

# EIN 101: What It Is, How It Works, and Why Your Business Needs One



When you're starting a business, there's a lot of paperwork and planning — but one small step can make a big difference in your legal and financial setup: **getting an EIN**.

An EIN is more than just a number. It's the key to separating your personal and business identity, paying the right taxes, and opening doors to banking, hiring, and growth.

In this guide, we'll break down what an EIN is, how it works, why it matters, and exactly what to expect when you apply.

## What Is an EIN?

**EIN** stands for **Employer Identification Number**. It's a unique nine-digit number issued by the IRS to identify your business for tax purposes — think of it as a Social Security number, but for your company.

### Other Names for an EIN:

- Federal Tax Identification Number (FTIN or FTID)
- Federal Employer Identification Number (FEIN)
- Business Tax ID Number

No matter the name, they all refer to the same thing: a way for the IRS and other entities to recognize your business as a separate taxpayer.

## How an EIN Works

The IRS uses your EIN to track your business's tax obligations, filings, and compliance. Once assigned, it becomes your permanent federal tax ID.

You'll use your EIN to:

- File business tax returns
- Open a business bank account
- Apply for business licenses and permits
- Hire and pay employees
- Apply for business credit



## Why an EIN Is Important

Even if you don't plan to hire employees right away, having an EIN offers important benefits:

1. **Separates business and personal finances** – Helps protect your personal identity and credit.
2. **Builds credibility** – Banks, vendors, and clients see your business as legitimate.
3. **Enables hiring** – Legally required if you pay wages or withhold taxes for employees.
4. **Supports tax compliance** – Required for certain business structures and tax elections.
5. **Makes banking easier** – Most banks require an EIN to open a business account.

## Who Needs an EIN?

You need an EIN if you:

- Have employees
- Operate as a corporation or partnership
- File certain federal tax returns (like excise or alcohol/tobacco/firearms taxes)
- Withhold taxes on income paid to non-resident aliens
- Are involved in trusts, estates, or certain nonprofits

**Single-member LLCs without employees** may not be required to have an EIN, but many choose to get one for credibility, banking, and privacy reasons.

## How to Get an EIN

The process is straightforward and **free** through the IRS.

### Steps to apply:

1. Go to the IRS EIN application page ([irs.gov](https://irs.gov))
2. Complete the online application (takes about 10–15 minutes)
3. Receive your EIN immediately if applying online

### Processing times:

- Online: Instant
- Fax: About 4 business days
- Mail: 4–5 weeks



## How Much Does It Cost to Get an EIN?

From the IRS? **\$0.00** — it's completely free.

If you hire a service (like ADG Express) to obtain one for you, you'll pay a service fee for the time and filing assistance, but the number itself has no government fee.

## How Long Does an EIN Last?

An EIN is permanent — it never expires. You keep the same number for the life of your business, even if your business changes names or locations. You would only need a new EIN if you change your business structure (e.g., from sole proprietorship to corporation) or ownership.

## Common EIN Mistakes to Avoid

- **Applying too early** – Wait until your business structure is officially formed.
- **Losing your EIN** – Keep your IRS confirmation letter in a safe place.
- **Not using it** – If you apply for an EIN but never file taxes, the IRS may close your account.

## Key Takeaways

- EIN = Employer Identification Number, a nine-digit tax ID for your business.
- Required for corporations, partnerships, and any business with employees.
- Free from the IRS; available online in minutes.
- Critical for banking, hiring, and maintaining separation between personal and business finances.

## Next Step:

If you're forming an LLC or other business entity, ADG Express can handle your EIN application as part of our setup services — saving you time and ensuring it's done correctly, so you can focus on launching your business.

