

## **Business Entity - Frequently Asked Questions (FAQ's)**

The following is a list of frequently asked questions (FAQ's) and answers that may assist you when creating a new business entity.

1. **I have decided to create a new business entity. What do I need to do for my CCB license?**

Just as an individual is “born,” each new business entity is “created” and becomes new and distinct from every other business entity. Since each business is a separate entity, it must have its own license and you must make a new application to license the new business entity. The fees, bond and insurance are not transferrable from one business entity to another.

To license the new business entity, follow these steps:

- a. Download an application form for a new license. Click [here](#) for the license instructions and forms. Use the form that corresponds to your new business entity.
- b. Complete and file with the Corporation Division any necessary forms to create or register the new business entity, for example:
  - i. Articles of incorporation (corporation);
  - ii. Articles of organization (limited liability company); or
  - iii. Application for registration (limited liability partnership).
  - iv. **Note:** Sole proprietorships and partnerships do not have to file or register with the Corporation Division.
- c. File any assumed business name (ABN) for the new business entity with Business Registry, Corporation Division.
- d. Fill out the CCB application form.
  - i. Submit the name of a responsible managing individual (RMI).
  - ii. Indicate whether the RMI is qualified by training and testing or by experience as a licensee before July 1, 2000.
- e. Submit the CCB application form with the following:
  - i. New bond for the new entity (not a bond rider to the previous bond)
  - ii. New certificate of insurance for the new entity
  - iii. \$260 fee for a two-year license.

2. **If I create a new business entity, can I keep the same license number?**

**No.** As explained in Question 1, each business entity must have its own license. Each license has a different identifying number. Numbers cannot be “transferred” from one license to another. *There are no exceptions.*

- 3. I do not understand why I should go to all this trouble to create and license a new business entity when it is *my* license. Can you explain?**

Unless you are licensed as a sole proprietor, the license is not *your* license. The license belongs to the business entity to which it was issued – whether that is a partnership, joint venture, limited liability partnership, limited partnership, corporation, limited liability company or trust. The license does not belong to an individual owner, partner, officer or other principal of the business.

Even in the case of a sole proprietor, if the sole proprietor wishes to conduct business under a new business entity, such as a corporation or limited liability company, the new license will be issued to the business entity, not the individual sole proprietor. So again, the license will no longer be your license.

- 4. Because the license numbers are sequential – meaning older licenses have lower numbers – if I form a new business entity, customers might think I have only been licensed for a short time, when that is not true. How can I deal with this?**

It is true that CCB issues licenses by sequential numbering, so that the first licenses issued have lower numbers than later-issued licenses. However, the CCB website cross-references all licenses. For example, if you input a contractor's name or license number, their CCB License Summary screen will display the date that they were first licensed (under that business entity). But the screen also contains a field that reads "Click [HERE](#) for a list of associated records." By clicking on that field, a person is taken to a list of the license numbers associated with the business entity. By clicking on those numbers, a person can see when the associated licenses were first issued.

For example, assume John Smith first began business as a sole proprietor in 1982, license number 40000. In 1996, he and his brother formed a partnership and continued as Smith Brothers, license number 120000. In 2005, they formed a corporation, Smith Brothers, Inc., license number 160000. By typing license number 160000 (or Smith Brothers, Inc.) into the search field for contractors, the licensing screen will show that Smith Brothers, Inc., was first licensed in 2005. But it will also allow easy access to all associated licenses, which will yield the previous two licenses and when they were first issued.

A contractor can always direct potential customers to the contractor's website and invite them to review the associated licenses to indicate how long the contractor's principals have been in business.

5. I am a sole proprietor. I have decided to add “Inc.” to my business name. May I do this?

**No.** Only a corporation may use the term “Inc.” in its name. You may not simply “add” this title your business name – the terms “corporation,” “incorporated,” “company,” and “limited,” or their abbreviations, “Corp.,” “Inc.,” “Co.,” or “Ltd.,” may only be used by a corporation. Instead, you would need to create a new business entity, here a corporation.

**a. What do I need to do if I want to operate as a corporation?**

If you wish to cease operating as a sole proprietor and create a corporation, you will need to file articles of incorporation with the Corporation Division and register any assumed business name (ABN) that you will be using. There are certain formalities that corporations need to follow. You should consult your attorney if you have questions about this process. You will need to determine whether your corporation will file tax returns as a Subchapter C Corporation (C-Corporation) or a Subchapter S Corporation (S-Corporation). You should consult with your attorney or tax professional about tax issues. Finally, you may need to obtain workers’ compensation insurance unless the corporation has no employees and, if there are more than two corporate officers, the corporate officers are members of the same family.

**b. What about obtaining a CCB license?**

For purposes of your CCB license, you would need to follow these steps:

- A. Download an application form for a new license. Click [here](#) for the license instructions and forms. Use the form that corresponds to your new business entity.
- B. Complete and file with the Corporation Division any necessary forms to create or register the new business entity, for example:
  - i. Articles of incorporation (corporation);
  - ii. Articles of organization (limited liability company); or
  - iii. Application for registration (limited liability partnership).
  - iv. **Note:** Sole proprietorships and partnerships do not have to file or register with the Corporation Division.
- C. File any assumed business name (ABN) for the new business entity with Business Registry, Corporation Division.
- D. Fill out the CCB application form.
  - i. Submit the name of a responsible managing individual (RMI).
  - ii. Indicate whether the RMI is qualified by training and testing or by experience as a licensee before July 1, 2000.
- E. Submit the CCB application form with the following:
  - i. New bond for the new entity (not a bond rider to the previous bond)
  - ii. New certificate of insurance for the new entity
  - iii. \$260 fee for a two-year license.

6. I am a sole proprietor. I have decided to add “LLC” to my business name. May I do this?

**No.** Only a limited liability company may use the term “LLC” in its name. You may not simply “add” this title your business name – the term “limited liability company,” or their abbreviation, “L.L.C.,” or “LLC,” may only be used by a limited liability company. Instead, you would need to create a new business entity, a limited liability company.

- a. What do I need to do if I want to operate as a limited liability company?

If you wish to cease operating as a sole proprietor and create a limited liability company, you will need to file articles of organization with the Corporation Division and register any assumed business name (ABN) that you will be using. There are certain formalities that limited liability companies need to follow. You should consult your attorney if you have questions about this process. You may also need to obtain workers’ compensation insurance unless the limited liability has no employees and, if there are more than two members (“members” are similar to corporation shareholders), those members belong to the same family.

- b. What about obtaining a CCB license?

For purposes of your CCB license, you would need to follow these steps:

- A. Download an application form for a new license. Click [here](#) for the license instructions and forms. Use the form that corresponds to your new business entity.
- B. Complete and file with the Corporation Division any necessary forms to create or register the new business entity, for example:
  - i. Articles of incorporation (corporation);
  - ii. Articles of organization (limited liability company); or
  - iii. Application for registration (limited liability partnership).
  - iv. **Note:** Sole proprietorships and partnerships do not have to file or register with the Corporation Division.
- C. File any assumed business name (ABN) for the new business entity with Business Registry, Corporation Division.
- D. Fill out the CCB application form.
  - i. Submit the name of a responsible managing individual (RMI).
  - ii. Indicate whether the RMI is qualified by training and testing or by experience as a licensee before July 1, 2000.
- E. Submit the CCB application form with the following:
  - i. New bond for the new entity (not a bond rider to the previous bond)
  - ii. New certificate of insurance for the new entity
  - iii. \$260 fee for a two-year license.

7. **I am a sole proprietor. I want to add my spouse (or child) as a partner. Can I do this?**

**No.** Adding another person to a sole proprietorship changes a sole proprietorship to a partnership. You would need to change your business entity to a general partnership. That requires a partnership agreement (usually in writing).

- a. **If I create this partnership, are there any workers' compensation insurance requirements?**

Assuming you create a partnership with all family members as partners, you will not need to obtain workers' compensation insurance unless you hire employees.

- b. **What about obtaining a CCB license?**

For purposes of your CCB license, you would need to follow these steps

- A. Download an application form for a new license. Click [here](#) for the license instructions and forms. Use the form that corresponds to your new business entity.
- B. File any assumed business name (ABN) for the new business entity with Business Registry, Corporation Division.
- C. Fill out the CCB application form.
  - i. Submit the name of a responsible managing individual (RMI).
  - ii. Indicate whether the RMI is qualified by training and testing or by experience as a licensee before July 1, 2000.
- D. Submit the CCB application form with the following:
  - i. New bond for the new entity (not a bond rider to the previous bond)
  - ii. New certificate of insurance for the new entity
  - iii. \$260 fee for a two-year license.

8. **I am a sole proprietor. I want to add my two uncles (my mother's brothers) as my partners. Can I do this?**

**No.** As explained in Question 7, adding another person to a sole proprietorship changes a sole proprietorship to a partnership. You would need to change your business entity to a general partnership, which requires a partnership agreement (usually in writing).

- a. **If I create this partnership, are there any workers' compensation insurance requirements?**

Assuming you create this partnership, you will also need to obtain workers' compensation insurance. This is because there will be more than two partners who are not members of the same family. "Family members" means parents, spouses, sisters, brothers, daughters or sons, daughters-in-law or sons-in-law or grandchildren, but not

uncles, aunts or cousins. Here, there will be three partners who are not members of the same family.

**b. What about obtaining a CCB license?**

For purposes of your CCB license, you would need to follow the steps:

- A. Download an application form for a new license. Click [here](#) for the license instructions and forms. Use the form that corresponds to your new business entity.
- B. File any assumed business name (ABN) for the new business entity with Business Registry, Corporation Division.
- C. Fill out the CCB application form.
  - i. Submit the name of a responsible managing individual (RMI).
  - ii. Indicate whether the RMI is qualified by training and testing or by experience as a licensee before July 1, 2000.
- D. Submit the CCB application form with the following:
  - i. New bond for the new entity (not a bond rider to the previous bond)
  - ii. New certificate of insurance for the new entity
  - iii. \$260 fee for a two-year license.

**9. My husband was a sole proprietor who employed me and our two sons. He recently died. Can I (or our sons) take over his license?**

**No.** A sole proprietor's license is for the licensed individual only and cannot be transferred to any other person. That license terminates if the license holder dies. You (or your sons) will need to form a new business entity and obtain a new license for that entity.

**10. My business currently is a partnership. We want to add another partner. If we do this, can we use the same CCB license?**

**No.** A partnership is made up of certain named partners. If partners are added, a new partnership is formed. (A new partnership agreement has to be written). The new partnership is a new business entity and, as such, must obtain a new license. To obtain its new license, the new partnership would need to follow these steps:

- A. Download an application form for a new license. Click [here](#) for the license instructions and forms. Use the form that corresponds to your new business entity.
- B. File any assumed business name (ABN) for the new business entity with Business Registry, Corporation Division.
- C. Fill out the CCB application form.
  - i. Submit the name of a responsible managing individual (RMI).
  - ii. Indicate whether the RMI is qualified by training and testing or by experience as a licensee before July 1, 2000.

- D. Submit the CCB application form with the following:
- i. New bond for the new entity (not a bond rider to the previous bond)
  - ii. New certificate of insurance for the new entity
  - iii. \$260 fee for a two-year license.

11. **My business currently is a partnership. One of the partners has quit the business (or died). Can we simply notify CCB and continue to use the same CCB license?**

**No.** As explained in Question 10, a partnership is made up of certain named partners. If partners quit or die, the partnership as it was structured no longer exists. If the remaining partners form a new partnership, it is a new business entity and, as such, must obtain a new license. To obtain its new license, the new partnership would need to follow the steps outlined in Question 1, except that it could omit step (b) since partnerships do not have to file with the Corporation Division.

12. **Are there business entities that do not cease if the participants die or leave or if new participants are added?**

**Yes.** *Corporations* and *limited liability companies* are common types of business entities that survive regardless of who owns them. For example, even if a shareholder (owner) of a corporation dies, or sells his or her shares, the corporation continues as the same legal entity. Likewise, if a new person purchases shares of a corporation, the corporation continues. Limited liability companies also continue regardless of the status of their owners, as do business trusts. Business survival is one of the advantages of corporations and limited liability companies.

13. **Are there other advantages to corporations and limited liability companies?**

**Yes.** Many people prefer corporations or limited liability companies over sole proprietorships or partnerships because these business entities insulate their owners from liability.

14. **What business entity would CCB recommend that I create?**

CCB does not advise any contractor on the type of business entity that it should create. That is a decision for the contractor, possibly in consultation with an attorney, tax professional, financial planner or some combination of those professionals.

There are valid business reasons for creating virtually every type of business entity. Each contractor's unique circumstances should be considered. Issues that you may want to address in considering which new business entity to create include the following:

- Business survival
- Business succession planning
- Liability for business obligations

- Ability to raise capital (money contributions to the business)
- Taxation issues

**15. I am dissolving my corporation and creating a new one. Since I will still be operating as a corporation, can I use the same license number?**

**No.** The two corporations are two entirely different business entities. The new corporation needs its own CCB license and CCB license number.

**16. I am a licensed sole proprietor and so is my friend. We are thinking about forming a partnership or joint venture. Can we use our individual licenses for that purpose?**

**No.** You and your friend would need to form a separate business entity – a partnership or a joint venture (single project partnership) – and obtain a license for that business entity.

**17. If I do not want to change my current business entity, but simply want to add more business entities, can I do that?**

**Yes.** You may own or be involved with as many business entities as you wish so long as each is properly licensed. However, you should be aware that each business entity must have a responsible managing individual (RMI). If you are already an RMI, you cannot be the RMI for any business in which you will not be an owner. In addition, you cannot hire an individual as an RMI for more than one business unless that individual is also an owner of the business.

**18. Since I cannot “change” a business entity, but only create a new one, why shouldn’t I just keep both the old and new business entities?**

There is nothing that prohibits you from maintaining, and operating, both entities, so long as both meet all of the licensing requirements. *See* Question 17. Whether or not you wish to incur the additional costs of licensing, bonds, insurance, workers’ compensation and the like are up to you. You may wish to consult with your attorney or accountant.

**19. If I do maintain two or more business entities, is there anything I need to be concerned about?**

You should be careful when dealing with customers and others that it is clear under which business entity you are operating. Items such as letterhead, advertising, contracts and other documents need to reflect the correct licensed entity and license number.

**20. What happens to the contracts that I entered into under the old business entity – are those transferred to the new business entity?**

This is a legal question; CCB cannot provide legal advice. We recommend that you consult your attorney about your contracts.

21. If I create a new business entity, will I have to retake the *training and testing* to qualify as the *responsible managing individual (RMI)* for the new business?

No. The only thing that transfers from one license to another is the status of the RMI. There may be a *few* circumstances where that is not the case. If you are unsure of your status, contact the CCB at 503-378-4621.

If you were the RMI in the previous business either because you had taken the training required and passed the test or because you were “grandfathered” in as licensed before July 1, 2000, you can continue to serve as the RMI of the new business. The same is true if one of your employees served as the RMI. Keep in mind that an RMI must exercise management or supervisory authority over the construction activities of the new business.