

How to Register an Online Business

It's important to get your paperwork in order before you start selling online to ensure you don't run into any issues later.

In this guide, we'll cover:

- ✚ Business Structures and Registration Steps
- ✚ Employer Identification Numbers (EINs)
- ✚ Trademarks, Copyrights, and Patents

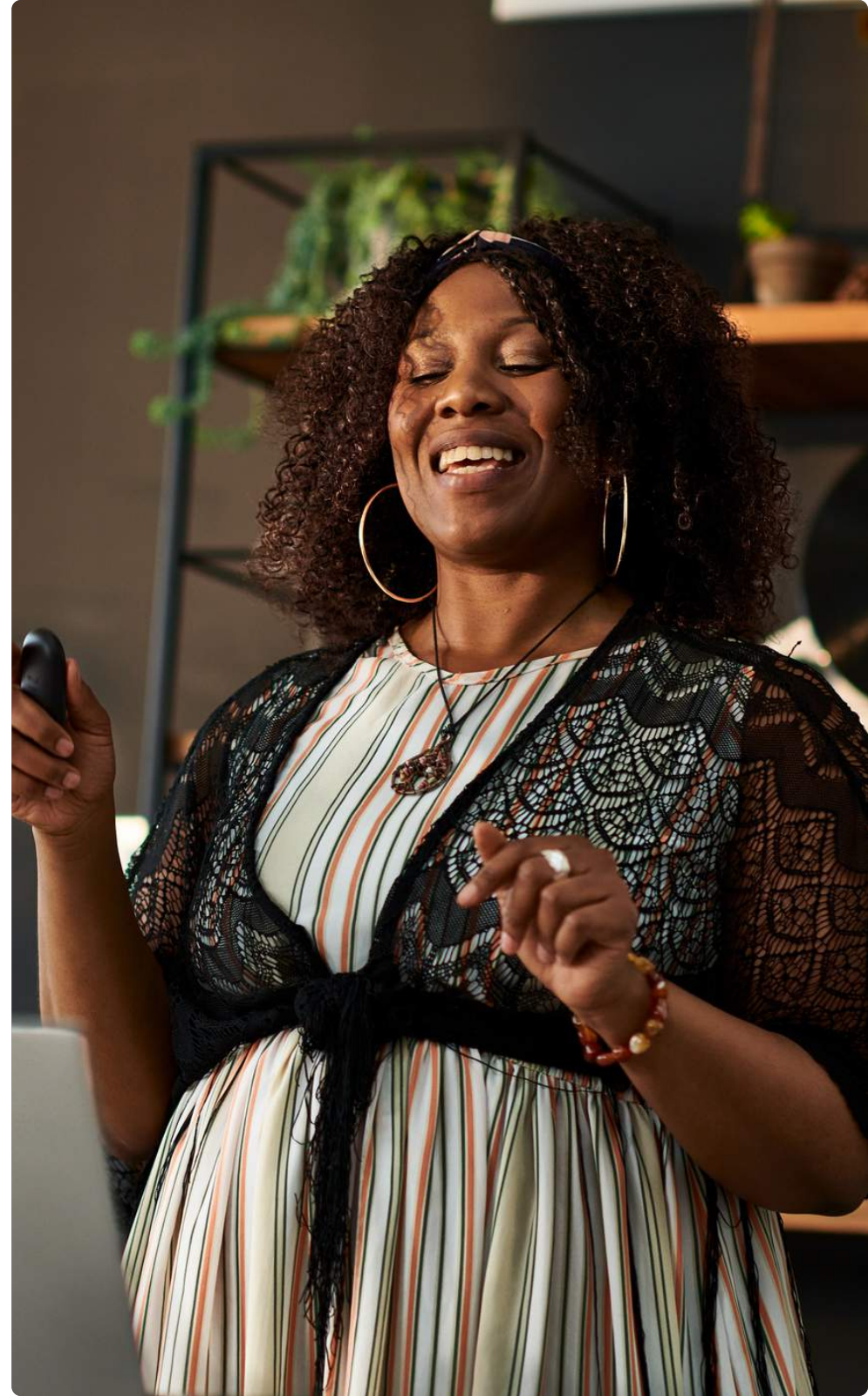
INTRODUCTION



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Starting on the Right Foot

For many would-be entrepreneurs, the legal aspects of starting a business are the main issues holding them back. The good news is that starting your own business is much easier than you might think. For most online merchants, the process of setting up and registering your business can be done in a single afternoon, often for less than \$100. If you're ready to turn your business from an idea into a reality, this guide will give you a step-by-step walkthrough of what you need to do to register your online business.



GUIDE OUTLINE

Part 1: Choose a Business Structure

- a. Consider your business's unique needs
- b. Review types of business structures

Part 2: Register Your Online Business

- a. Begin the registration process
- b. Register with your state
- c. Register locally

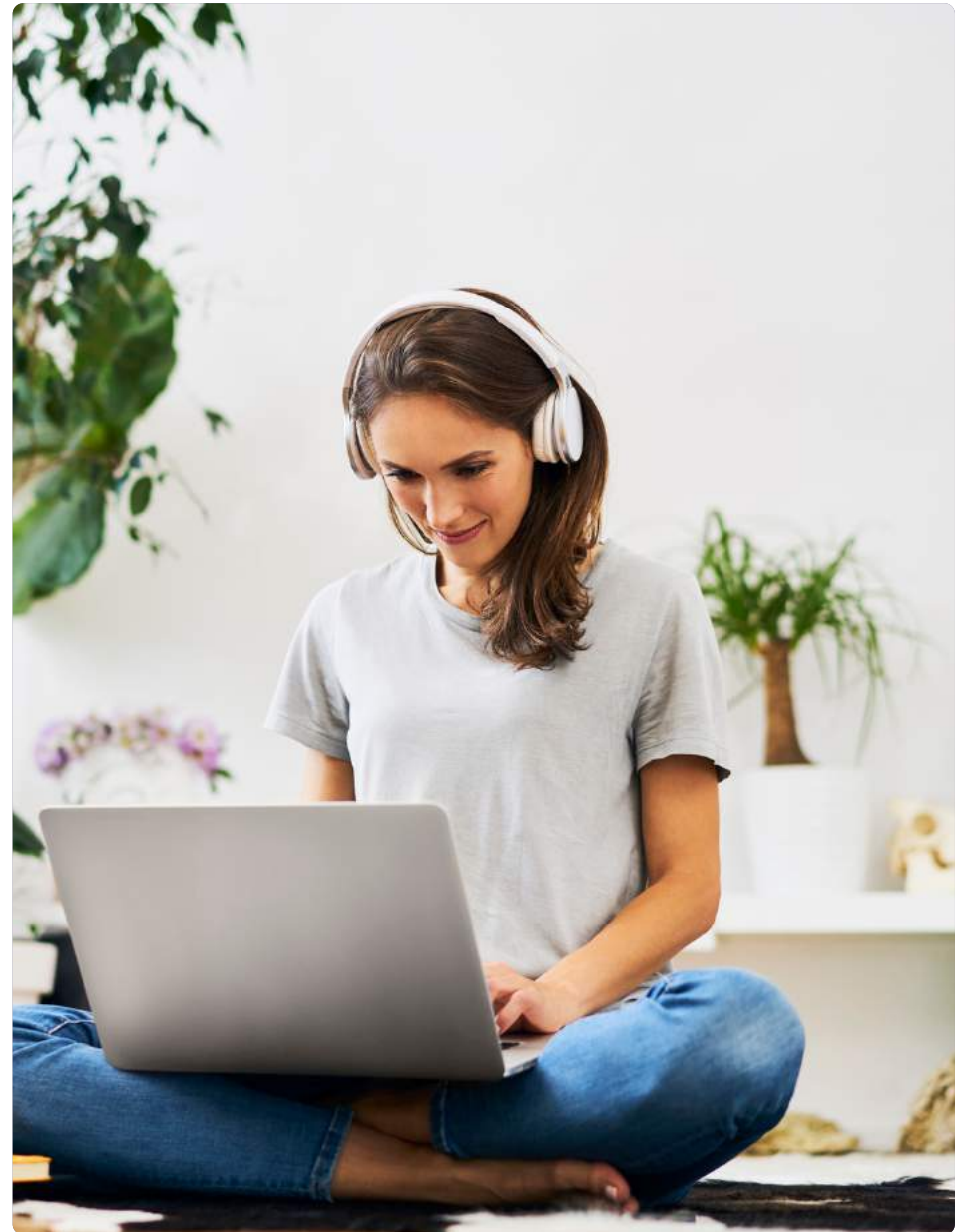
Part 3: Get an Employer Identification Number (EIN)

- a. Make sure you really need an EIN
- b. Provide answers to questions
- c. Submit and save

Part 4: Explore Trademarks, Copyrights, & Patents

- a. Trademark your work
- b. Copyright your work
- c. Procure your patent

You're Ready for (Online) Business!



PART 1

Choose a Business Structure

Before you begin the registration process, you'll need to make some important decisions about the type of business you plan to start. Each business structure has its own set of requirements when it comes to registration, and you'll want to be fully prepared with the correct information so that you don't set up your business incorrectly.



a. Consider your business's unique needs

One of the first decisions you'll need to make is which business structure you want to use. To determine which business structure is right for your new business, start by asking yourself these questions:

- **Will I be starting this business alone?** If so, a sole proprietorship is probably the best option.
- **Will I be starting this business with a partner or investors?** If so, a partnership is probably the way to go. If your partner is responsible for daily business operations, choose a standard partnership. If they're just investing in your business, go with a limited partnership.
- **Do you want to keep your business and personal finances/liability separate?** If you want a greater degree of separation between your business and personal finances, an LLC might be right for you. Flexible and easy to create (either alone or with partners), LLCs are a very common business structure for online businesses.
- **Do you have employees or plan to issue stocks?** If your business is already well-established with multiple employees or locations, or if you plan to issue stocks, you'll want to form a corporation. Multiple options are available to you, and the process of creating a corporation tends to be more in-depth than many other business structures.
- **Is your company built around supporting a cause or helping people?** If your company is all about helping others, consider a benefit corporation (a corporation that pursues the general public benefit) or a nonprofit corporation (a corporation that uses its profits to support charitable causes). If your company is all about giving back to the members that use and support it, look into a co-op.

b. Review types of business structures

Now that you have a better idea of what sort of business structure you need, read below for more information on each:

- **Sole Proprietorship:** A business owned by a single person with no legal or financial distinction between the business and the business owner. This business structure is the most common for online merchants and requires no forms or legal procedures to create. If you're starting your online business without a partner or employees, this is the structure you need. However, depending on what you sell and your location, you may still need local permits or licenses. Since the permit requirements and costs vary by city, check with your local Small Business Administration (SBA) office or city hall to get the correct permits. Typically, getting these permits are no more difficult than filling out a form and paying an application fee—usually about \$50.
- **Partnership:** A business owned by two or more people who share responsibilities. For a partnership, the main difference when registering your business is that you and your partner will need to create and sign a partnership agreement—an agreement saying how much each partner will invest and their rights and responsibilities.
- **Limited Partnership:** In this business structure, the day-to-day operations are run by General Partners, while Limited Partners invest in the company. Limited Partners have no say in how the business is run, but invest in the company in the hopes of making a profit when the business succeeds (similar to buying stock in a company).
- **Limited Liability Company (LLC):** A mixture of a partnership and a corporation, designed to make it easier to start small businesses since there's less regulation and no personal property at risk. If you want to keep your personal and business assets separate, an LLC is a flexible business structure that works well for a wide variety of businesses. LLCs are easy to set up and also give you some favorable tax benefits, making them an excellent choice for many small businesses.
- **Corporation:** A fully-independent business with shareholders, a corporation is appropriate for established businesses with employees. This business structure is rare for online merchants, especially those just getting started. There are several different corporation structures, including S corporations and B corporations. However, since it's unlikely that online merchants will form one of these business types, we won't go into details here.
- **Nonprofit Corporation:** A business that uses its profits for charitable purposes. This is the only structure on the list that can apply for tax-exempt status, but applying requires that the corporation meet some strict guidelines.
- **Cooperative (Co-op):** A business owned and operated for the benefit of the members of the organization that use its services with no external stakeholders. This type of business structure is also rare for online businesses, although some do exist.

Register Your Online Business

Now that you know what business structure you need, it's time to fill out the paperwork. For most online merchants, this will be no more complicated than filling out a few forms and paying some fees. But if you're forming an LLC or partnership, there are a few extra steps you'll need to be aware of. While the exact steps will vary depending on your location and industry, the broad requirements tend to stay similar.



a. Begin the registration process

- **Register your entity name.** This will become the legal name of your business, and can be the same as or different from your “Doing Business As” name (see below). *If you’re forming a sole proprietorship, you can skip this step.*
- **Register your “Doing Business As” (DBA) name.** This becomes the public name of your company and can be the same as or different from your entity name. Registering a DBA name has some benefits, such as letting you form your legal company before deciding on a final business name, or letting you rebrand your business without needing to change your legal name. Having a DBA name and a Tax ID number (EIN) will also allow you to open business bank accounts, which can help you keep your personal and business finances separate. *If you’re forming a sole proprietorship, you can skip this step.*
- **Register your business as a legal entity.** If you’re forming a partnership, LLC, corporation, nonprofit, or co-op, you’ll need to register your business as a legal entity in the state(s) you do business in. The details vary by state, but this process typically costs under \$300. *If you’re forming a sole proprietorship, you can skip this step.*
- **Register your business with the IRS and state tax authorities.** Most businesses will need to [register for a Federal Tax ID number](#) (commonly called an Employer ID Number or EIN). Depending on your state, you’ll probably need to register with their tax authorities as well—check your state’s website for details. It’s fairly common that you’ll need an EIN to file for permits and licenses, so make sure to have this on hand when you start the permit process. *If you’re forming a nonprofit, you’ll have to do a bit more work, so be forewarned. If you’re forming a sole proprietorship, you can skip this step.*
- **Register for the appropriate licenses and permits.** You’ll likely need licenses or permits to operate legally. Since the permits and licenses you’ll need will vary depending on your city, county, state, and industry, you’ll definitely want to contact your local [Small Business Association](#) (SBA) office or city hall—they’ll be able to tell you exactly what permits you need. You can also check out [this post](#) outlining permits and licenses almost every online store needs to stay legal. We also cover these in more detail below. *Sorry, sole proprietorships—this is the one step you DO have to complete.*

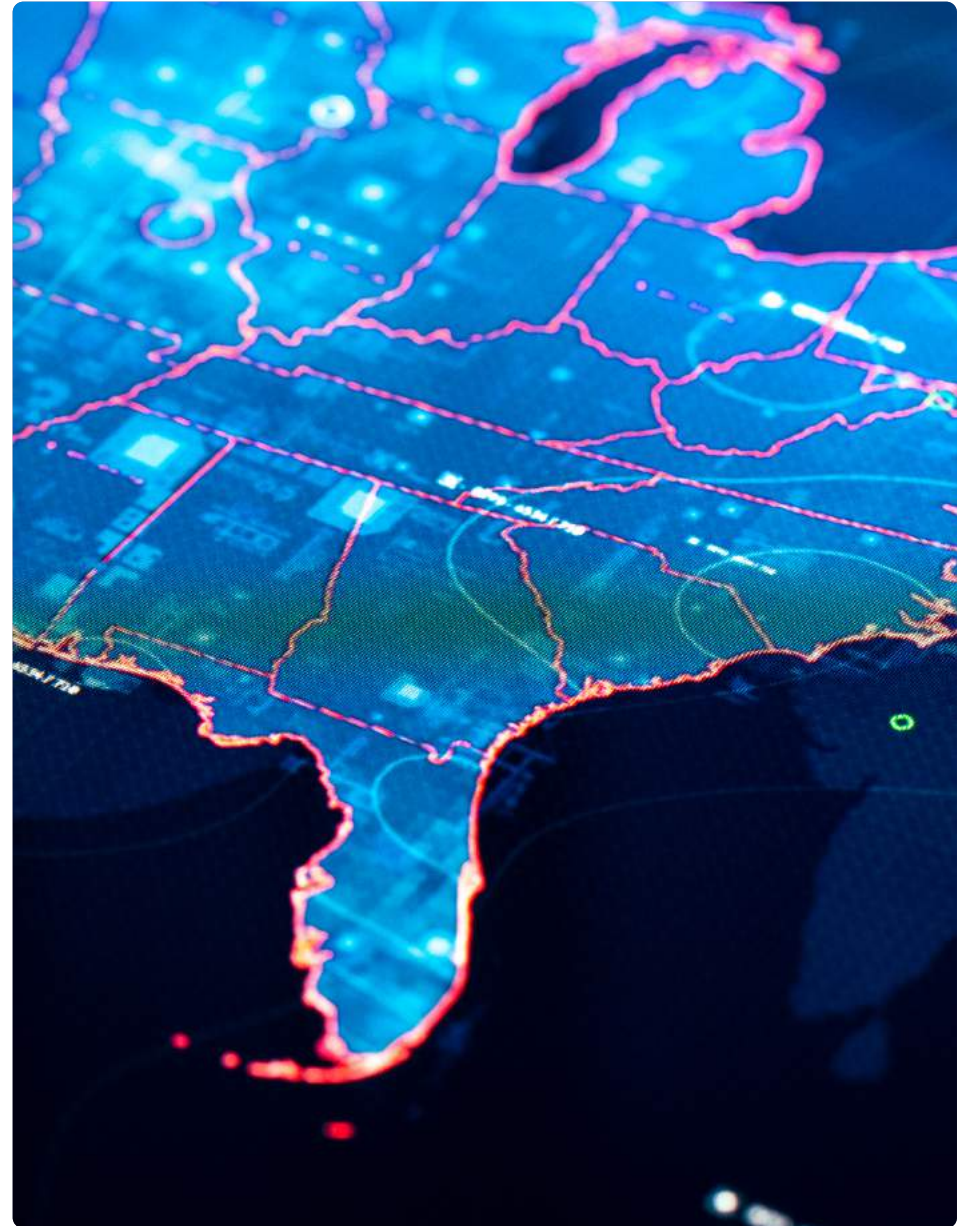
b. Register with your state

LLCs, corporations, partnerships, and nonprofits will need to register with the states they do business in. Check with the Secretary of State's office, Business Bureau, and/or a Business Agency to determine the requirements of your particular state(s).

To register your business with your state, you'll need to decide on a business entity type (what you chose in Part 1) and decide on a business name. Before finalizing your choice of a business name, check with the [US Trademark Database](#) to ensure that you're not infringing on anyone else's trademark. It's also a good idea to make sure that a domain name that matches your business name is available to purchase at a reasonable price. Additionally, do a web search to make sure no one else is already using that name.

If someone is already using your business name but they're in a non-competing industry, you may still be able to trademark that name for your own use. If you want to do business under your own name, you may be able to trademark that as well, provided that you can prove "acquired distinctiveness" to the trademark office—in essence, that your name is distinctive enough to not be confused with another trademark.

If you're a sole proprietorship and want to register a DBA name for your business, you can do this for a small fee—usually about \$25—although this varies by state.



c. Register locally

Local governing entities require almost every business to apply for various licenses and permits. Since the requirements vary widely, it's always best to check with your local SBA or courthouse to make sure you've got the permits you need.

So what licenses should your ecommerce business apply for? Below are some common business licenses—take a look and check with your local government to see if they apply to your company.

- **Business Operation License:** Regardless of industry or location, you're virtually guaranteed to need a basic business operation license. This is a permit that allows you to operate the business in your city or state—depending on your location, you may need both a city and a state business operation license. There are different regulations for obtaining this license and the rules vary from city, county, and state. Check in with your particular area's city hall or Secretary of State website to make sure you're applying for the proper license.
- **Home Occupation Permit:** Many ecommerce business owners operate their companies from their homes. This allows them to skip over the licenses and permits that come with commercial properties, but it doesn't mean that they're out of the woods yet. Filing for a home occupation permit ensures that your neighborhood is zoned for home business activity. If you're just selling products online, it's usually easy to get this license, but if you're planning on making or manufacturing products out of your home, the process may be more in-depth.
- **Occupational license:** This is largely contingent on the type of industry you're in and work you do. If you're an accountant, for example, you will need an occupational license to conduct business and establish credibility. Check in with your state's business licensing office so you know exactly what your line of work is required to file for to maintain your professional role within your given trade.

- **Seller's Permit:** Depending on the kinds of items sold through your ecommerce business, you may also be required to file for a seller's permit. Reach out to your state's government office to see if what you're selling requires this type of license, and if so, file accordingly. Unless you're selling restricted products (like alcohol or firearms), it's unlikely that you'll need an additional seller's permit. If you're not able to legally sell your products to anyone without restrictions (such as age, background checks, etc.) or ship it legally, you'll need additional seller's permits. Also, [not everything can be sold online](#), so make sure you're legally allowed to sell your products over the internet before getting too deep into your planning process.
- **Sales Tax License:** Home-based businesses selling taxable products and services must pay sales tax on the items sold. This will require getting a sales tax license along with a certificate of resale, but it's important to note that sales tax differs from state to state. You'll need to check in with the state and localities you do business in to make sure you're following their set rules properly and collecting state sales tax. Outside of a sales tax license, make sure you know if there are any other tax permits required by the state you do business from.

There are even more licenses and permits, like signage permits and health permits, that may possibly pertain to your ecommerce business. Since these vary from city to city and state to state, check in with your state and local jurisdictions to make sure you have every license and permit required to operate your company before start doing business to avoid fees or legal complications.



Get an Employer Identification Number (EIN)

If you own a small business, you may be wondering whether or not you need a federal business tax ID number, also known as an Employee Identification Number (EIN). Much like your Social Security number, an EIN is a unique nine-digit number that identifies your business. You will use an EIN on all your federal business tax documents and forms, and oftentimes for state and local tax purposes as well. You will also use it for business licenses and permits, and anywhere else you're required to document your business with an IRS number.



a. Make sure you really need an EIN

The IRS requires you to get an EIN if your online store is in the United States or a U.S. territory and you have employees, you withhold taxes on the wages and salaries you pay, or you operate the business as a corporation or partnership. An EIN number is also necessary for other business entities like estates, trusts, and nonprofit organizations.

Single-member LLCs with employees other than yourself also need an EIN. Single-member LLCs that employ no one other than yourself and sole proprietorships typically do not need an EIN, though you can still obtain one and use it in place of your Social Security number if you'd like. See the [IRS website](#) for further clarification.

b. Apply for an EIN

The IRS prefers that you submit your EIN application online. By doing so, you gain the benefit of getting your EIN immediately after you complete the application.

- Use [Form SS-4](#) when applying for an EIN, and keep your valid [Taxpayer Identification Number](#) present when you apply. If you're not sure what numbers qualify, the IRS states you can use your SSN, individual taxpayer identification number (ITIN), or EIN.
- Visit the [IRS website](#) and click on the "Apply for an Employer ID Number (EIN)" button, which takes you to a new page.
- Read the instructions on the EIN application page and click "Apply Online Now" to reach the EIN Assistant page.
- Click "Begin application."

c. Provide answers to questions

You'll first be asked to select the type of EIN for which you're applying. Choices include a sole proprietorship, partnership, corporation, LLC, estate, trust, or additional types, such as tax-exempt and government organizations. Based on each of those choices, you will then be led through a series of other questions, including your reason for requesting an EIN, your name and social security number, and other relevant information you need to provide before you can finish your application.

d. Submit and save

Once you've provided all the relevant answers, submit your application. The online system generates a new EIN that you can begin using immediately. The number can never be canceled and will never be reassigned.

An official IRS document will download to your computer, which confirms that your application was successful and provides your EIN. Make sure you save a copy on your computer and print one for your records so that you have access to the number when you need it. If you ever forget your number, you can always call the IRS to get it.

Filing for an EIN is just the start for many small businesses, but it's a necessary step for getting off on the right foot with the IRS and other taxing authorities while creating an additional buffer between your business and personal finances.

Explore Trademarks, Copyrights, & Patents

Trademarks, copyrights, and patents protect different parts of your brand. Each is important for different reasons, as they ensure that anything considered unique about your brand can't be replicated without your permission. Make sure you thoroughly understand each before you begin the application process so you don't end up doing a lot of work for something you don't really need.



a. Trademark your work

Trademarks are words, symbols, and phrases (which may include brand names, slogans, taglines, or logos) that identify a business and show how distinct they are from competitors. Your trademark will need to be distinct from (not easily confused with) other trademarks associated with related goods or services, and you'll need to renew your trademark every 10 years.

Most entrepreneurs tend to file a trademark application as soon as possible, eager to protect the original mark that identifies their brand and differentiates it from the competition. However, when you register it depends on when you plan to use deliverables protected by your trademark—like a unique name, logo, design, or slogan. Here's how to decide which type to register.

- **If your business isn't open to the public yet and you haven't started using your trademark, but plan to do so eventually,** the United States Patent and Trademark Office recommends filing based on [bona fide intent](#). This means that while the mark may not be quite market ready, it is more than just an idea. You can supplement the intent to use the mark by creating sample products and having a business plan. Prior to registration, if you have not used the mark at all (not even in your store) but intend to, you must file under "intent-to-use" basis.

- **If you are already using the mark,** the USPTO recommends filing under "use-in-commerce" basis. This means that you have already started the mark in commerce with the goods listed in your application. However, it's not enough to take your word for it. In order to establish your "use-in-commerce" basis, you must provide the date of first use of the mark in commerce, along with the date the mark was first used anywhere else. A specimen must also be included to show how the mark is being used in commerce. It sounds a little technical, but don't worry—your "specimen" for goods can be the aforementioned tag or packaging, so long as it's a sample of the mark as it actually appears on your goods.



Know which Application to File

Before you can file an application, you need to pick the right filing option.

- TEAS PLUS has the strictest requirements with regard to approved goods and services, but come with a reduced fee. Applicants should review the USPTO's pre-approved goods and services ID manual.
- TEAS RF (reduced fee) applicants aren't bound to a list of prescribed goods and/or services from the Trademark ID Manual. They also aren't held to any TEAS Plus requirements, but must agree to electronically file.
- TEAS Regular is the most expensive filing option, but doesn't come with additional requirements.

The USPTO highly discourages filing a paper application by charging the highest applicable fee for all paper applications (which usually means you'll pay more than you need to). You'll save more in fees by filing electronically.

Visit the Trademark Electronic Application System (TEAS) site at <http://www.uspto.gov/teas> to register with them directly. Pay by credit card, electronic funds transfer, or through an existing USPTO deposit account.

How much does a trademark cost?

Trademarking a business name will cost between \$225 and \$400. How much a trademark costs depends on which type of application you want to use. The United States Patent and Trademark Office (USPTO) charges three different fee levels depending on which application you use. The cheaper the application fee, the more work you'll be required to do up front, and you'll be more restricted in the types of products you can list. The differences between the different trademark application types are detailed on the next page, or you can use our How to Choose a Trademark flowchart on the next page to help you decide.

HOW MUCH DOES A TRADEMARK COST?



3 Trademark Options

There are 3 types of trademark applications that you can choose from. The requirements and cost of each application vary.

1. TEAS Plus
2. TEAS Reduced Fees
3. TEAS Regular

TEAS Plus

\$225

The least expensive option, but does not allow applicants to submit custom descriptions of goods or services. All communication and filing must be done electronically.

TEAS Reduced Fees

\$275

Allows applicants to submit custom descriptions of goods and services. All communication and filing must be done electronically.

TEAS Regular

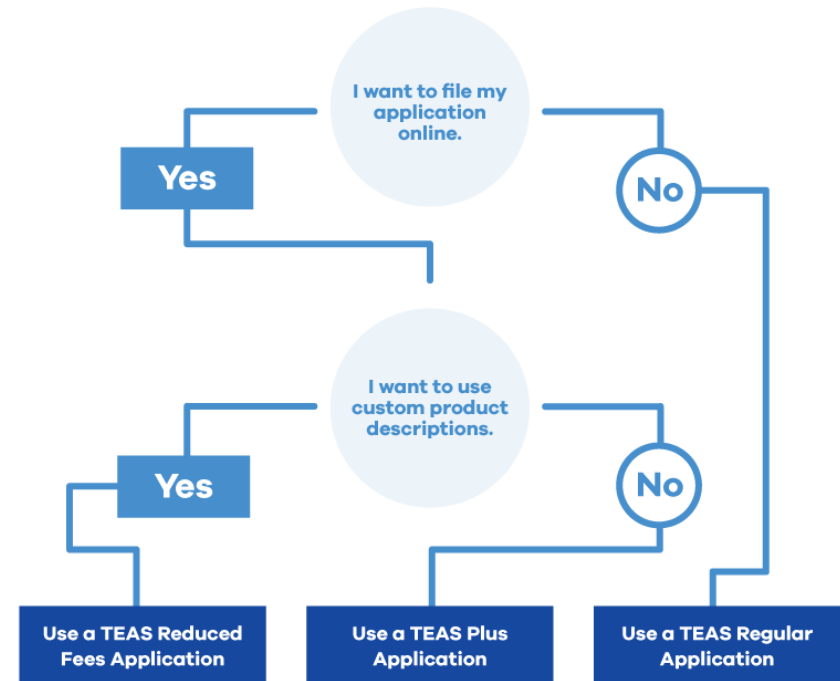
\$325

Allows applicants to submit custom descriptions of goods and services. Also allows filing and communication to be done via paper or offline.

The flowchart below will help you decide which trademark application to use.

WHICH TRADEMARK APPLICATION TO USE

Answer these questions to find the right type of trademark application for you.





How long does a trademark last?

The initial term of a trademark registered with the USPTO (US Patent and Trademark Office) lasts for 10 years.

However, the registration could lapse within those 10 years if you're not able to show that the trademark is still in use within six years of the initial registration date. To put it plainly, if you can reasonably prove trademark usage for the first six years, your trademark will last through to that 10-year mark.

After that, the registration can be renewed indefinitely for additional ten-year periods if the owner files the required renewal applications (a Section 9 Declaration) with the USPTO.

If you don't renew your registration, it doesn't void all rights to the mark, but you will lose all the special benefits of federal registration.

Should you trademark your logo?

Your company's logo is one of the most valuable assets your business has. Your logo helps customers recognize you and distinguish you from your competitors. Believe it or not, a company does not need to trademark its logo. If you're using your logo for commerce, then your company naturally has a trademark on that logo. This is called a common law trademark.

A common law trademark happens automatically, based on said trademark's use in commerce. As soon as a company uses a logo to identify its business, they have trademark rights. Even though common law trademarks are given automatically, registering your trademark does offer more protection.

b. Copyright your work

Copyrights cover all [original works of authorship](#), including literary (books or poetry), dramatic or musical (movies, songs, plays, sound recordings), artistic, architectural, graphic, and sculptural. If an individual registers their copyright with a public record of their work, nobody will be able to infringe on your claim. Should they attempt to, you will be able to sue them for copyright infringement.

Copyrights are long-lasting for both creators and anonymous individuals. For those directly credited for creating original works, their copyright protection will last for the rest of their life, plus 70 years after death. If the original works were created anonymously, or under a pseudonym, then the works are protected 95 years from the date of publication. They may also be protected for 120 years from the date of creation as well.

If you want to apply for a copyright, you will first need to conduct a search through the [copyright database](#). This will ensure that you do not accidentally infringe on any existing registered work. If your work turns out to be unique, all you need to do is file an electronic application, send in a copy of the work you want to register, and pay a fee.



c. Procure your patent

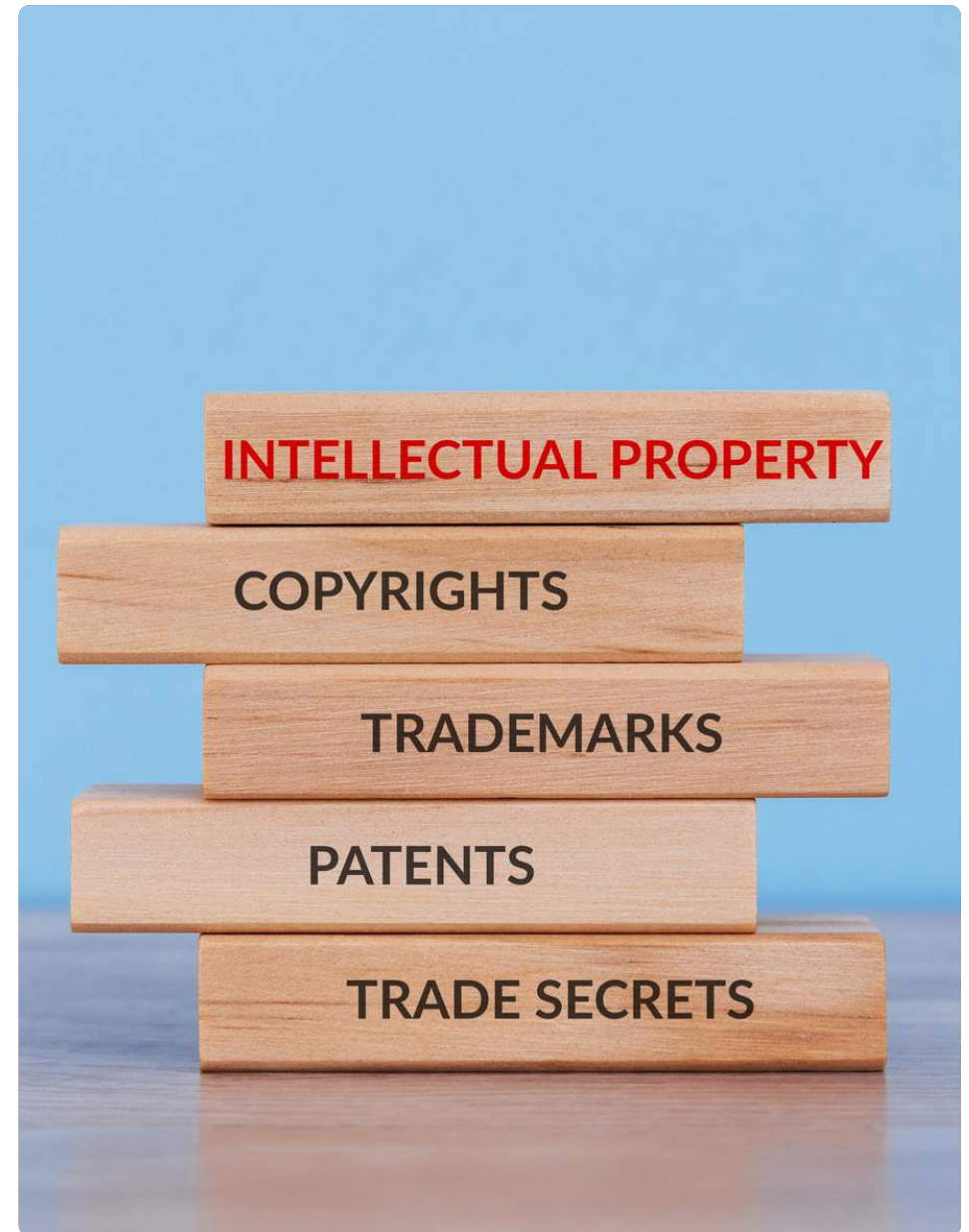
Patents protect inventions and product innovations. If you're creating your own custom products that have a "useful" purpose and the ability to operate, you may want to consider [filing for a patent](#) for your designs.

Patents require a nonprovisional application filed to the Director of the USPTO. Since these are original inventions, their applications are tailored to those specific needs and include:

- a written document with a specific description
- a formal declaration that you are the original inventor of the creation
- drawings along with fees for filing, search, and examination

Keep in mind that the duration of protection may vary depending on the type of patent that your invention is granted, as not all patents are created the same. A utility patent, for instance, lasts for 20 years, while a design patent will last for 14 years.

The protection of your unique work is key, so once you know which one you need, it's time to begin the paperwork process to make sure you can protect it for your business.



You're Ready for (Online) Business!

Don't let the process of setting up your company keep you from taking your career by the horns. As long as you take the time to determine what paperwork you must file to run your business legally, you'll be ready to get started building and growing your business.



If you're ready to sell your products online using software built for SMBs, [try a risk-free 14-day trial](#) of Volusion's award-winning ecommerce platform. From creating a beautiful storefront to managing inventory and accepting payments, Volusion is the easiest way for entrepreneurs to build the business they've been dreaming of.