



Business and Occupational License Fees: How To Avoid Surprises

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Your company and its employees may be subject to local occupational license fees and payroll taxes assessed by the counties and municipalities in which your company operates, even if it is not in the jurisdiction where your main office is located. Business and Occupational license fees are often due annually, and are in addition to the fees paid to the state when a company is first created. Such fees and taxes apply to independent contractors, as well as employers.

Business license fees are typically measured by a percentage of the net profits generated from business conducted in a county. Occupational license fees, on the other hand, are often measured by a percentage of the wages paid to employees for services rendered in a county or municipality. Calculation of the applicable license fees can become burdensome for companies doing business in multiple jurisdictions. For example, real estate professionals and contractors are subject to the license fees everywhere they do business. The calculation will necessarily involve allocations of revenue to a particular project or service in the specific jurisdiction. Despite the burdensome nature of making such calculations, it is important to maintain compliance and stay in business.

The particular county's or municipality's local code of ordinances contains the specific rules relating to such fees. If the fees are not paid in a timely manner, the local code commonly contains provisions which may subject your company to penalties, such as fines or a revocation of the license required to do business in that county. Further, certain forms are commonly required to be submitted along with the various payments. These forms can usually be found on the jurisdiction's website or via request from the entity responsible for administering the fees. You should note, however, that the local code will also often contain exemptions from the above-described fees, thereby eliminating the requirements to pay the various fees and to submit the requisite forms. Closely reviewing the exemption provisions is vital because they can potentially save your company time and money.

There have been a number of efforts over time to develop a more centralized and efficient approach to the imposition and collection of business and occupational license fees. However, no significant progress has yet been made. Until such time, it remains essential that you know whether your company and its employees are subject to the local business and occupational license fees in the counties and cities where your company does business. Otherwise, over time, your company may become subject to a variety of penalties.