



DOING BUSINESS IN UNITED STATES OF AMERICA

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GEOGRAPHY AND STATES IN UNITED STATES

CHAPTER 1



The United States, a vast and diverse nation, comprises 50 states, each contributing uniquely to the nation's economic tapestry. Understanding the geographical and economic intricacies of each state is essential for comprehending the overall economic landscape of the country.

Geography

The geographical diversity of the United States is remarkable, encompassing a wide range of climates, terrains, and natural features. From the icy landscapes of Alaska to the sunny beaches of Florida, and from the flat plains of the Midwest to the towering peaks of the Rocky Mountains, the U.S. offers a kaleidoscope of landscapes.

In terms of regional divisions, the country can be broadly categorized into five regions: Northeast, Southeast, Midwest, Southwest, and West. The Northeast, with states like New York and Massachusetts, is known for its historical significance and vibrant urban centers. The Southeast, including Florida and Georgia, boasts a warm climate and is a hub for tourism. The Midwest, often referred to as the "Heartland," is an agricultural powerhouse. The Southwest, with Texas and Arizona, showcases a blend of desert landscapes and economic diversity. The West, encompassing California and Washington, is synonymous with technological innovation and natural beauty.

State Economies: The economies of U.S. states exhibit significant variations driven by factors such as natural resources, industries, and geographical location. Here's a closer look at the economies of some key states:

1. California

Home to the world's fifth-largest economy, California is an economic juggernaut. Silicon Valley, centered around San Francisco and San Jose, is the global hub for technology and innovation. The state also excels in entertainment, agriculture, and manufacturing.

2. Texas

Known for its energy sector, particularly oil and natural gas, Texas has a diverse economy. Houston is a major hub for the energy industry, while cities like Austin thrive in technology. Manufacturing and healthcare contribute significantly to the state's economic strength.

3. New York

New York, dominated by the financial powerhouse of Wall Street in New York City, is a global financial center. The state's economy is diversified, with strengths in technology, healthcare, and tourism, particularly in the vibrant city of New York.

4. Florida

Florida's economy is anchored in tourism, driven by attractions like Disney World and the state's beautiful coastline. Aerospace, international trade, and a burgeoning technology sector contribute to the state's economic vitality.

5. Illinois

Positioned as a transportation and manufacturing hub, Illinois has a diverse economic base. Chicago, a major financial and industrial center, plays a crucial role. Agriculture also contributes significantly to the state's economy.

6. North Dakota

Rich in natural resources, North Dakota's economy is driven by agriculture, energy production (especially oil), and manufacturing. The state's economic landscape has experienced a boom due to oil exploration in the Bakken Formation.

7. Alaska

With its vast wilderness and abundant natural resources, Alaska's economy is closely tied to oil, fishing, and tourism. The state's unique economic structure reflects its distinct geographical setting.

8. Delaware

Delaware, nestled on the East Coast, boasts a diverse economy anchored by finance, corporate services, and legal sectors. Its strategic location and business-friendly environment attract numerous corporations, contributing to the state's economic vibrancy.

9. Pennsylvania

Pennsylvania, located in the Northeast, features a diverse economy driven by industries such as manufacturing, healthcare, and technology. With major cities like Philadelphia, it combines historic significance with modern economic vitality, fostering growth and innovation.



10. Ohio

Ohio, in the Midwest, boasts a robust economy rooted in manufacturing, healthcare, and technology. Its strategic location and skilled workforce contribute to a thriving business environment, making it a key player in the U.S. economy.

11. Georgia

Georgia in the southeastern U.S., features a diverse economy driven by industries like agriculture, manufacturing, and logistics. With Atlanta as a major business hub, the state fosters economic growth, innovation, and a strong workforce.

12. New Jersey

New Jersey, a northeastern state, boasts a robust economy fueled by industries such as pharmaceuticals, finance, and technology. Its strategic location near major metropolitan areas contributes to a thriving business environment and diverse economic activities.

13. Washington

Washington State, located in the Pacific Northwest, features a dynamic economy driven by technology giants like Microsoft and Amazon. With a focus on innovation, it embraces aerospace, agriculture, and clean energy, fostering economic growth and a high quality of life.

14. New Hampshire

New Hampshire, situated in New England, boasts a diverse economy. It thrives on manufacturing, tourism, and finance. With no state income tax, it attracts businesses. The state's scenic beauty and outdoor recreation contribute to its vibrant economic landscape.

15. Massachusetts

Massachusetts, in New England, is a hub for education, technology, and healthcare. Home to prestigious universities and tech giants like MIT and Harvard, it fosters innovation, driving economic growth.

These examples highlight the varied economic landscapes across the United States. While some states thrive on technological innovation and finance, others rely on agriculture, energy, or manufacturing. States such as California and Texas play pivotal roles in shaping national economic trends, yet every state contributes to the rich and diverse economic fabric of the United States. Understanding the economic dynamics of each state is crucial for businesses, and investors seeking to navigate the complex and multifaceted U.S. economy.



LEGAL ENVIRONMENT

CHAPTER 2



The legal environment in the United States is robust, shaped by a complex framework of laws, a well-defined justice structure, and a revered constitution. Understanding the legal landscape is crucial for individuals and businesses.

Constitutional Foundation:

At the core of the U.S. legal system is the Constitution, a revered document crafted in 1787 and amended 27 times. It delineates the structure of the federal government and enshrines fundamental rights and liberties. The Bill of Rights, the first ten amendments, safeguards individual freedoms, including freedom of speech, religion, and the right to a fair trial.



Three-Tiered System:

The U.S. legal system operates on a three-tiered structure. At the federal level, the Supreme Court serves as the highest authority, interpreting the Constitution and settling disputes. Beneath it are Courts of Appeals and District Courts. State legal systems mirror this structure, with state supreme courts at the apex.

Legislation and Statutory Law:

Beyond the Constitution, laws are enacted by legislative bodies at both federal and state levels. The U.S. Congress, comprising the Senate and the House of Representatives, is responsible for federal laws. State legislatures perform a similar function at the state level. Laws passed by these bodies are known as statutory law and cover a myriad of issues, from criminal offenses to contract disputes.

Common Law Tradition:

The U.S. follows a common law legal tradition, which relies on precedent and case law. Courts decide cases based on prior rulings, creating a body of legal principles. Stare decisis, the principle of adhering to precedent, fosters consistency and predictability in legal decisions.



Justice System and Criminal Law:

The U.S. justice system is adversarial, pitting opposing parties against each other to establish the truth. Criminal law, a subset of the legal system, governs offenses against the state. Prosecution and defense present their cases, and guilt must be proven beyond a reasonable doubt. The accused is afforded rights, such as the right to counsel and the presumption of innocence.

Regulatory Framework:

Government agencies play a significant role in shaping the legal environment through regulations. Agencies like the Environmental Protection Agency (EPA) and the Food and Drug Administration (FDA) promulgate rules to implement and enforce laws. Regulatory compliance is a crucial aspect for businesses and individuals operating in various sectors.



Civil Law and Litigation:

In contrast, civil law deals with disputes between individuals or entities, not involving criminal charges. Civil litigation is a common means of resolving such disputes. Plaintiffs seek remedies, often monetary damages, through the legal process. Tort law, governing civil wrongs, and contract law are prominent branches of civil law.

Family Law and Property Law:

Family law encompasses issues like divorce, child custody, and adoption. It varies by state, reflecting diverse social norms. Property law defines and regulates the rights and obligations of individuals concerning property, including real estate.

Constitutional Challenges and Amendments:

The Constitution can be amended to reflect societal changes. Noteworthy amendments include the 19th Amendment granting women the right to vote and the 26th Amendment lowering the voting age to 18. Amendments often arise in response to societal shifts and legal interpretations.

Contemporary Legal Issues:

Contemporary legal debates in the U.S. include discussions on privacy rights in the digital age, the balance between national security and individual liberties, and the evolving landscape of civil rights. Supreme Court decisions on issues like marriage equality and affirmative action have profound societal implications.

In conclusion, the legal environment in the United States is a dynamic tapestry woven with constitutional principles, statutes, regulations, and precedents. The three-tiered justice system, encompassing federal and state judiciaries, ensures a structured approach to dispute resolution. Navigating this intricate legal landscape requires a nuanced understanding of both federal and state laws, reflecting the rich diversity and complexity of the U.S. legal system.



ECONOMIC ENVIRONMENT

CHAPTER 3



Economic Environment

Businesses across the globe are actively pursuing growth strategies, and geographic expansion, particularly into the dynamic U.S. market, stands out as a key avenue. Renowned for its stable legal and investment environment, the United States offers specific competitive advantages and boasts a vast market that annually attracts hundreds of billions in foreign direct investment (FDI). This lucrative landscape presents significant growth prospects, making it an ideal destination for businesses seeking to diversify assets, expand their geographic footprint, and reach a broader customer base.

Despite prevailing economic uncertainties, the U.S. continues to be an attractive long-term expansion target for foreign entities. In fact, the 2022 U.S. News & World Report reaffirmed the country's status as the Best Country To Invest In. OECD reports further underscore this appeal, indicating an 88% year-over-year increase in global FDI flows in 2021, surpassing pre-pandemic levels by 37%. Notably, the U.S. not only received the largest FDI inflow but also emerged as a leading source. These trends highlight renewed confidence in the benefits of international expansion and the advantages of investing in the U.S.

In a landscape marked by economic shifts and evolving consumer behavior, businesses that can adeptly navigate these changes are poised for long-term success. Establishing organizational agility and resilience becomes pivotal, enabling businesses to identify and seize opportunities for a sustained competitive advantage.



Setting up a business in the U.S. is relatively straightforward, offering access to the world's largest consumer market in terms of consumer spending. The country's robust household spending, coupled with enhanced access to international customers through free trade agreements, makes the U.S. an attractive investment destination. The sheer scale is impressive, with access to nearly 800 million consumers, household spending exceeding \$15 trillion globally, and \$347 billion in U.S. goods exports from majority foreign-owned firms, all underlining the vast potential for businesses.

However, amid these abundant opportunities, challenges persist. Navigating diverse business cultures, understanding workforce dynamics, and grappling with regulatory nuances across the 50 states, the District of Columbia, and U.S. territories can be complex. Success hinges on the ability to understand and effectively address these unique aspects of the U.S. market.

In conclusion, the U.S. stands as a beacon for businesses seeking global expansion. The country's resilience, coupled with its substantial consumer base and favorable investment environment, makes it an enduring choice for foreign entities. While challenges exist, strategic planning and a nuanced understanding of the intricacies of the U.S. market can pave the way for businesses to thrive and establish a lasting presence in this economic powerhouse.



SITE SELECTION

CHAPTER 4



Site Selection

Strategically selecting a site is crucial for manufacturing, services and industrial companies expanding or relocating in the United States. Communities offering incentives for such endeavors play a pivotal role in the success of a project. States and localities engage in fierce competition, providing companies with opportunities for significant cost savings based on their project's scope. Understanding potential incentives such as subsidies, tax credits, and workforce development is essential. Discretionary economic incentives, addressing funding gaps and offering free land or resources, have gained popularity. They cover challenges like labor, supply chain, and infrastructure, offering benefits like expedited permits and workforce support.

I. Background:

State and local jurisdictions assess parameters like net new jobs, individual location wages, capital investment, and geographic location to determine incentive levels over three to five years. Industry sector, supply chain impact, construction type, community unemployment, and project competitiveness are also considered.

II. General Site Selection/Incentive Process:

Internal assessments, typically guided by experienced consultants, lead to narrowing down suitable target states or regions based on labor, proximity, facility specifications, and more. A Request for Proposal (RFP) initiates contact with interested areas, and subsequent visits help refine choices.

III. Initial Outreach:

Initial contact, often through a formal RFP, involves a project codename when using consultants. Responses narrow down target communities or properties based on project parameters.

IV. Company Visits:

Company visits to narrowed sites provide insights into workforce, infrastructure, incentives, and community attributes. At this stage, the company usually reveals its identity to officials.

V. Finalist Locations Selected (2–3 Locations):

After site visits, the company selects leading candidates, considering geography, labor, infrastructure, and incentives. Key considerations include supply chain alignment, workforce availability, infrastructure, construction type, project costs, environmental concerns, and timeline.

VI. Final Site Selection:

Incentive negotiations with local and state governments intensify. Additional visits may occur to finalist locations. Once a winner is identified, the company issues a joint press release with officials announcing the decision.

VII. Real Estate Analysis and Negotiations:

Concurrent negotiations of real estate agreements are crucial. Experienced legal counsel ensures proper documentation. Once decisions are publicly announced, further incentive negotiations may be limited.

VIII. Land and Real Estate Due Diligence:

Property evaluation during the inspection period includes environmental and suitability assessments. Thorough legal reviews identify required improvements.

C. Types of Incentives:

Incentives fall into two categories: statutory and discretionary. Cash grants, utility rate incentives, land/building offerings, transportation incentives, and hiring/training assistance are common forms. Tax credits and property tax abatements/reductions also play a role, varying in duration and negotiation involvement.



ENTITY STRUCTURES IN THE USA

CHAPTER 5



In the United States, businesses can adopt various legal structures, each with distinct characteristics, benefits, and potential pitfalls. The primary structures include partnerships (general and limited), limited liability companies (LLCs), and C corporations. Selecting the right business entity is a crucial decision for non-U.S. companies establishing operations in the United States. The decision involves complex factors discussed across several chapters, including Corporation Formation, Limited Liability Company Formation, Taxation of U.S. Operations, and United States Joint Ventures.

Partnerships, LP, and LLCs:

1. General Partnership:

- Two or more co-owners (partners) share profits and losses.
- Partnerships can be financially liable, and if partners leave, the partnership might dissolve.

2. Limited Partnership (LP):

- Combats unlimited liability by having a general partner (unlimited liability) and limited partner (limited liability).
- Limited partners may have binding decision-making authority.

3. Limited Liability Company (LLC):

- Offers limited liability protection.
- Can be owned by individuals, corporations, or non-U.S. entities.
- Flexible management structures and taxation options.

- Single-member LLCs are treated as branches, while multi-member LLCs default to partnership taxation.

4. C Corporations (Non-transparent entities):

- Separate legal entities subject to corporate income tax.
- Shareholders face potential double taxation (at the corporate and individual levels) on profits and dividends.
- Non-U.S. shareholders may benefit from U.S. federal income tax treaties.



Key Considerations:

- The Tax Cuts and Jobs Act (TCJA) introduced a passthrough deduction for certain passthrough entities until December 31, 2025.
- The Inflation Reduction Act introduced a new alternative minimum tax (AMT) for applicable corporations.

Investment Entities:

- Specialized entities designed for specific circumstances.
- Various entity types and classifications are available, and seeking advice is crucial.

Determining Your Tax Year:

- Choose between the calendar year or fiscal year based on business nature and revenue periods.
- The calendar year is default if specific criteria for a fiscal year are not met.

Branches and Divisions:

- Operating directly in the U.S. through a branch or division exposes the parent company to potential liabilities and tax complexities.
- Direct operations may be avoided due to these challenges.

Subsidiary Corporations:

- A U.S. subsidiary corporation provides a separate legal entity, shielding owners from liability.

- Subject to U.S. income tax rules, a subsidiary's worldwide income is taxed in the U.S.
- Special rules apply to distributions to the parent company.

Securities Laws:

- Ownership interests in corporations, LLCs, and limited partnerships are considered securities.
- The offer and sale of securities are subject to federal and state regulations to protect investors.
- Compliance with exemptions or registration requirements is essential when issuing securities.



In the United States, each state has its own set of laws allowing the establishment of various business entities, including corporations and limited liability companies. When a business entity is created following a state's statutes, it becomes subject to the regulations of that specific state, as well as applicable federal laws and the laws of other states where the entity operates.

Selecting the state for entity formation necessitates careful analysis. Fortunately, most states with thriving business communities have contemporary statutes designed to facilitate the straightforward establishment and operation of business entities. The decision often rests on factors such as the physical location of principal offices in the United States, the geographical area where business activities will occur, tax considerations, and other business-driven factors.

When expanding or investing in the U.S., understanding these structures and their tax implications is crucial.



TAXATION

CHAPTER 6



Taxation in the United States is a comprehensive system encompassing federal, state, and local levels, each playing a distinct role in revenue generation and regulation. At the federal level, the Internal Revenue Service (IRS) administers and enforces the Internal Revenue Code, which dictates the country's overarching tax policies. The federal tax system is designed to be economically neutral, avoiding favoritism among different types of businesses and fostering fair competition.

Federal taxation involves a variety of taxes, such as income tax, corporate tax, and employment taxes. Businesses, individuals, and other entities are subject to federal income tax, with rates varying based on income brackets. Corporate entities, both domestic and foreign, are taxed under the federal corporate income tax system, emphasizing fairness and equal treatment.

In addition to the federal tax structure, individual states have the authority to impose their own taxes, resulting in a diverse landscape of state tax regulations. State taxes often include income taxes, corporate taxes, and sales taxes, among others. The complexity arises from variations in tax rates, deductions, and credits across states. Some states, like Texas and Florida, do not impose income tax, while others heavily rely on it for revenue.

Sales and use tax is another critical component of the U.S. tax system, applied at the state and local levels. While the federal government does not directly impose a national sales tax,

each state has the autonomy to implement its own sales tax policies. This tax is typically levied on the sale of tangible goods, varying by state and even within local jurisdictions. The rates and items subject to sales tax can differ significantly, creating a patchwork of regulations that businesses must navigate based on their operational locations.

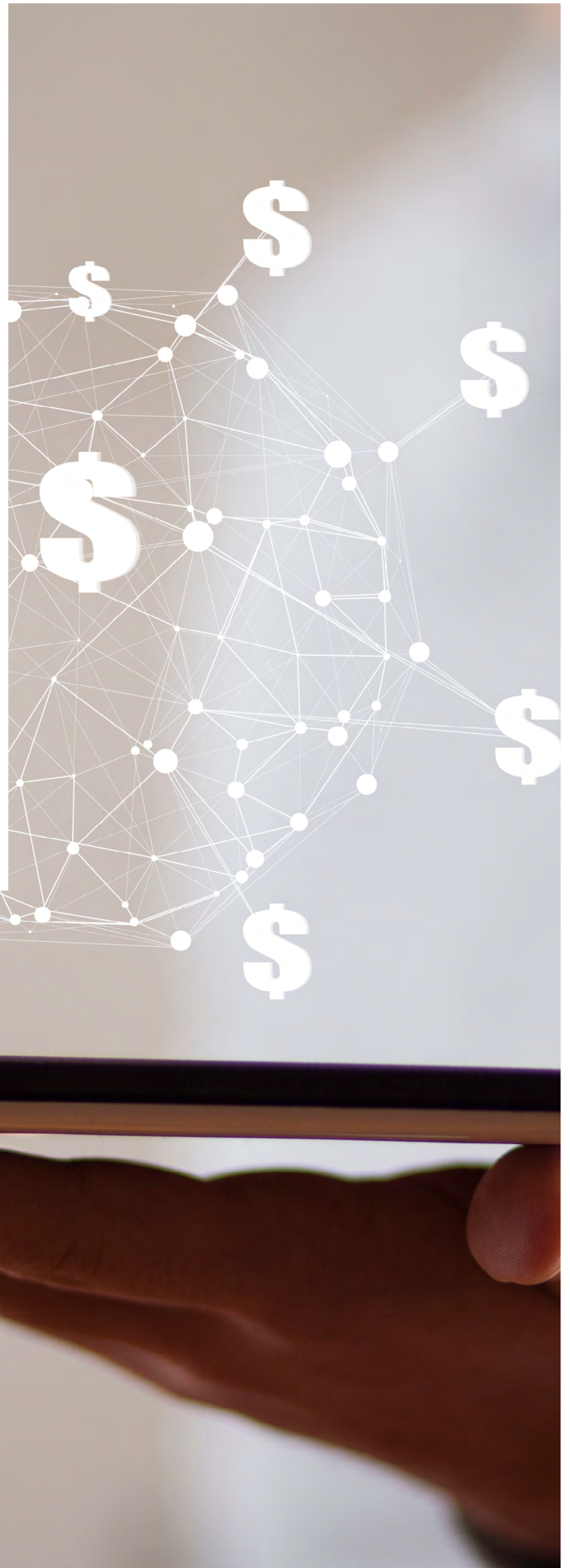
Sales tax is fundamentally a consumption tax, placing the financial burden on the end consumer. However, the responsibility for collecting and remitting sales tax often falls on businesses, making compliance a complex task. With the rise of e-commerce and interstate transactions, states have been adapting their sales tax laws to address the challenges posed by the digital economy.

Navigating the intricate landscape of federal, state, and sales taxes requires businesses to stay informed about ever-changing regulations. The interplay of federal, state, and local tax systems underscores the need for a nuanced approach to taxation in the United States.

- Federal tax rate can range from 10% to 37% of Adjusted Gross Income
- Sales and Use tax can range from 0% to 11%
- State Income Taxes are of varied rates in 50 US states.

Transfer Pricing

Transfer pricing issues present significant challenges for organizations engaged in cross-border operations, carrying the potential for substantial financial implications. Section 482 of the Internal Revenue Code empowers the IRS to make adjustments to transfer pricing in transactions involving entities under common control if the pricing deviates from arm's-length terms. The arm's-length principle mandates that related parties set prices for products, services, or fund usage as if the transaction were between unrelated entities. For organizations directly or indirectly owned or controlled by the same interests and expanding operations into the U.S., it becomes imperative to formulate transfer pricing policies that are not only defensible but also flexible and aligned with broader tax strategies. Documentation of transactions, establishment of arm's length prices, and the creation of supporting documents are essential components of a robust approach.



EMPLOYEES AND EMPLOYMENT LAWS

CHAPTER 7



Navigating employment law in the United States is a crucial aspect of any successful business expansion due to the country's litigious nature. The U.S. Department of Labor (DOL) oversees over 180 federal laws impacting approximately 10 million employers and 150 million U.S.-based workers. While each state adds its own nuances, several key aspects characterize U.S. employment law.

Wages and hours are regulated by the Fair Labor Standards Act, requiring U.S.-based employers to adhere to minimum wage and overtime pay standards. This includes paying specific employees at least the federal minimum wage, restricting hours for children, and prohibiting certain jobs for those under 18.

Workplace health and safety fall under the jurisdiction of the Occupational Safety and Health Administration (OSHA). Employers must comply with regulations, safety standards, and provide hazard-free workplaces. Compliance with inspections and investigations is mandatory.

Workers' compensation, managed by the DOL's Office of Workers' Compensation Programs, mandates compensation and medical care for certain employees, especially in maritime and Department of Energy sectors.

Family and medical leave laws require employers with a minimum of 50 employees to provide up to 12 weeks of unpaid, job-protected leave for parental or medical reasons.

ERISA (Employee Retirement Income Security Act) governs retirement plans, setting standards for voluntarily established plans. Compliance involves adhering to IRS requirements for tax-qualified status and DOL regulations to avoid adverse consequences. Employers must meet standards for plan establishment, disclosures, participation, vesting, and fiduciary responsibilities.

Worker classification is a critical consideration, distinguishing between employees and independent contractors. Proper classification is crucial as misclassification can lead to significant tax implications. The IRS is vigilant in auditing worker classifications, making it imperative for employers to navigate these distinctions carefully.

Remote workers introduce additional complexities, as the employee's resident state or country determines taxation jurisdiction. Compliance involves understanding state-specific rules for reporting, tax withholding, and remittance, posing potential challenges for employers with remote staff.

In summary, U.S. employment law encompasses diverse areas such as wages, workplace safety, workers' compensation, family leave, retirement plans, worker classification, and considerations for remote workers. Ensuring compliance with federal and state regulations is essential, and businesses often benefit from partnering with qualified service providers to navigate these intricate legal landscapes successfully.

Distinguishing between employees and independent contractors is vital for legal and tax compliance. Here are key differentiators:

EMPLOYEE:

1. Form W-4 and Other New-Hire Paperwork:

- Employees are required to complete Form W-4 and additional new-hire paperwork to provide tax-related information and personal details.

2. Tax Withholding Required from Payments:

- Employers are obligated to withhold income taxes, Social Security, and Medicare taxes from an employee's paycheck.

3. Employer Pays Additional Taxes:

- Employers are responsible for paying additional taxes such as Social Security, Medicare, and unemployment taxes for employees.

4. Form W-2:

- Employees receive a Form W-2 at the end of the year, summarizing their annual earnings and taxes withheld.

5. Generally Receives Certain Benefits:

- Employees may be entitled to certain benefits, such as health insurance, retirement plans, paid time off, and other perks offered by the employer.

INDEPENDENT CONTRACTOR:

1. Form W-9:

- Independent contractors are required to provide a Form W-9, supplying their taxpayer identification number (TIN) or employer identification number (EIN) to the paying entity.

2. No Tax Withholding Required from Payments:

- Unlike employees, independent contractors are responsible for handling their own tax obligations, and no tax withholding occurs from payments made to them.

3. No Employer Taxes:

- Employers are not responsible for paying additional taxes, such as Social Security, Medicare, or unemployment taxes, for independent contractors.

4. Form 1099:

- Independent contractors receive a Form 1099 at the end of the year, reporting the total income received from a client or company.

5. Does Not Receive Benefits:

- Independent contractors typically do not receive employment benefits like health insurance, retirement plans, or paid time off. They are responsible for their own insurance and benefits.

Understanding these distinctions is crucial for businesses to correctly classify workers and meet legal and tax requirements. Misclassification can lead to serious consequences, emphasizing the importance of accurate classification based on the nature of the working relationship.

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