

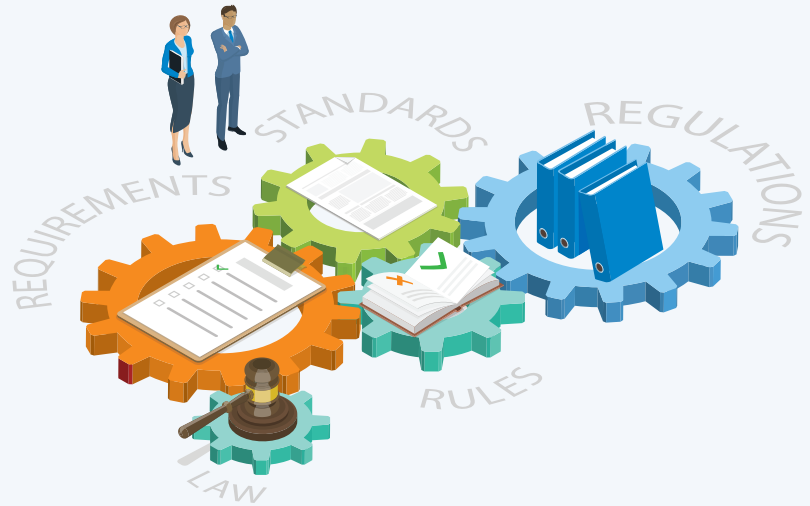
The Six Steps of Business License Compliance

Business license compliance is complex

The sheer number of agencies at the federal, state and local levels gives rise to a maze of licensing, registration, and permit requirements – and these can vary by location, industry, and by type of business activity.

Regulations are also constantly changing. Each year, up to 65% of license registration requirements change, and enforcement actions against business license violations are increasing. Changes to your business operations, locations, or offerings can also trigger new requirements. If your company is not compliant, it could face penalties, fines, interruption to business growth, and adverse publicity.

In order to avoid such outcomes, follow these six steps to evaluating your company's business license compliance.



Step 1 Gather all relevant data into a single portfolio

Effective business license compliance begins with thorough research of your existing portfolio.

- Document your existing license portfolio and licensing footprint
- Create a list of all the information that must be reported on each filing
- Compare this list to your portfolio footprint and document potential gaps (this helps to ensure that all specific licensing requirements in varying locations are understood and accounted for)



Step 2 Storyboard your process for business license management

Review how the current business license compliance function is conducted, and how effective it is at meeting business needs.

- Identify all parties and groups that contribute to the license process and include them in the discussion, such as tax, legal, corporate secretary office, controller, etc.
- Engage corporate leadership sponsorship
- Task each group with storyboarding each step in the business license filing process.
- Identify gaps, team overlap, and opportunity for improvement
- Establish your list of priority compliance needs broken down by operations, industry and ownership



Step 3 Identify triggers for new compliance actions

The following business events and changes trigger a license action, such as applying for a new license or a cancellation of existing certifications. Do you have a process to track such changes?

- | | |
|---|--|
| <input type="checkbox"/> A name change | <input type="checkbox"/> Entity conversion |
| <input type="checkbox"/> Ownership changes | <input type="checkbox"/> Expanding to a new location |
| <input type="checkbox"/> Address change | <input type="checkbox"/> Foreign qualification |
| <input type="checkbox"/> Remodeling | <input type="checkbox"/> Merger or acquisition |
| <input type="checkbox"/> New product launch | <input type="checkbox"/> Closing a location |
| <input type="checkbox"/> Stopping certain business activities | |



Step 4 Assess your compliance risk

To avoid noncompliance, review your current process for assessing business license compliance.

- Pinpoint the last time you evaluated your current compliance status
- Assess your current license portfolio based on priority
- Review any penalties and fees have you received in a full year
- Develop your remediation plan when non-compliance is identified
- Create an escalation process for noncompliance activities with key stakeholders



Step 5 Ensure due diligence moving forward

Gaps in compliance put your business at risk. Develop a process to ensure you're conducting the appropriate due diligence to help you assess and react to the licensing implications of the business events listed above.

- Identify licensing requirements within your industry
- Engage an independent third-party to conduct a thorough license assessment strategy
- Leverage technology to develop a knowledge base so you can better keep track of business license filing, management, and renewals
- Establish a process for reviewing license requirements on a regular basis (quarterly, semi-annually, or annually)



Step 6 Develop your compliance plan

Effective compliance management is difficult without a plan, the absence of which can lead to things falling through the cracks. Consider the following as you develop your license compliance plan.

- Engage and involve your executive sponsors. This helps drive transparency and ensures the compliance plan aligns with corporate initiatives
- To avoid overlap of license management, create a license support team and establish a clear escalation process
- Work with a partner to understand options for optimizing your business license compliance strategy. This might be a technology-enhanced self-management approach, working with a trusted compliance partner, or a blend of both.
- Implement a centralized process for easy review and access of all license data
- Document and share your plan with the corporate governance team

Mastering entity compliance

Regardless of the size or type of business you operate, getting your business licenses in order – and ensuring ongoing entity maintenance – is more important than ever. Regulations are constantly changing, and enforcement is on the rise. Creating a compliance plan and developing a strategy to ensure the compliance portfolio offers long term protection is key to lowering risk due to non-compliance.

Learn more To learn more about how CT can help you manage your business license needs, contact a CT Service Representative or call 844.400.9804.

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