business license requirements
- Detailed up to date information on all necessary licensing fees and forms
- Current points of contact at the licensing jurisdictions
- Alerts about any specialized requirements, such as notarized letters
- Coordination of complex requirements (i.e. across many locations) so that licensing compliance can be managed seamlessly and completely

Trusting qualified experts with your business license research needs is the first step toward peace of mind. An accurate and complete report of your requirements leads to full compliance and reduced risk for your organization.

LEARN MORE

Learn more how CT can help with your business license research needs. Call us at (844) 400-9804 (toll-free U.S.) or visit <https://ct.wolterskluwer.com/business-license-services>

Join the conversation. Follow us on [Twitter](#), [LinkedIn](#), [Google+](#) and [Facebook](#).