

Forming an LLC in Washington

We recommend that the default rule for choice of entity decisions is the Limited Liability Company, or LLC. A limited liability company is a very flexible entity that protects the owners from personal liability while having minimal formalities to maintain the structure.

Here is an outline of the steps you need to follow in order to form an LLC in Washington.

Choose a business name for the LLC and check for availability.

There are many factors that go into the naming of a new business, but most are beyond the scope of this guide. Today, one of the key factors in deciding on a business is to determine if the domain name is available for a website. Another key factor is to identify if the name is trademarked by another company.

A trademark is any word, name, symbol, or device adopted or used by a person to identify the goods made or sold by that person and to distinguish them from goods made or sold by others. Registration of a trademark provides the registered user with exclusive use of that trademark and protects against infringements upon the user's rights. A trademark may be registered with:

- 1) the U.S. Trademark and Patent Office, for the broadest protection;
- 2) the Washington Secretary of State's Office, for a trademark used exclusively within the state or region; or
- 3) both the federal office and the state office.

Washington law requires that an LLC name contain the words "Limited Liability Company," the words "Limited Liability" and abbreviation "Co.," or the abbreviation "L.L.C." or "LLC." Additionally, your business name must be distinguishable from other names on file with the Secretary of State (limited exceptions apply), and may not contain the words or phrases "Bank," "banking," "banker," "trust," "cooperative," "partnership," "corporation," "incorporated," or the abbreviations "corp.," "Ltd.," or "inc.," or "LP," "L.P.," "LLP," "L.L.P.," or any combination of the words "industrial" and "loan," or any combination of any two or more of the words "building," "savings," "loan," "home," "association," and "society."

Complete the Master Business License with the Department of Licensing.

The Department of Licensing has a very convenient tool for identifying the various licenses and registrations that need to be completed when organizing a new business. The Online Business Licensing Guide can be found at <http://www.dol.wa.gov/business/licensing.html>.

Responding to the questions asked by the guide will result in a customized list of registrations that need to be completed, based upon your specific location and business.

Most important in this process is obtaining the Master Business License. The Master Business Application can be completed online at <http://www.dol.wa.gov/business/file.html>. This process will allow you to not only register the business but obtain trademark protection for any brands you have chosen to use in your business.

Prepare and file a certificate of formation with the Secretary of State.

The Secretary of State's website has a simple, fill-in-the-blank form for the certificate of formation. If you would like to file online, you can do so using the Secretary of State's Online Application Forms page. The fee for an initial filing is \$180.

File an Initial Annual Report with the Secretary of State.

It is highly recommended to complete the first annual report at the same time you file your certificate of formation with the Secretary of State. You are required to file an Initial Annual Report within 120 days of filing the certificate of formation. Filing it at the same time you are completing the online process to form the LLC ensures that you do not forget to file it later. Given all of the balls that are typically in the air when a new business is in the startup phase, it is simply one less thing to worry about.

Determine what tax and other regulatory obligations the LLC has, and take care of any necessary registrations.

Even if the LLC is going to be a single member LLC and not hire employees, it is strongly advised to obtain an Employer Identification Number from the IRS. This is a very simple process that can be done online at <http://www.irs.gov/businesses/small/article/0,,id=98350,00.html>.

If you are planning on hiring employees, then you absolutely need to obtain the EIN as well as registering with Labor and Industries. The latter will have been completed during the process of submitting the master business application.

Washington LLCs must complete the state excise tax return, generally on a monthly or quarterly basis, and pay the business and occupation (B&O) tax. B&O taxes are assessed on gross revenue, regardless of whether the company makes a profit. Generally, if a business has gross revenue of less than \$7,000 in a quarter, it will not have to pay B&O taxes that quarter, but it must still complete the excise tax return. The B&O tax rate is determined by type of business activity, with rates between 0.1 percent and 2.0 percent of gross revenue (most services are 1.5%). For more information, contact the Washington Department of Revenue at 1-800-647-7706.

Open a bank account for your business.

A very important step in starting a new business is opening the business banking account. Do homework and find a bank that you feel comfortable with and one that will be able to grow with you as your business grows.

To open the business bank account, you will need the Articles of Formation which were filed with the Secretary of State, the Business License, any Articles of Operations and a copy of the Employer's Identification Number. You will need to provide copies of each of these to the bank for their files.

You are now fully formed and ready for business. Good Luck.