



DOING BUSINESS in USA



FOREWORD

This guide has been prepared to provide basic information to those interested in investing and doing business in the United States. It does not cover in detail all the requirements and subjects considered, but it is aimed to provide an overall idea of the benefits of doing business in the United States and to answer basic taxation requirements.

The guide is intended to be used for informational purposes only and you should consult a professional tax advisor to acquire more information.

The material contained in this guide is based on information and regulations in effect as of July 2017.

ABOUT BLITA INTERNATIONAL

BLITA International is a global association of independent tax accountants, tax attorneys and business consultants dedicated to providing personalized professional services for all your transnational tax planning and business management needs.

Our member firms are committed to providing the highest quality professional services to help meet your business and financial goals across international borders. The local expertise of our members regarding business and tax regulations, culture and knowledge of doing business in their home countries, allows them to provide the best solution and advice to maximize your profit and reduce your tax implications.

WHY SHOULD YOU DO BUSINESS IN THE UNITED STATES?

ATTRACTIVE FDI DESTINATION

The United States was the largest investor in the world in 2016, with a flow of Foreign Direct Investment (FDI) of nearly 300 billion dollars. Similarly, the country was the first destination of FDI internationally receiving 391 billion dollars.

The United States is an increasingly attractive destination for foreign direct investment. According to *AT Kearney's* FDI Confidence Index, the United States performed better than countries like Brazil, India and China to become the country with the best FDI prospects in the world, as ranked by 302 businesses representing over 28 countries and various industries. In addition, *BCG* found that 54% of U.S. manufacturers with production abroad are looking at re-shoring to the United States.

The country also ranked second as the most competitive economy according to the institutions, policies and factors driving the country's productivity, according to the *World Economic Forum's Global Competitiveness Index 2017-2018*

HIGHLY QUALIFIED WORKFORCE

The U.S. workforce is among the most qualified and innovative in the world. The U.N. Development Program ranks the United States workforce first in the world in average of years of schooling, a global measure for the competitiveness of human capital. The United States' strong education and training systems, including high schools and two-year and four-year colleges, provides a national infrastructure for job-driven training. In line with its high degree of skill, the U.S. workforce is among the most productive in the world: over 30% more productive than that of Germany and nearly twice as productive as that of South Korea. This workforce is, furthermore, set to maintain this significant advantage as productivity growth remains steady.

COUNTRY ESSENTIALS



Capital city	Washington, D.C.	
Area and population	9,826,675 km ² and a population of 326,625,791 people (July 2017 est.)	
Language	English	
Currency	U.S. dollar (USD)	
International calling code	+1	
National holidays	New Year's Day	January 1 st
	Martin Luther King Day	3rd Monday in February
	Washington's Birthday	3rd Monday in March
	Memorial Day	Last Monday in May
	Independence Day	July 4 th
	Labor Day	1st Monday in Sept.
	Columbus Day	2nd Monday in Oct.
	Veterans Day	November 10 th
	Thanksgiving Day	4th Thursday in Nov.
	Christmas	December 25 th
Business and banking hours	40 hours weekly	
Major stock exchanges	New York Stock Exchange (NYSE), NASDAQ	
Government structure	The United States is a federal republic that consists of 50 politically separate states and the District of Columbia (Washington D.C.), the seat of the federal government. The federal government is a tripartite system consisting of independent executive, judicial and legislative branches. In addition, each state has a statewide government elected by its residents. Each state is subdivided into counties and counties into cities, towns, etc. Each political entity is able to enact laws that impact its residents.	

Tax & Business Professionals in United States

Attorneys



Accountants



ACCESS TO DOMESTIC AND GLOBAL MARKETS

A recent study found that access to markets is one of the main reasons why multinationals decide to locate in the United States. The U.S. economy is the largest in the world, and with a median household income of over \$41,000, it presents the highest rate in the Organization for Economic Co-operation and Development (OECD), and a massive and steady demand for numerous products. In addition to its domestic demand, the United States' trade agreements with more than 20 countries give U.S.-based manufacturing companies open access to distribution networks across the continent and the world.

The U.S. has a legacy of world-class ports plus freight rail, air transportation, and road networks capable of not only serving the large domestic market but also making the U.S. a base for exports. U.S. regulations for exporting are among the easiest in the world: the U.S. requires the least amount of time to meet all procedures for exporting goods among 185 countries surveyed by the World Bank. Foreign companies in the U.S. take advantage of this access to global markets and world-class infrastructure to export over \$303 billion of goods, representing 20.5% of total U.S. exports.



GLOBAL LEADERSHIP IN INNOVATION

The U.S. is the world's leading source of innovation. Fifteen of the top 25 research universities in the world and numerous more top-flight research institutions are located in the United States. These universities and institutions are key partners for companies making research and development investments in the country.

The United States also ranks among the top five countries on the World Intellectual Property Organization's ranking in both investment in innovation and in knowledge as a share of GDP. Nearly 34% of the global research and development investments are made in the U.S. In addition, a safe and predictable regulatory environment makes doing business easier. In 2015, the World Bank ranked the U.S. 7th out of 185 countries in terms of "ease of doing business."

EXPANDING ENERGY SECTOR

An expansion of domestic energy production has driven prices down and brightened the U.S. energy outlook, most notably for natural gas. During recent years, the U.S. prices for natural gas have dropped almost 60% as production increased and new reserves were found. In contrast, the Northern European and Asian markets show prices ranging from twice to several times the price of the U.S. This boom in the natural gas sector has catalyzed domestic and foreign investment in petrochemical manufacturing and steel and extraction equipment production: petrochemical companies have announced over \$80 billion of investments in the country.

ESTABLISHING A BUSINESS

PROCESS TO INCORPORATE A COMPANY

An investor aiming to establishing a business entity in the United States requires 6 procedures over an average of 4 days, making the U.S. the 7th country in the world on the *Ease of Doing Business* rank.

Procedures	Time to complete
Reserve the company's business name (optional), file the company's articles of organization and adopt the company's operating agreement	Less than 1 day (online procedure)
Apply for federal identification number (EIN) for tax and employer purposes	Less than 1 day (online procedure)
Register to collect state sales tax (if applicable)	Less than 1 day (online procedure)
Register as an employer with the Unemployment Insurance Division at the State Labor Department	Less than 1 day (online procedure)
Arrange for workers' compensation and disability insurance	1 day
Arrange for publication and submit certificate and affidavits of publication	1 day
Total number of days	4 days



ESTABLISHING A BUSINESS

REQUIREMENTS TO INCORPORATE A COMPANY

The Limited Liability Company (LLC) is the most common form of incorporation in the United States. Shareholders in an LLC are liable only to the value of their shareholding.

COMPANY NAME

U.S. regulations require company names to be unique and not deceptively similar to other company names. LLC company names must end with “Limited Liability Company,” “Limited Company,” or the appropriate abbreviation, such as “LLC” or “LC.” The use of certain words such as Bank, Mortgage and Loan require approval from the Department of Financial Regulation.

REGISTERED OFFICE

Under U.S. regulations, all companies are required to have a registered agent and a registered office where the Secretary of State and other official parties may send legal documents. Companies are not obliged to have their registered office in the state in which they are incorporated. If the company’s registered office is in such a state, the individual may act as his or her own agent; however, if it is outside the state, he or she must assign a resident agent.

DIRECTORS

An LLC can be managed by one or more people. There are no restrictions on the nationality or residency of directors.

SHAREHOLDERS

An LLC registered in the U.S. may have only one shareholder and corporate shareholders are permitted. There are no restrictions on the nationality or residency of shareholders.



TAXATION



CORPORATE TAXES

Corporate income tax is levied by the federal government on income derived worldwide by domestic corporations and business, and on income effectively connected with the conduct of trade in the U.S. by foreign entities. A corporation is considered “domestic” for federal tax purposes if it is created or organized in the U.S. or under U.S. law. If a foreign corporation directly or indirectly acquires substantially all of the properties held by a domestic corporation, it may be treated as a domestic corporation.

Corporate income tax is levied according to the following tax brackets:

Net income:	Tax Rate:
0 to 50,000	15%
50,000 to 75,000	25%
75,000 to 100,000	34%
100,000 to 335,000	39%
335,000 to 10,000,000	34%
10,000,000 to 15,000,000	35%
15,000,000 to 18,333,333	38%
18,333,333 and over	35%

All values are in U.S. dollars (USD).

TAXES ON CAPITAL GAINS AND DIVIDENDS

Non-U.S. persons do not pay capital gain taxes, except for the sale of real estate. The capital gains tax rates are determined by the holding period of the asset: a short-term rate applies to capital gain income from assets held for one year or less, while a long-term rate applies to capital gain income from assets held longer than one year.

2017 Rates	Short Term	Long Term	Qualified Dividends
39.6% bracket	Ordinary Rates	20%	20%
25% - 35% brackets	Ordinary Rates	15%	15%
10% - 15% brackets	Ordinary Rates	0%	0%

Ordinary dividends are taxed as ordinary income.

EMPLOYMENT TAXES

The federal minimum wage is US \$7.25 per hour. Employment taxes are assessed by the Federal and State government. Social Security and Medicare taxes are imposed on employers and employees. In addition, employers are required to withhold and pay employment taxes on a set schedule, either biweekly or monthly. Employers are also required to file employment tax returns quarterly and/or annually. There is an additional 0.9% Medicare tax assessed on wages greater than \$200,000.

Tax withholding from income derived from employment is applicable according to rates of contribution:

	Employer	Employee
Social Security	6.20%	6.20%
Medicare	1.45%	1.45%
Federal Unemployment (FUTA)	0.60%	0.00%
State Unemployment (SUI)	Varies by State	0.00%

SALES TAXES / VAT

The U.S. does not levy a federal VAT or sales tax. Each state levies sales tax at various rates, subject to state-established regulations. Excluding additional local taxes, sales and use tax rates range from 2.9% to 7.25%.

In the U.S., sales tax is a tax placed on the sale of tangible personal property. Sales taxes are transaction-based taxes imposed on intrastate retail transactions and is calculated by multiplying the purchase price by the applicable tax rate. Sales tax is collected by the seller at the time of sale and is paid by the ultimate user or purchaser.

ESTATE AND GIFT TAXES

For resident individuals, the transfer taxes apply to all properties owned, whether within or outside the territory of the United States. For nonresident individuals, the transfer taxes apply to all properties (real or personal, tangible or intangible) situated within the United States.

The following are the tax rates and exclusions:

Maximum tax rate	40%
Exclusion Amounts:	
2017 Resident	\$5,490,000
2017 Nonresident	\$60,000

Individual states may impose an estate or gift tax as well.

PERSONAL TAXES

All U.S. citizens and residents, including citizens who reside abroad and resident aliens, pay federal income tax on their worldwide income, with credits for foreign income taxes. Nonresident aliens are taxed only on effectively connected income (ECI) and U.S.-source non-ECI.

Income tax brackets and their corresponding rates vary depending on whether the individual is filing as single or as married.

If the individual files as single, income tax is levied according to the following tax brackets:

Net income:	Tax Rate:
\$0 to \$9,325	10%
\$9,325 to \$37,950	15%
\$37,950 to \$91,900	25%
\$91,900 to \$191,650	28%
\$191,650 to \$416,700	33%
\$416,700 to \$418,400	35%
\$418,400 and over	39.6%

All values are in U.S. dollars (USD).

If the individual files as married, income tax is levied according to the following tax brackets:

Net income:	Tax Rate:
\$0 to \$18,650	10%
\$18,650 to \$75,900	15%
\$75,900 to \$153,100	25%
\$153,100 to \$233,350	28%
\$233,350 to \$416,700	33%
\$416,700 to \$470,700	35%
\$470,700 and over	39.6%

All values are in U.S. dollars (USD).



MARKET OPPORTUNITIES AND COMMERCIAL SECTORS



HEALTHCARE AND LIFE SCIENCES

The United States is the largest healthcare market in the world. Its enormous resources of capital and its ability to commercialize research and development have made it one of the most important export destinations for life science companies. Opportunity sectors vary by geographic region within the U.S. California has the largest biotechnology industry in the country. This region benefits from a strong academic environment, key research institutions, and a healthy business environment supported by government and industry associations. The best prospects are found in the vaccination, therapeutics, diagnostics nutraceuticals and medical devices subsectors, among others.

AEROSPACE AND DEFENSE

The United States is one of the world's largest markets for aerospace and defense exports. There are various clusters around the country, from Florida to Washington State. Avionics, navigation and other specialized systems are in high demand, as are technologies related to command, control, communication and intelligence. The U.S. Department of Homeland Security has developed biological, chemical and nuclear threat protection into an expansion subsector, and is in need of products and services for border security and security infrastructure.

CLEAN TECHNOLOGIES

Clean technologies are associated with environmental industries and renewable energy. Rapid population growth and infrastructure development has produced a strong awareness of the need for environmental assessment and remediation, and for cleaner sources of energy in the United States. This presents investors with several opportunities in areas such as engineering and product development for water treatment, supply and conservation; technologies and services for solid waste management and industrial waste disposal. Additionally, the market for alternative energy technologies is consistently expanding.



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