

# Operating a Business in Alabama: Resources for Starting a New Business

Business Essentials for State Taxpayers (B.E.S.T.)

Rev. 06/15/2022

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-  Click on the Layout button to set your preferred viewing option.
-  If you would like to ask a question about the presentation, please use the Q&A box to send a question to **all panelists** (*not to a particular presenter*). We will respond to your question during the Q&A Session near the end of the presentation.
-  At the conclusion of the webinar, a short evaluation survey will open on your screen. Your feedback is important to us, so thank you in advance for responding to the survey.



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## Disclaimer

The information in this presentation is intended to be an overview. It is not a comprehensive explanation of all aspects of the subject matter, does not represent legal advice, and is not legally binding on the department. Information regarding taxes and tax administration changes frequently and should always be confirmed through a tax professional.

Please refer to the Alabama Department of Revenue website at [revenue.alabama.gov](https://revenue.alabama.gov) for additional information.



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## Purpose of this Webinar

To provide useful resources for information on starting a business in Alabama.

This presentation will cover:

- Common types of businesses and business entities
- Things to consider when starting a new business
- Resources for new businesses



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## Common Types of Businesses

- **Retail** – Sales to end users – sales tax license is required and must be renewed annually. (There is no charge for this license.)  
Examples: clothing stores, restaurants, grocery stores, car lots, antique malls, parts stores
- **Wholesale** – Sales to dealers that resell items – sales tax certificate of exemption is required (*contact the Sales Tax division at your local Taxpayer Service Center*)  
Examples: Car auctions, restaurant food suppliers, consignment businesses
- **Manufacturing** – Uses materials to make a product  
Examples: Making furniture, jewelry or clothing; tool & die shops



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## Common Types of Businesses

- **Service** – No transfer of ownership  
Examples: Janitorial, lawncare, daycare, building contractors, barber
- **Repair** – Only sells parts when installing to repair  
Examples: Garage, body shop, appliance repair
- **Nonprofit** – Usually subject to sales tax (*contact Sales Tax division at your local Taxpayer Service Center*)



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## Common Business Entity Types

- **Sole Proprietor** – Individually owned and not a separate legal entity
- **Partnership** – Two or more owners/partners
- **S Corporation** – Pass through taxation – must register with the Alabama Secretary of State and submit an initial Business Privilege Tax Return\* within 2½ months after formation of the corporation. Thereafter, a regular Business Privilege Tax return must then be filed annually. (*See Business Privilege Tax Webinar or Learning Modules.*)

\*Use Form BPT-IN



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## Common Business Entity Types

- **C Corporation** – Taxed at corporate and shareholder level, must register with Alabama Secretary of State and an initial Business Privilege Tax Return\* is due within 2½ months after formation of the corporation. Thereafter, a regular Business Privilege Tax return must then be filed annually. (See *Business Privilege Tax Webinar or Learning Modules.*)
- **Limited Liability Entities** – (includes LLC, LLP, etc.) Must register with Alabama Secretary of State and submit an initial Business Privilege Tax Return\* within 2½ months after formation of the entity. Thereafter, a regular Business Privilege Tax return must then be filed annually. (See *Business Privilege Tax Webinar or Learning Modules.*)

\*Use Form BPT-IN



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## Which Entity Type is Best?

The Alabama Department of Revenue does not recommend one type of business entity over another. The advantages and disadvantages of one type of entity over the other depends on individual factors and should be discussed with someone knowledgeable of the applicable laws and your individual business situation, such as a tax attorney or CPA.



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# Things to Consider When Starting a New Business

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Location
<ul style="list-style-type: none"><li>• <b>City limits</b><ul style="list-style-type: none"><li>• Need to purchase a city license and meet building codes</li><li>• Need to collect city tax if taxable transactions are made</li></ul></li><li>• <b>Police Jurisdiction (PJ)</b><ul style="list-style-type: none"><li>• May need to purchase a city license and permits</li><li>• May need to collect city's police jurisdiction tax if taxable</li><li>• transactions are made</li></ul></li></ul>



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## Location

- **Outside city limits and police jurisdiction**
  - No city licenses or permits
  - No city taxes collected
  - No city services
- **Zoning requirements**
  - Bars and restaurants can only operate in certain areas
  - Alcohol sales may not be allowed within 300 feet from main entrance of any church building, schools, etc.
  - Restrictions on signs
  - Restrictions on operating hours



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## Licenses and Permits

- **State Privilege License** – Purchased at county courthouse  
(see *Business Privilege Licenses Webinar or Learning Modules*)
- **County License** – Usually purchased with state license at courthouse
- **City License** – In city limits and some police jurisdictions



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## Licenses and Permits

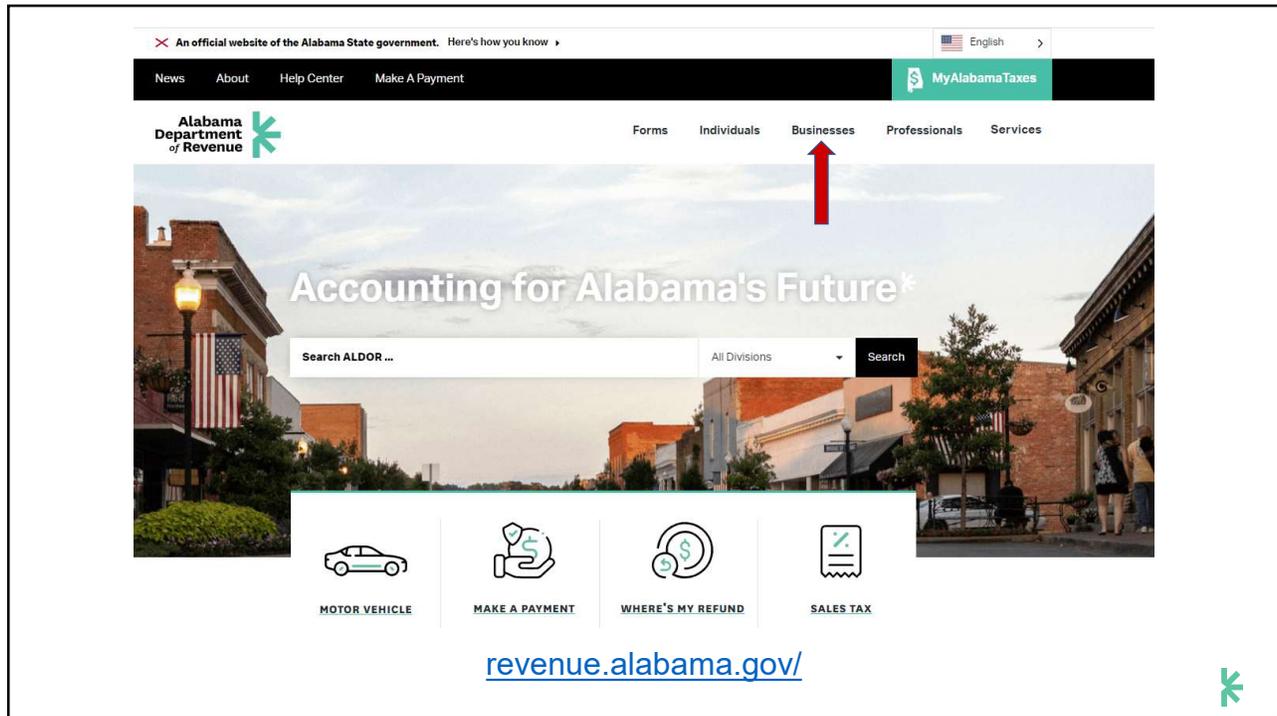
- **Regulatory License** – Cosmetology, Auctioneers, Chiropractors, etc.  
<http://inform.alabama.gov/agencysearch.aspx>
- **Food Service Permits** - by local county health department  
<https://www.alabamapublichealth.gov/about/locations.html>
- **Alcohol and Tobacco Licenses** - Alabama ABC Board  
<https://alabcboard.gov/licensing-compliance>



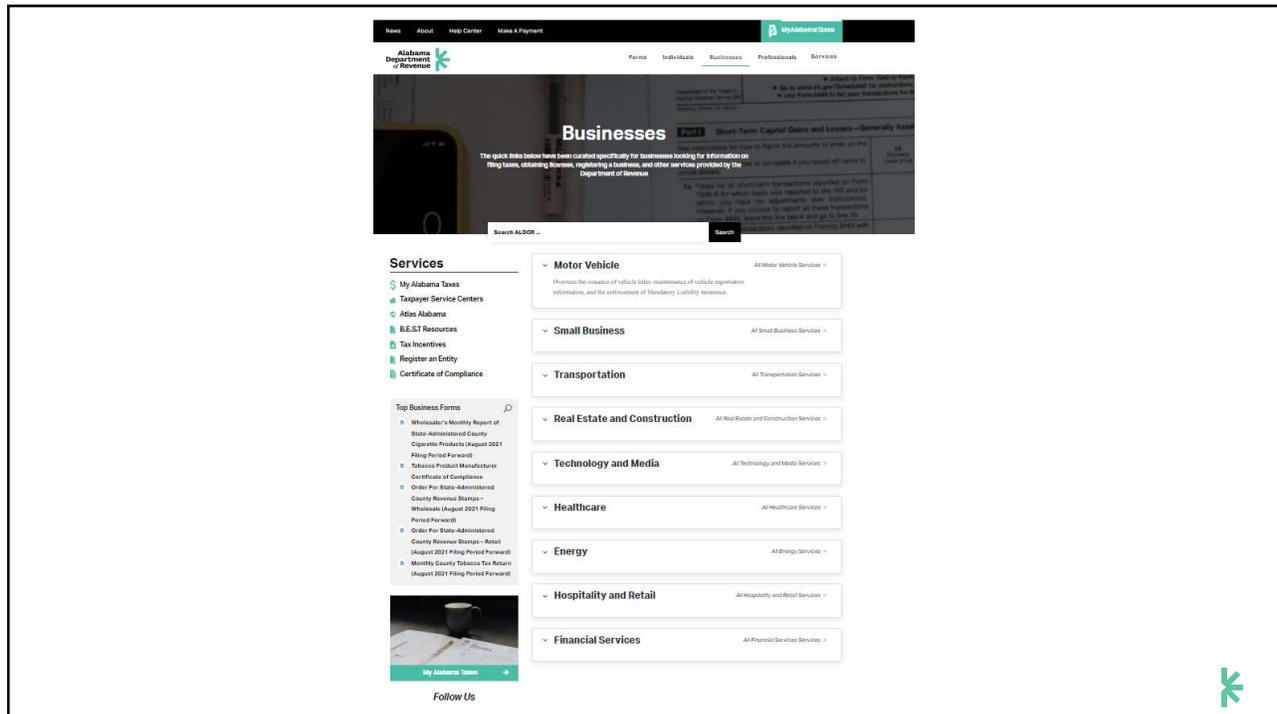
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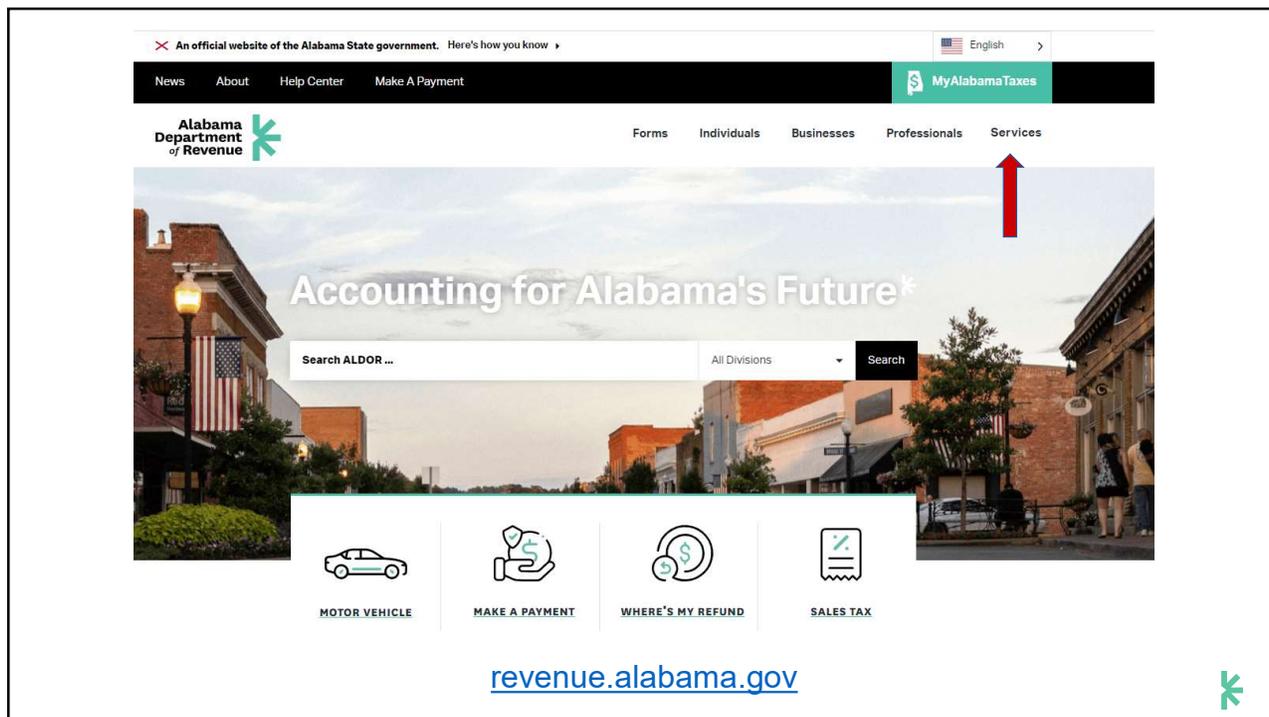
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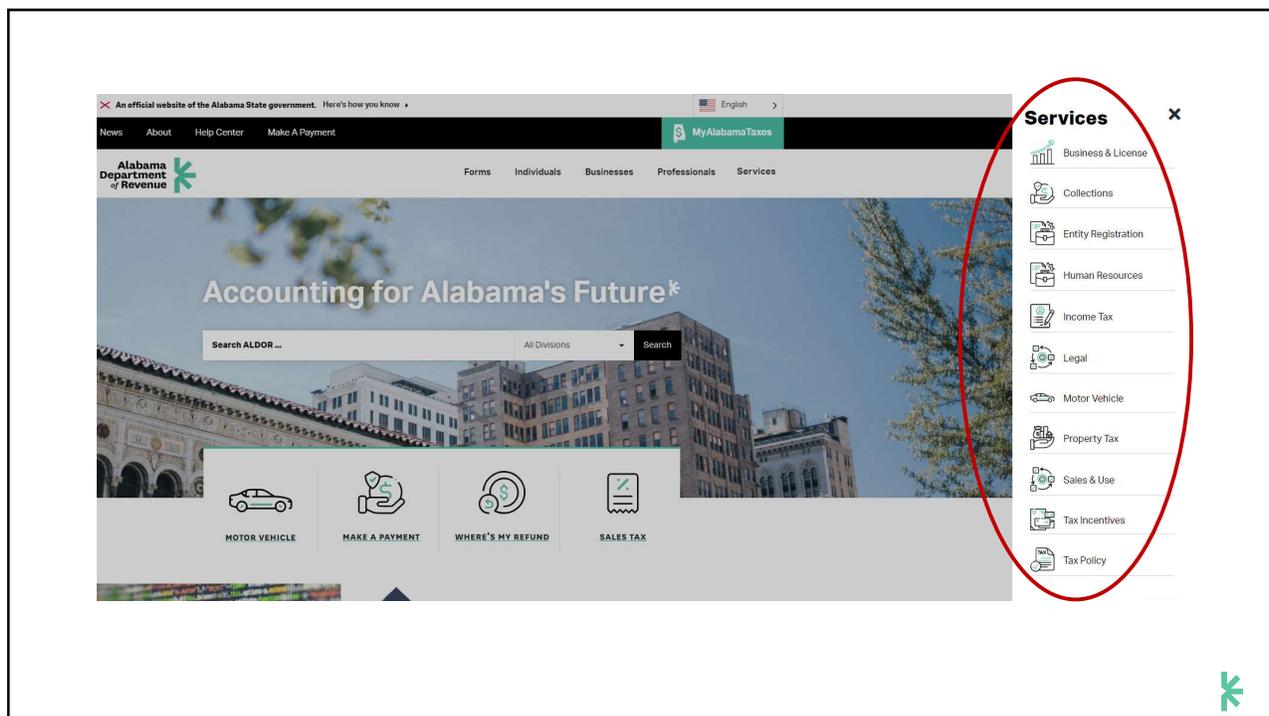
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## Alabama Department of Revenue Contact Numbers

- 334-242-1170, Option #1 – Individual Income Tax
- 334-242-1170, Option #7 – Withholding Tax
- 334-242-1170, Option #6 – Corporate Tax
- 334-242-1170, Option #8 – Business Privilege Tax
- 334-242-1170, Option #6 – Pass-Through Entity
- 334-242-1189 – Certificate of Compliance
- 334-242-1584 – Business Registration
- 334-242-1490 – Sales and Use Tax



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## Alabama Department of Revenue Taxpayer Service Centers

The Alabama Department of Revenue has nine Taxpayer Service Centers located throughout the state to assist you. Contact information for the service centers can be found at:

<https://www.revenue.alabama.gov/help-center/>



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# Alabama Secretary of State

[sos.alabama.gov](https://sos.alabama.gov)

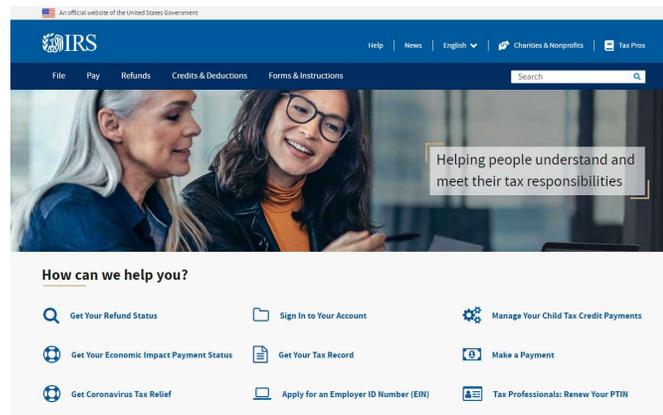
- S Corporations, C Corporations, and LLEs must register with the Alabama Secretary of State on their website or call 334-242-5324
- Reserve Corporate Name
- Complete Domestic (*incorporated in Alabama*) Business Corporations, LLCs, LLPs and LPs Certificate of Formation
- Complete Foreign (*incorporated outside of Alabama*) Business Corporations, LLCs, LLPs and LPs Application for Registration



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# Internal Revenue Service

- [www.irs.gov/](https://www.irs.gov/)
- IRS Forms: 1-800-829-3676
- IRS Assistance: 1-800-829-1040
- FEIN: Submit Federal Form SS4 by mail or fax; or go to [www.irs.gov/](https://www.irs.gov/) and search for EIN online



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## Internal Revenue Service - Resources

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The IRS has a series of [Small Business Tax Workshops](#) available online that are free and contain useful federal tax information for new business owners and employers. The topics include:

- [Federal Taxes and Your New Business](#)
- [Schedule C and Other Small Business Taxes](#)
- [Business Use of Your Home](#)
- [Federal Taxes When Hiring Employees or Independent Contractors](#)
- [Managing Payroll to Withhold the Correct Amount of Tax](#)



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## Internal Revenue Service - Resources

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- [IRS Small Business & Self-Employed Tax Center](#) – The links on this webpage provide important information for all small businesses and self-employed individuals.
- [Publication 5557 - A Guide to Starting a Small Business](#)
- [Publication 4591 - Small Business Federal Tax Responsibilities](#)
- [Publication 583 - Starting a Business and Keeping Records](#)
- [Publication 334 - Tax Guide for Small Businesses](#)



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# U.S. Small Business Administration

<https://www.sba.gov/>



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## Local Governments to Contact

### County Courthouse

- Combined County/State business license (*see Business Privilege Licenses Webinar and Learning Modules*)
- County Sales Tax account number if not state-administered
- Property Tax account information (*see Business Personal Property Tax Webinar or Learning Modules*)
- Effective January 1, 2020, corporations and LLEs file formation documents directly with Alabama Secretary of State instead of at the courthouse.



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## Local Governments to Contact

### City Hall

- City business license
- City Sales Tax account number if not state-administered
- Occupational Taxes
- Zoning requirements
- Building permits



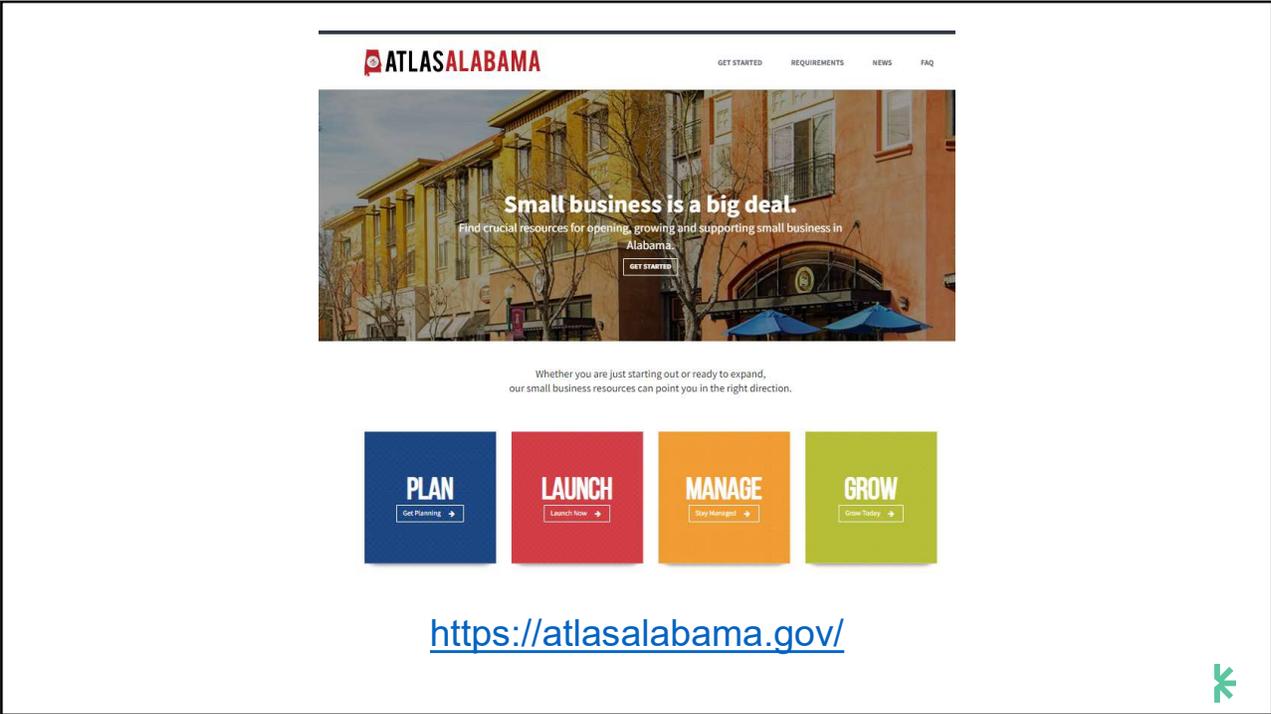
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## Other Resources

- Regulatory Boards – <http://inform.alabama.gov/agencysearch.aspx>  
Cosmetology, Auctioneers, Chiropractors, Pharmacists, etc.
- CPA or Accountant
- Attorney
- Trade Associations – <https://directoryofassociations.com/index.asp>
- Local Chambers of Commerce
- Alabama Small Business Development Centers – <http://asbdc.org/>
- Other webinars for small businesses
- Atlas Alabama



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B.E.S.T. Webinar presentations can be found at  
<https://www.revenue.alabama.gov/b-e-s-t/webinar-series-schedule/>

Also available are B.E.S.T. Learning Modules at  
<https://www.revenue.alabama.gov/b-e-s-t/watch-learning-modules-online/>



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# Questions?

Please use the Q&A feature in Webex to ask the presenter questions or email [Carol.Murphy@revenue.alabama.gov](mailto:Carol.Murphy@revenue.alabama.gov) after the webinar.

