

Guide to Starting a Business in Iowa City

A helpful guide for the Iowa City small business owner or entrepreneur: from business planning to taxes, permitting and licensing, and more!


www.icgov.org/business

Iowa City Economic Development Division

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Quick Start Guide to Establishing Your Business

 Before taking the leap to business owner, it is strongly recommended you complete the following steps which will create a strong foundation for your business and set you up for success!

Write a Business Plan

It might seem easier to jump into your business and figure it out as you go, but a business plan is always recommended. A business plan is *essential* if you plan to seek financial assistance such as loans or grants, or if you want to attract investment dollars for your business venture. Writing the plan will help you learn about your industry and should detail what you intend to sell, how you will distribute your product or service, and how you will make, spend, and reinvest money in your business. **The U.S. Small Business Administration provides instructions and a template for easily writing your business plan:** <https://www.sba.gov/business-guide/plan-your-business>.

Determine Your Legal Structure

The legal structure you choose impacts your taxation, liability, risk and control, continuity of existence, transferability, and formality. Some of the more common legal structures are: sole proprietorship, general partnership, limited liability company (LLC), and corporation (including S-corps).

A one-person company usually has three choices: sole-proprietorship, corporation, or LLC. You may want to contact an attorney to get a full understanding of the legal structure you should choose (you will not be charged by simply calling an attorney to ask if they can help). **More information can be found at:** <https://www.sba.gov/business-guide/launch-your-business/choose-business-structure>.

Register Your Business with the State

Any business (corporations, limited partnerships, limited liability companies, nonprofits, trademarks, or service marks) must be registered with the Iowa Secretary of State. You will need to choose a name for your business and register the legal entity and name to comply with the law.

Register on the Secretary of State's Fast Track Filing website: <https://help.sos.iowa.gov/>. Business Entity Forms & Fees are available on the Secretary of State's website:

<https://sos.iowa.gov/business/formsandfees.html#DLLC489>. If you are confused or need help, you may wish to contact an attorney to complete the filing for you.

- ✓ There is a \$50 fee to register (as of 12/30/24)
 - ✓ You will need a Certificate of Organization template to complete and upload
 - ✓ After your initial registration, you will need to file a bi-annual report with the Secretary of State (due in years ending in an odd number).
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- ✓ You will need to register both your legal entity (e.g. LLC) and any fictitious name, trade name, or DBA (“Doing Business As”) name you will use for your business.

□ Register for Business Permits

Does your Business type require a permit to operate? Neither the City of Iowa City nor the State of Iowa require a “general” business license to operate. However, many specific types of businesses are required to obtain a license or permit. The table below lists *some* of those types, whether a permit or license is required and by whom. You should also research the state database to learn if your business requires any additional state licenses or permits: <http://www.iasourcelink.com/regulatory/business-license-home>.

BUSINESS LICENSE & PERMITS				
Business Type	City	State	County	Notes
<i>Abbreviations and contact numbers for agencies noted below</i>				CC - City Clerk, (319) 356-5040 CM - City Manager, (319) 356-5010 NDS – Neighborhood Development Services, (319) 356-5120 PW - Public Works, (319) 356-5139 County - Johnson County Public Health Department, (319) 356-6040
Alcoholic Beverages	CC	x		Permits are issued by the state Alcoholic Beverages Division. Information and applications for new or renewal permits can be found on the Iowa Alcoholic Beverages web site www.iowaabd.com . In addition to the electronic filing of the application the city has additional requirements which must be met before new or renewal licenses/permits are issued. A checklist of city requirements specific to alcohol permits can be obtained at the clerk’s office.
Ambulatory vendor	CM			For moving around the Pedestrian Mall and selling items.
Tobacco Sales	CC			A tobacco permit is required to sell any tobacco, tobacco products, alternative nicotine products, or vapor products. Any retailer selling these products within City limits must submit a completed permit application to the City Clerk’s office. Tobacco permits are issued by the local authority but regulated by the State. More information is available from the Iowa Department of Revenue . The application can be obtained online through GovConnectIowa

Construction Trades	NDS	x		Electrical, plumbing, mechanical, fire sprinkler and fire alarm contractors are required to have State of Iowa license. The City requires proof of license and a Certificate of Liability Insurance that lists the City of Iowa City as "additional Insured" from electrical and plumbing contractors before the issuance of any electrical or plumbing permit. The City of Iowa City also requires and issues licenses for water and sewer installers and sign erectors. These licenses are issued through the Department of Neighborhood and Development Services and are renewed on a yearly basis.
Dancing	CC			Permit necessary only if in connection with the sale of alcohol.
Day Care Centers		x	x	Licensed through the Iowa Department of Human Services https://dhs.iowa.gov/licensure-and-registration
Electricians, plumbers, mechanical	NDS	x		Electrical, plumbing, mechanical, fire sprinkler and fire alarm contractors are required to have State of Iowa license. The City requires proof of license and a Certificate of Liability Insurance that lists the City of Iowa City as "additional Insured" from electrical and plumbing contractors before the issuance of any electrical or plumbing permit.
Sign installers, sewer & water installers Fire alarm, sprinkler installers	NDS			The City of Iowa City requires and issues licenses for water and sewer installers and sign erectors. These licenses are issued through the Department of Neighborhood and Development Services and are renewed on a yearly basis.
Food - Restaurants - Food products - Groceries - Catering - Vending machines	NDS	x	x	Permits are required for any food-related business including grocery stores, restaurants, food trucks, catering, home-based food production, food production in a commercial kitchen and vending machine businesses. Building and equipment plans must be approved before construction or remodeling can occur.
Food trucks	NDS			Must have permission of owner if on private property. To operate on public property, you must register in the Customer Service Portal and then apply for a temporary use permit in the customer service portal.
Funeral Homes		x	x	
Home based businesses	NDS			Home-based Type A businesses do not need a permit. Home based Type B businesses need a permit . See page 2 or "home occupations" and use the Customer Service Portal to apply for a permit.
Hotels, Motels		x	x	

Outdoor Service Areas	CC			Required to serve alcohol outdoors on private property.
Restaurants, groceries, catering, etc.	NDS	x	x	Permits are required for any food-related business including grocery stores, restaurants, food cars, catering, certain home-based products and vending machines. Building and equipment plans must be approved before construction or remodeling can occur.
Sidewalk Café	PW	x	x	Both local and state permits are required. A sidewalk cafe is an area for the sale of alcohol, food, or beverages on City-owned property. Contact the Public Works Department.
Tattoo parlor		x	x	Call the state Dept. of Public Health (515) 281-7726
Vehicles for hire	CC			To operate a limousine, pedi-cab, taxicab, transportation network vehicle company (individual drivers in network covered by company permit), or horse-drawn vehicle, you must obtain a permit.

File Beneficial Ownership Form with the Federal Government (for LLCs)

NOTE: As of 12/30/24, a federal court order has halted the requirement to file a BOI. Please check the following webpage for updated guidance: <https://www.fincen.gov/boi-faqs#C 2>

A new federal law requires any LLC to file a Beneficial Ownership Information (BOI) Report. For an LLC in existence prior to 2024, the business must file this report by the end of 2024. Any new LLC created after 2024 has 90 days from the time the LLC was established to file the BOI. There are some exemptions; more information is available at <https://www.fincen.gov/boi-faqs#C 2>.

Register for an Employer Identification Number (EIN)

It is free to register for an EIN. Any business, even a sole-proprietorship, can obtain an EIN. Learn more at: www.irs.gov/businesses/small-businesses-self-employed/apply-for-an-employer-identification-number-ein-online

Establish a Business Banking Account

It is **STRONGLY** recommended to open a business bank account separate from your personal account, even if you have little to no sales at the beginning. A business checking account is important for a small business because it helps to separate personal and business finances, making it easier to manage finances and reducing the risk of financial problems.

Advantages include improved record-keeping and accountability, tax compliance and easier tax prep, liability protection/protection of personal assets (proves your treating business finances as separate from personal assets as intended with an LLC), improved credibility with customers/partners, separation of personal and business expenses, and establishment of good credit history to help with future borrowing or loans.

You will need to be a registered business entity (e.g. LLC or another) and have an EIN to open a bank account. You may also wish to open a credit card for your business (it does not necessarily have to be a credit card in the name of the business, but just a separate card that you use only for the business).

Understand Your Tax Liabilities & Apply for Tax Permit

Sales & Use Tax: To find out if the goods or services you will be selling are subject to Iowa sales tax visit <https://tax.iowa.gov/starting-business>. If you are subject to these taxes, the webpage includes a link to register for a tax permit.

Taxable Services: Sales of most services are exempt from Iowa Sales tax, but check if your business' services are subject to taxation at <https://tax.iowa.gov/iowa-sales-and-use-tax-taxable-services>.

Online Sales: There is a "safe harbor" provision for doing web sales – most states do not require you to worry about their sales tax if you don't have a physical presence there and you are doing less than \$100,000 in sales to any particular state. You may wish to speak to an attorney specializing in business taxes if you have further questions or concerns about interstate commerce liabilities.

Local Sales Tax: Some jurisdictions in Iowa have a local sales tax (Iowa City and Johnson County currently do not). Local option tax is remitted to the State of Iowa along with the state sales tax; retailers make no payment directly to a locality. No tax permit other than the state sales tax permit is required or available.

Understand Your Legal Liabilities & Purchase Insurance

"Liability" is the risk you are exposed to when starting a business. The two main types of risk are tort risk and contract risk. Tort is an intentional or unintentional harm to a person or person's property. Examples included worker injury, product liability, automobile liability and general liability, such as when someone is hurt on your property. Contract risk includes financing risk and risk with vendors and customers. Almost all tort risk can be protected by insurance while contract risk can be limited in the contract itself.

Consider the types of insurance your business may need, such as liability insurance, property insurance, and workers compensation insurance. Research and compare policies to find the best coverage for your business.

Establish Good Accounting Practices

It is important that you keep excellent records from the beginning for every aspect of your business – especially the financials! One way to ensure this is to seek the help of a professional accountant as you get started. As you build your business, you should do what you do best, and let the accountant help you keep records which will be very important to your banker and for your tax liabilities. Good records can also help you analyze parts of your business that need improvement,

such as how quickly you collect from your customers and what products may need price adjustments.

Financial Statements

At a minimum, it is a best business practice to prepare and keep the three following Financial Statements:

Financial Statement	What it is...	What to Include...
Income Statement	Records sales (revenue) and expenses during a period of time (i.e. quarterly, annually).	<ul style="list-style-type: none"> • Revenue: amount received from selling goods & services (not money contributed by owner). • Expenses: amounts incurred to operate/run business • Difference: Equals profit or net income
Balance Sheet	Records a business' assets and how they are financed over a specific period of time.	<ul style="list-style-type: none"> • Assets: Items owned by the business • Liabilities: amounts owed by the business • Equity: Equals the difference between Assets and Liabilities, representing the owner's share of the business.
Cash Flow Statement	Tracks the inflow and outflow of cash during a specific period of time; often representing the business' financial health and operational efficiency.	<ul style="list-style-type: none"> • Cash Received: Any cash received -- from customers to loans to investments -- during the period of time. • Cash Paid: Any cash paid -- such as bills, loan repayments, or withdrawals from owner -- during the period of time.

Financial Statement Best Practices:

- ✓ Keep annual financial statements that are prepared or updated at least quarterly, in order to stay on top of your financial standing.
- ✓ Decide whether you will track finances on a cash or accrual basis, and then stick with that method for consistency and accurate documents. A cash basis is essentially a balance statement -- you record expenses when they occur and income when the cash is collected; whereas an accrual basis records when you make the sale, on the assumption you will spend/collect later.
- ✓ You can find many templates for small business financial statements online, if you choose not to work with an accountant.



Tax tip: When filing your taxes, file -- or ask your tax preparer about -- a Schedule C form for your business. This form allows your business' income tax to appear on your personal tax filing the same as any other salaried/hourly jobs wages.

□ Considering Hiring/Employee Options

At first, you may be the only “employee” of your business. Later, you may need to expand and understanding your options and the pros/cons of each is important. Employees have many legal rights and one of the most important things you can do as an entrepreneur is understand those rights before you hire an employee. You may want to consider hiring an independent contractor (as opposed to an employee) as you begin to grow your business. When you are ready to hire your own employees, be sure you understand workmen’s compensation and unemployment compensation requirements. The [Iowa Center for Economic Success](#) is a great resource for figuring out what is best for you when it comes to hiring contractors versus employees.

□ Choose a Location (or Establish Online)

The modern business environment offers you many options for running your business – whether you choose an online business, brick-and-mortar storefront, home-based business, or hybrid. Research the options, pros and cons, and liabilities or requirements for each to understand what is best for you. For example, when you’re first starting out, meeting clients in a neutral location (like a public library or coffee shop) can alleviate the need for you to purchase insurance right away. Eventually, most businesses will need to establish their own “space” (whether physical or virtual) to grow.

If you are starting a physical or home-based business in Iowa City, please review the sections below to ensure you are operating lawfully...

Opening a Home-Based Businesses in Iowa City

There are two types of home-based businesses:

Type A are those in which the resident uses the home as a place of work but no employees or customers come to the site (examples include artists, writers and consultants).

Type B are those where customers may frequent the site or where a non-resident employee works (examples include counseling, tutoring and hairstyling). Permits are required for Type B businesses. To apply for a permit, you must go to the Customer Self-Service portal. [Read here about the self service portal](#) and follow the link to [use the self service portal](#) where you will first log in or register and then apply for a permit.

It is important that home businesses do not detract from the residential character of the neighborhood, are limited in extent, are compatible with residential use, and are clearly secondary to the use of the home as a residence. The business may not exceed 25% of the floor area of the principal dwelling and there can be no indication (such as noise, odor, smoke or extensive lighting) that there is a business inside, except for one non-illuminated sign that is one square foot or smaller in size, attached to the dwelling. Neither customers nor deliveries are allowed between 10 p.m. and 7 a.m., and Type B businesses are limited to 10 clients or customers a day.

Commodities may be sold from the home, but only if they are produced in the home and are part of the home business. Any home-based food production businesses must obtain a permit through Johnson County Health Department.

The business must not generate parking needs in excess of what is normal in the neighborhood. Vehicles used for delivery and pick up are limited to those normally servicing residential neighborhoods. Commercial vehicles more than 7.5 feet tall may not be stored in residential zones, so may not be used for a home occupation.

Home based businesses prohibited in Iowa City include veterinary clinics, kennels, parking, eating, drinking, medical/dental offices, self-service storage, and any type of repair or assembly of equipment with internal combustion engines (cars, motorcycles, snowmobiles, marine engines, lawn mowers, chains saws, etc.), or large appliances such as washers, dryers and refrigerators.

Locating a Physical Business in the Right Zone & Getting a Permit

Iowa City has a zoning code and every business must operate in the appropriate zone. If you find a location you like, check to make sure it is allowed in that zone. It is easy to find out – just contact Neighborhood and Development Services at 319-356-5230. They will connect you with someone who will ask the specific Iowa City address and the type of business you want to operate there.

The development process is easy to navigate, if you understand the steps ahead of time. Following are circumstances you may encounter as you prepare to open or expand a business in Iowa City.

If you are moving in or renovating existing facilities...

1. Check the zoning code to verify the type of business (the use) you are intending is permitted.
2. Apply for a building permit to make physical changes to a structure or change the primary use of the property, contact Development Services at (319) 356-5120.
3. If you are re-roofing and there is no change to the structure or sheathing, re-siding, or putting in concrete sidewalks, patios, or driveways you are not required to obtain a building permit, but some regulations still apply. Contact Development Services at 356-5120.
4. Follow steps below for any new construction.

If you wish to install a sign for your business...

1. You will need a Sign permit and the sign must comply with zoning codes.
 2. Contact Development Services (319) 356-5120.
 3. Sign permits are also available online at the Customer Service Portal.
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If you need to do any construction to open your business...

If you are building new facilities:


1. **Determine the zoning** of the location you are considering. To determine the zoning classification of the location you are considering, contact Neighborhood Development Services. If the current zoning does not permit the type of use you desire, there may be other other locations that would work for you that are appropriately zoned, contact the Urban Planning in Development Services at (319) 356-5240 for an appointment to discuss.
2. **Apply for a building permit** online using the [Iowa City Customer Service Portal](#). Register for an account first and then apply for the permit online.
3. **Apply for the "Commercial building – New" permit** in the Customer Service Portal. Submit your completed building permit along with a site plan and architectural drawings. *Note: if your project is large, it may require a major site plan review which may add three to six weeks to the process.*
4. Depending on where you build, you may be subject to other laws and additional material (such as grading permits, design review, flood plain permits, and sensitive areas ordinance compliance information) may be required. Contact Neighborhood Development Services for information.
5. **Electrical permits, Mechanical permits, and Plumbing permits** are required for all new construction and new construction is subject to the site runoff ordinance. Please use the [Iowa City Customer Service Portal](#) to apply for these permits.
6. Your design professional should have information on fire code compliance. If you are unsure of whether you are subject to the fire code, contact the Fire Department (319) 356-5257.
7. **Apply for an Occupancy Permit** after construction is complete. An Occupancy permit is required before the structure may be used. Contact Neighborhood Development Services (319) 356-5120.

Need help with any of these steps? Contact Neighborhood Development Services (319) 356-5120.

If you are changing the use of an existing building without construction ...

1. You will need a Certificate of Occupancy and may still require a building permit, contact Development Services (319) 356-5120.
 2. If the existing structure does not contain a fire suppression system, contact the Fire Department to verify if your use will require one (319) 356-5257. You may wish to contact them to verify that an existing structure complies with the Fire Code as well.
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Additional Business Resources

 Please visit the [Business Assistance webpage](#) for resources, information, and programs related to starting and growing a business in Iowa City.

Resources, Networking & Technical Assistance

Greater Iowa City, Inc......<http://www.greateriowacity.com>

Information, networking, and resources for start-up businesses. Operators of MERGE innovation space, a co-working facility in downtown Iowa City (136 S. Dubuque St)

The Iowa Center for Economic Success..... <http://theiowacenter.org/>

Microloans and business education

Small Business Development Center <http://iowasbdc.org/regional-center/iowa-city-coralville/>

2500 Crosspark Rd., Coralville, IA 52241

Free business management assistance to owners of for-profit businesses.

Phone: Paul Heath @ 319-335-3742

Email: paul-heath@uiowa.edu

Iowa SourceLink Business Concierge Service www.iasourcelink.com

Variety of information and resources for business start ups

Permits, Taxes & Business Requirements

Iowa Department of Revenue and Finance <https://tax.iowa.gov>

Taxes, sales tax permits

Iowa Economic Development Authority.....www.iowaeconomicdevelopment.com

Entrepreneurial resources, state research and information

Iowa Secretary of State <https://sos.iowa.gov/>

Business services and state filing information

Johnson County Government.....www.johnson-county.com

Department of Public Health, permits for food/beverage, certain service-based businesses.
