



STATE BUSINESS LICENSE

WHAT YOU NEED TO KNOW ABOUT NEVADA'S STATE BUSINESS LICENSE

Generally, all businesses doing business in Nevada must obtain a State Business License as required by NRS 360.780. Senate Bill 429 as enacted by the 2009 Session of the Nevada Legislature increased the fee for the State Business License effective July 1, 2009 and transfers administration of the State Business License from the Department of Taxation to the Nevada Secretary of State effective October 1, 2009. Legislative changes also include changes to definition of business effective October 1, 2009. **The information contained in this document is valid only through 09/30/09. For Business License requirements effective October 1, 2009, contact the Nevada Secretary of State's office for further information.**

1. *Q. What is the cost of a State Business License?*
 - A. Effective July 1 2009, pursuant to SB 429 of the 2009 Legislative Session, the Business License Fee increased to **\$200**. Businesses registering for the State Business License or renewing their State Business License on or after July 1, 2009 must pay the \$200 annual license fee. The license must be renewed annually. A business that meets the criteria may not do business in the State of Nevada without a State Business License. The Department is authorized to suspend or revoke the State Business License of a person who does not comply with the laws and regulations relating to that business. **Effective October 1, 2009, the Business License Fee will be administered and collected by the Secretary of State's office (SOS). You may obtain more information at the SOS website at <http://sos.state.nv.us/>.**
2. *Q. How much is the renewal fee and when is it due?*
 - A. Effective July 1 2009, pursuant to SB 429 of the 2009 Legislative Session, the Business License Fee will increase to **\$200** for the annual renewal fee for businesses with an anniversary date on and after July 1, 2009. Taxpayers who currently have a State Business License shall pay the renewal fee based on their anniversary date. A person with multiple businesses may choose the same "anniversary date" for the renewal of the licenses as agreed to by the Department of Taxation.
3. *Q. What is the penalty for late or non-payment?*
 - A. A person who fails to submit the annual fee required by the due date shall pay a penalty in the amount of \$100 in addition to the annual fee.
4. *Q. Are there any other requirements for businesses obtaining a State Business License?*
 - A. NRS 372.220 now requires that every business that purchases tangible personal property for storage, use or other consumption in this State must register with the Department of Taxation for a Use Tax Account. When applying for a State Business License you must also register for the Use Tax account if required. An additional fee is not required.
5. *Q. What constitutes a business?*
 - A. Pursuant to NRS 360.765, a "business" means any person, except a natural person, that performs a service or engages in a trade for profit or any natural person who performs a service or engages in a trade for profit and is required by the I.R.S. to file a Federal Schedule C (Profit or Loss from Business), Schedule F (Profit and Loss from Farming), or a Schedule E (Supplemental Income and Loss) with their annual 1040 Income Tax Return.
 - B. However, as previously mentioned above, beginning October 1, 2009, administration of the State Business License will fall under the jurisdiction of the Secretary of State's Office. The definition of "Business" also changes that date.
6. *Q. Are there any businesses **not** required to obtain a State Business License?*

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- A.** There are some types of businesses that do not require a State Business License:
- a) Government entities, nonprofit religious, charitable, fraternal, or other organizations that qualify as tax-exempt organizations pursuant to 26 U.S.C. § 501(c).
 - b) A business whose primary purpose is to create or produce motion pictures.
 - c) A natural person who operates a business from his home and earns from that business (net income) not more than 66 2/3 percent of the average annual wage, as computed for the preceding calendar year, pursuant to NRS 612, is not required to secure a State Business License for the next year. The average annual wage generally fluctuates each year. The average annual wage for 2004 - \$22,000; for 2005 - \$22,900; for 2006 - \$24,000.00; for 2007 - \$24, 600.00; for 2008 - \$25,400.00 and for 2009 - \$26,600.00.
 - d) Certain types of legal entities that are disregarded for income tax purposes as an entity separate from its owner. In other words, if the entity is not required to file a separate Federal Form 1120 or 1041, they are not required to secure a State Business License for that entity. However, the owner of that business who is required to report the income from that business on a Schedule C, E, or F, he is deemed to be that business and must secure a State Business License. Thus, the owner is required to secure just one license for the business.
 - e) If a natural person is required to file a Federal Schedule E for the sole purpose of reporting income or loss from a pass-through entity (reported on page 2 of the Schedule E) partnership or Sub S corporation, he is not required to obtain a State Business License for that Schedule E. In this manner the owner is required to secure just one license for the business. If the Federal Schedule E, Form 1040, is required to report income or loss from rental property located in the State, or royalty income, he is required to obtain a State Business License for that Schedule E. However, if a natural person's sole business is the rental of 4 or less dwelling units, the person is not required to obtain a State Business License.
- B.** However, as previously mentioned above, beginning October 1, 2009, administration of the State Business License will fall under the jurisdiction of the Secretary of State's Office. The definition of "Business" also changes that date.
7. *Q. What is meant by "person who operates a business from his home"?*
- A.** A person who operates a business from his home means a natural person who does not own, lease, rent, or license any real property, other than his personal residence, for use in the furtherance of that business and does not hold any part of his personal residence open to the general public. However, if the person owns, leases, rents or licenses any real property that he uses strictly for the purpose of maintaining a post office box, posting a Business License in accordance with requirements imposed by a county or municipal ordinance, or periodically selling or exhibiting wares at craft shows, they can still be considered as operating a business from their home.
8. *Q. What is meant by "open to the general public"?*
- A.** This refers to being open in the manner a store would be open to anyone who wants to come in. Meeting clients at home who have an appointment is not considered "open to the general public."
9. *Q. Are trade show or convention participants required to obtain a State Business License?*
- A.** A person or governmental entity that operates a facility where exhibitions are held is responsible for paying the license fee for persons who exhibit but do not have a State Business License because they are not located in this State. Trade shows, conventions, craft shows, sporting events or similar events involving the exhibition of property, products, goods, services or athletic or physical skill are considered "exhibitions".
- The operator of the facility may elect to pay an annual license fee of \$5000 for all events held that fiscal year or remit on a quarterly basis \$1.25 per day for each business, for each event held at the facility. This licensing fee (referred to as Exhibition Facilities Fee – EFF) will continue to remain under the administration of the Department of Taxation and will not change to the Secretary of State after October 1, 2009.
10. *Q. Are businesses selling at swap meets in this State required to obtain a State Business License?*

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- A. Yes, they are considered to be renting space outside of their personal residence and are required to secure a State Business License.
11. *Q. Are real estate agents and brokers required to obtain a State Business License?*
A. Yes, they are not considered to be working from their personal residence and are required to secure a State Business License.
12. *Q. Are a husband and wife considered one taxpayer?*
A. Yes, as long as their businesses are not separately incorporated.
13. *Q. What if our partnership does not report to the IRS as a partnership on a Federal form 1065 and all the partners report their income on their separate Schedule C? Is each natural partner required to secure their own State Business License?*
A. No, if the association truly qualifies as a "partnership" under Nevada law, the partnership would be required to obtain just one State Business License on behalf of itself and all of its natural person partners.
14. *Q. How do I obtain a State Business License?*
A. You may obtain an application by downloading one from our website at <http://tax.state.nv.us/> and mailing it in, or you may apply online at <https://www.nevadatax.nv.gov/web/>, or you may contact the Nevada Department of Taxation office nearest you. When submitted, the application must be accompanied by the \$200 license fee through June 30, 2009. A signer's signature on an application is considered a sworn statement of his or her authority to sign on behalf of the entity being registered. **Effective October 1, 2009, the Business License Fee will be administered and collected by the Secretary of State's office (SOS). They will require a different form to fill out. You may obtain more information at the SOS website at <http://sos.state.nv.us/>.**
15. *Q. If I have several businesses, but they are all owned as sole proprietor businesses, do I have to get a State Business Licenses for each one?*
A. Sole proprietors may have more than one business and only be required to have one State Business License. However, if a person is a sole proprietor and also conducts business under a separate corporation or other entity, State Business Licenses will be required for each entity.
16. *Q. What are some examples of businesses that are now required to apply for a State Business License that were not required to apply prior to the implementation of NRS 360.780?*
A. Sole proprietors without employees were not previously required to obtain a State Business License prior to July of 2003. However, employer status no longer is a factor in determining which businesses must register for a State Business License. Individuals who are not employees and engaged in activities for profit such as independent contractors, consultants, direct sellers, and farming may be required to obtain a State Business License. In addition, persons who have rental property are required to secure a State Business License (see Question 6, for more detail). All businesses are now required to obtain a State Business License unless they are exempted for one of the reasons listed above in #6.