

How can my city lower fees and create opportunities?

Studies show that most Americans don't have the savings to cover a surprise **\$500 expense**. Yet even as the pandemic rages on, many cities expect entrepreneurs to shell out hundreds—or even thousands—of dollars in fees to start their businesses. These fees act as cost barriers to low- and middle-income entrepreneurs, making it more difficult for them to earn an honest living in tough economic times.

How do high fees affect entrepreneurs?

Business owners typically need permission from several city departments before they reach opening day. Each interaction comes with its own set of costs—from getting a business license to navigating zoning, from sign-permit applications to filing articles of incorporation. Even lower-impact business models, like non-food retail stores or temporary pop-ups, often must pay several hundreds of dollars in fees for general license requirements.

In the Institute for Justice's (IJ) surveys on barriers to starting up, entrepreneurs consistently cite high fees as one of the major obstacles to opening a business in their cities.

How have cities experimented with different fee structures?

Cities across the country have explored ways to ease costs on new businesses:

- **Seattle** accommodates smaller businesses by phasing license fees according to the business's annual revenue.
- **Boston** charges a low \$65 fee for its general business certificate.

State governments have also recognized the need for fee reform. In 2017, **Illinois** cut corporate-registration fees for LLCs from \$500 to \$150; the state saw a **62% increase** in registrations the following quarter.

What can my city do to lower fees?

Money spent on licensure and regulatory compliance is money not invested in the business itself. Here are strategies your city can pursue to ensure that all residents have the opportunity to be their own boss:

- ✓ **Ensure all fees match enforcement costs**—catalogue all registration fees and cut those that are arbitrarily or unnecessarily high.



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- ✓ **Lower costs for new or small businesses** by basing fees on annual revenue or the types of reviews or inspections required for the business type. Consider fee grace periods so that those just getting started can earn income before paying government fees.
- ✓ **Reduce late fees** that punish entrepreneurs for honest mistakes under complex rules.

City leaders can be a force for entrepreneurs by removing regulatory obstacles, and IJ can help. We work alongside city officials to:

- **Research requirements:** We research what it takes to start a business in cities, including all of the steps and costs. We can also share best practices for how other cities dealt with similar policy issues.
- **Conduct surveys:** We host roundtables and compile feedback from entrepreneurs with first-hand experience navigating the licensing process.
- **Advocate:** We work with agencies and councilmembers to enact regulatory and legislative changes that truly make a difference for entrepreneurs.



Contact us to discuss tailored recommendations for how your city can lower fees and create opportunities.

IJ is a nonprofit law firm that works with city officials, entrepreneurs, and advocates to remove regulatory barriers to entrepreneurship. For more information, visit <https://2021initiative.com>.