

DOES YOUR CLIENT HAVE ENOUGH LICENSES?

BY AUSTIN SWEET, ESQ

Like many lawyers, I'm faced with an unfortunate number of clients who call me to help them solve their legal problems rather than to prevent them before they happen. A recurring issue involves entrepreneurs who start new businesses: they know that they need "a business license," but they often don't know exactly which licenses they are required to obtain. So they head down to city hall, apply for a business license, pay the fee and leave with the erroneous belief that they are now fully compliant with all licensing requirements. After all, if there was something else they were supposed to do, wouldn't the person behind the counter have told them? Unfortunately, the answer is "no."

Businesses Need State, County and Municipal Business Licenses

In Nevada, entrepreneurs typically need a business license from every state, county and municipality in which they plan to conduct business. Although this article only addresses Nevada business licenses, it is important to remind your clients that they may need to register their businesses and obtain even more business licenses in other states where they perform services.

The general rule is that any person who engages in a business or trade for profit in Nevada is required to obtain a business license from the State of Nevada.¹ As always, there are several exceptions, most notably nonprofit entities and religious entities. Most exceptions still require the person to file a request for exemption. If you think your client may be exempt, be sure to consult the statutes to determine whether or not such a request needs to be filed.

In addition to the state business license, counties and municipalities may require their own business license.² Not all counties and cities have elected to do so, but most cities and municipalities require an additional business license for anyone conducting business in their jurisdictions.

Each county and city has discretion to set its own guidelines for business licenses, so the fact that your client is exempt from obtaining a state business license does not necessarily mean he or she is exempt from obtaining a local license. For example, a natural person whose sole business is the rental of four



Licenses

or fewer dwelling units is exempt from obtaining a state business license,³ but a natural person whose sole business is the rental of three or more residential dwelling units on one parcel of land in Reno is required to obtain a business license from the City of Reno.⁴ You should therefore review the rules for each jurisdiction in which your clients are conducting business in order to determine whether they need a business license for that jurisdiction.

Each jurisdiction requires licenses from businesses actually conducting business within the jurisdiction. A brick-and-mortar retail store would, therefore, need a business license based only upon the location of the store. However, a business that provides services in various places, such as a landscaper, needs a business license in each jurisdiction in which the business performs services.

In areas like Reno, Sparks and Tahoe, a landscaping business might

need business licenses from the state of Nevada, Washoe County, Carson City, the City of Reno and the City of Sparks, depending on their clients' locations. A landscaping business in the south might need business licenses from the state of Nevada, Clark County, the City of Las Vegas, the City of North Las Vegas and the City of Henderson. Entrepreneurs are typically less than thrilled to learn this. Luckily, businesses can obtain multi-jurisdictional business licenses for Reno, Sparks and Washoe County or for Las Vegas, North Las Vegas, Henderson and Clark County.

Check Nevada Licensing Boards

Entrepreneurs may also need additional licenses due to the nature of their businesses. Many such licenses are obvious: you are unlikely to encounter an entrepreneur looking to open a doctor's office without

realizing he needs a license to practice medicine. However, as Uber can attest, the licensing requirements for other professions and businesses can be more ambiguous. Be sure to determine whether or not your client needs any additional licensing based upon the nature of his business, and don't assume that your client will already know his professional licensing requirements.

A Business License is Not a Business Approval

It is important to ensure that your clients are aware that all these licenses do not constitute broad governmental approval of their businesses. Entrepreneurs sometimes believe the various government agencies that they have paid for business licenses have conducted thorough compliance reviews prior to granting those licenses.

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This mistake can lead to very costly consequences.

For example, a barber might assume that, since he applied for a business license for a barber shop and listed the intended address of the barber shop on the application, the city, county and/or state must have confirmed that the listed location was actually zoned for a barber shop, and that the barber has all the licenses required. So when the barber receives his business license, he assumes that his barber shop is “government approved” and that there’s nothing else he needs to worry about from a regulatory standpoint. Unfortunately, as we know,

“In addition to the state business license, counties and municipalities may require their own business license.”

this is not the case; the well-intentioned barber could be shut down by the Nevada Barbers’ Health and Sanitation Board for working without a license and charged with a misdemeanor and an administrative fine.⁵ This error can easily be avoided by taking the time to explain to your client what a business license is and what it means for their business.

When working with entrepreneurs, especially when helping them start their business, always remember to explain to your clients that they might need a number of different licenses, and tell them what those different licenses do, and do not, allow them to do. **NL**

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1. NRS 70.020; NRS 76.100.
2. NRS 244.335; NRS 266.355.
3. NRS 76.020(2)(d).
4. Reno Municipal Code § 4.04.007
5. NRS 643.205; NRS 643.230.

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