

Starting a Business in Iowa City



Thinking of starting a business in Iowa City? This brief handout is a guide to some of the things you should think about as you consider taking the leap to being a business owner.

Write a business Plan

It is a good idea to spend the time to write a business plan. This is essential if you plan to seek financial assistance such as loans or grants or if you want to attract investment dollars to your business. Writing the plan will help you learn many things about your business and its industry. The key pieces of it will detail you intend to sell and distribute your product or serve, and how you will make, spend and reinvest money in your business. The SBA has a good website about creating a business plan – see <https://www.sba.gov/starting-business/write-your-business-plan>

Determine your legal structure

You may want to contact your attorney to get a full understanding of the legal structure you should choose for your company. The structure you choose impacts your taxation, liability, risk and control, continuity of existence, transferability and formality. Some of the more common structures are sole proprietorships, general partnerships, limited liability company (LLC), and corporations (including S corporations). A one-person company usually has three choices: sole proprietorship, corporation or LLC. More information can be found here: <https://www.sba.gov/starting-business/choose-your-business-structure>

Register with the state

Corporations, limited partnerships, limited liability companies, nonprofits, trademarks or service marks should be registered with the Iowa Secretary of State. You will need to choose a name for your business and register the name to comply with the law and then register with state agencies. You can start at this website and learn more: <http://www.iasourcelink.com/regulatory/business-license-home>

Keep Good Records

It is important that you keep excellent records from the beginning for every aspect of your business survival. 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.

Understand your tax liabilities; apply with the State

To find out if the goods or services you will be selling are subject to Iowa sales tax or if you purchase taxable items from outside Iowa to use in your Iowa business you will need to pay use tax to Iowa. This web page has more information <https://tax.iowa.gov/starting-business> and a [link to register for a sales permit](#). Scroll to the bottom of the page to begin the process.

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A retail sales tax permit from the Iowa Department of Revenue and Finance is required for anyone making a retail sale in Iowa. All sales of tangible personal property in Iowa – other than those for processing or resale – are subject to sales tax unless specifically exempted by state law. Sales of services are exempt from Iowa Sales tax unless specifically taxed by state law.

Understand your legal liabilities

Liability is 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.

Hire good people

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.

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.

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. For most required Iowa City permits, you apply at the City Clerk’s Office (noted CC in the table) and pay your fee there.

We strongly recommend that you search the State of Iowa Business License database to see if your business type requires a license in Iowa.

Business Type	City	State	County	Notes
<i>Abbreviations and contact numbers for agencies noted below</i>	<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</i>			
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.
Cigarette Sales	CC			Application, fees and other obligations to fulfill under Iowa City’s Cigarette Education Ordinance. See also www.iowaabd.com/tobacco .
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.

Business Type	City	State	County	Notes
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.

Business Type	City	State	County	Notes
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.

Sales and Use Taxes

A Sales Tax Permit is a permit to collect and remit sales tax. Anyone selling taxable goods or services from an Iowa location must obtain a sales tax permit.

A sales tax permit must be obtained for each Iowa business location. You can learn more here and also apply for a permit online here: <https://govconnect.iowa.gov/tap/>

Upon registering, the State will mail you a letter containing your Business eFile Number (BEN), your permit number, and a printed permit. You are not required to display the printed permit; however, it should be readily available to prove you have one. Once issued, a sales tax permit is effective until it is canceled by the retailer or revoked by the Department. You may begin making sales and collecting sales tax as soon as you submit an application; you do not have to wait to receive your permit number.

When a taxable service or sale of tangible personal property is subject to sales tax but occurs outside of Iowa for use in Iowa, it is usually subject to use tax. The use tax rate is the same as the state sales tax rate.

Be in the (right) zone and get a building permit

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 for 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](#).

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
 - a. To determine the zoning classification of the location you are considering, see the zoning map at this link or contact Neighborhood Development Services; <http://www.iowa-city.org/weblink/0/doc/1533303/Electronic.aspx>
 - b. 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. Contact Neighborhood Development Services (319) 356-5120
 - a. Building permit applications are available through Development Services at City Hall and online at the [Customer Service Portal](#). Register first and apply for permit online.
 - b. 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.
 - c. 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.
 - d. Electrical permits, Mechanical permits, and Plumbing permits are required for all new construction and new construction is subject to the site runoff ordinance.
3. 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.
4. After construction is complete, an Occupancy permit is required before the structure may be used. 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.
3. You may wish to contact them to verify that an existing structure complies with the Fire Code also. Fire Department (319) 356-5257.

Other Resources

Entrepreneurial Development Center <http://www.edcinc.org/>
Connects entrepreneurial needs with quality community and state resources

Iowa City Area Development Group <http://www.iowacityareadevelopment.com/>
Information and Resources for start-up business. Operators of MERGE innovation space, a co-working facility in downtown Iowa City

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

Iowa SourceLink Business Concierge Service www.iasourcelink.com
Variety of information and resources for business start ups

Johnson County Government www.johnson-county.com
Department of Public Health

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

Small Business Development Center
..... <http://iowasbdc.org/regional-center/cedar-rapids-marion/>
1770 Boyson Rd., Hiawatha, IA 52233
Free business management assistance to owners of for-profit businesses.
Phone: Michael Wampler @ 319-377-8256
Email: Michael.wampler@kirkwood.edu

The Iowa Center for Economic Success <http://theiowacenter.org/>
Microloans and business education