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Commenda Masterclass: The Do Business Series

Do Business in the USA

Understanding incorporation, tax, compliance, and hiring in the USA

The Host

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GM of Entity and Incorporation
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About Me

- GM of Entity Management & Legal Counsel at Commenda, where I own the full suite of entity services: incorporations, annual filings, foreign qualifications, and corporate secretary work.
- Former Big Law corporate attorney at Simpson Thacher & Bartlett, with deep experience advising companies on the U.S. market and corporate structuring.
- Based in New York City, working daily with founders and businesses navigating the U.S. legal and regulatory landscape.

Welcome & Agenda

What are we covering during the course of this webinar?

1. Why do business in the USA?
2. Introduction to the United States
3. Setting up a U.S. Entity
4. U.S. Taxes
5. Hiring in the U.S.
6. Tariffs

Poll

What are you looking to do in the U.S.?

1) Hire staff
2) Sell to Americans
3) Access Capital
4) Something else? Drop a comment!

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Why should you do business in the United States?

Why Do Business in the USA?

In addition to being the largest consumer and business market on Earth, the United States has one of the most business-friendly regimes available to international businesses

01

Market Access

With GDP over $30 trillion in 2025, the United States remains far and away the largest economy on Earth

02

Open for Business

Despite turmoil around international relations, the U.S. remains open for business with few barriers to entry

03

Business-Friendly Laws

The U.S. is the most favorable legal environment for businesses on Earth.

04

Access to Capital

U.S. financial markets offer unmatched access to capital through venture funding, private equity, public markets, and a robust banking system

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Introduction to the United States

See a demo or Connect with us

About the U.S.

1. 3rd largest country on Earth

- 3rd largest by land mass (3.8M square miles or 9.8M square kilometers)
- 3rd largest by population (350M people)

2. Largest economy on earth

- $30,000,000,000,000 GDP in 2025 (50% larger than the next largest)
- ~$90,000 GDP per capita in 2025
- 80% of the U.S. economy is service-based

3. The States, Districts, and Territories

- 50 states
- 1 Federal district (Washington, DC)
- 14 territories (Puerto Rico, Guam, US Virgin Islands, etc.)

4. Most economic activity concentrated in a few areas

- 30% of the total population live in California, Texas, Florida, and New York
- Largest cities are on the coasts

The United States is composed of 48 contiguous states, plus Alaska and Hawaii. The main part of the U.S. is usually called the *Continental United States*

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The Federal System 101

The legal system that binds the people, the 50 individual states, and an overarching federal government into a single nation

The Federal Government

- Based out of Washington, D.C.
- Managed by the President, Congress, and Supreme & Federal Court System
- Oversees nationwide policy making, including:
  - Corporate Taxes (IRS)
  - Immigration & work visas
  - Customs & tariffs
  - Federal labor laws (OSHA, FLSA)

The 50 States

- 50 States that each function like a small country
- Managed by a Governor, State Legislature, and State/Local Court System
- Oversees local policy making, including:
  - Entity formation and governance
  - Sales tax (no national transaction tax!)
  - Employment laws (termination & benefits)
  - Consumer privacy laws

Local Government

- Thousands of local counties, towns, and parishes
- Managed by a complex system of local governments
- Oversees local policy making, including:
  - Business licensing for specialized industries
  - Property taxes
  - Sales tax (yes, there are local sales taxes!)
  - Schools & local infrastructure

Any power not delegated to the Federal Government by the Constitution, nor prohibited by it to the States, is reserved to the States

The Federal System 101

Full Faith and Credit

- The Full Faith and Credit Clause is found in Article IV, Section 1 of the U.S. Constitution
- It ensures that documents legally valid in one state are generally recognized as valid in other states.

Documents issued in one state are valid in all other states.
You only need to incorporate a legal entity in one state!

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Setting up a U.S. entity

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Do you need a legal entity?

U.S. Entities 101

1. The States

- The U.S. business registration laws operate at the state-level
- Each state has its own laws, taxes, and process for opening an entity
- Some states are far more popular for business than others

2. Entity types

1. Corporations
2. Limited Liability Companies
3. Partnerships
4. Joint Ventures
5. Trusts
6. Nonprofits

3. Corporations are people too!

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Picking one of 50 States

1. Corporate Tax Rates
2. Business-friendly court system
3. Sales Tax
4. Ease of doing business

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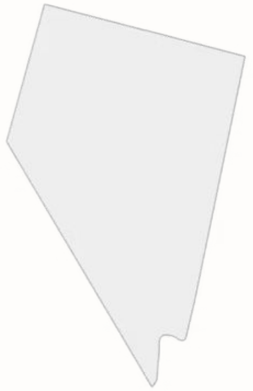
2026

The Commenda Protocol for Picking a State



Nevada

- No corporate tax
- 6.85% sales tax rate
- Comparatively expensive formation
- Improving business court system

Wyoming

- No corporate tax
- Low franchise tax
- 4% sales tax rate
- Standard formation costs
- Strong business court system
- Strong business privacy laws

Texas

- No corporate tax (but 0.75% franchise tax)
- 4% sales tax rate
- Comparatively expensive formation
- Improving business court system

Delaware

- 8.7% corporate tax rate
- No sales tax
- Standard formation costs
- Extremely strong business court system

When in doubt, Delaware

- Simple setup and annual maintenance
- Preferred by most investors and lenders for international and domestic businesses
- Currently the strongest business legal system through the Court of Chancery
- Remains the top choice for international businesses

The Delaware Courts of Chancery are currently the most business-friendly court system. Historically, New Jersey owned this title. The next likely leader is Texas.

Picking an entity type

C Corporation

1. Owned by *shareholders* who purchase stock
2. High regulatory oversight
3. Can issue multiple classes of stock
4. Double taxation risk
5. Strong limited liability protections

Best for: startups, parent companies, businesses looking to IPO

Limited Liability Company

1. Owned by *members* with membership interest
2. Option for pass-through income or C Corp taxation
3. Can be member-managed or manager-managed
4. Strong limited liability protections

Best for: e-commerce sellers, small businesses, service firms

Sole Proprietorship
General Partnership
Limited Partnership
Limited Liability Company
S Corporation
Limited Liability Partnership
Nonprofit Corporation
C Corporation
B Corporation
ProfessionalCorporation
Estates
Trusts
Joint Ventures

Entity formation

1. Choose a state & entity type
2. Define your shareholding/membership structure
3. Reserve a name
4. Appoint a registered agent
5. File articles of incorporation
6. Receive formation documents
7. Obtain an EIN
8. Open a U.S. bank account

A quick note on bank accounts

1. **Requirements**
   - State Certificate of Incorporation
   - Federal Employer ID Number (EIN)
   - Proof of address
   - Details of authorized signatory

2. **Timeline**
   - Fintech banks (like Mercury or Brex) can take as little as 1 hour
   - Traditional banks (US Bank, JP Morgan) can take a week or more

3. **Considerations**
   - Difficulty can scale based on the passport of the authorized signatory
   - Some banks may require an in-person visit
   - Most banks have no monthly fees and small minimum account balances

Quick note:
Domestic vs. Foreign entity

Domestic Corporations
A business incorporated in the state where it operates; subject to that state's corporate laws and taxes

Foreign Corporations
A business operating in a state different from where it was incorporated; requires registration in each state.

'Foreign Corporations' will have to register in any states where they reach certain nexus thresholds

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Introduction to U.S. Taxes

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Poll

True or False: US corporate tax compliance is the same across every state.

1) True

2) False

The primary U.S. taxes

1. Income Taxes

- Taxes on a corporation's earnings
- Federal tax rate: 21%
- State corporate tax rates vary
- Applies to net income (revenue minus relevant expenses)
- Filed annually with Form 1120

2. Franchise Taxes

- Taxes for the privilege of doing business in a state
- Assessed at the state level
- Apply regardless of profitability
- Can be assessed on net income, capital stock, net worth, gross receipts, or a flat rate
- Filed annually

3. Sales Tax

- A consumption tax on goods and services
- No federal sales tax
- State rates vary from 0-7.25%
- Local rates may apply (can be an additional 2% or more)
- Typically filed monthly or quarterly
- 13,000+ jurisdictions

State Corporate Taxes

Highest rate: 11.4%

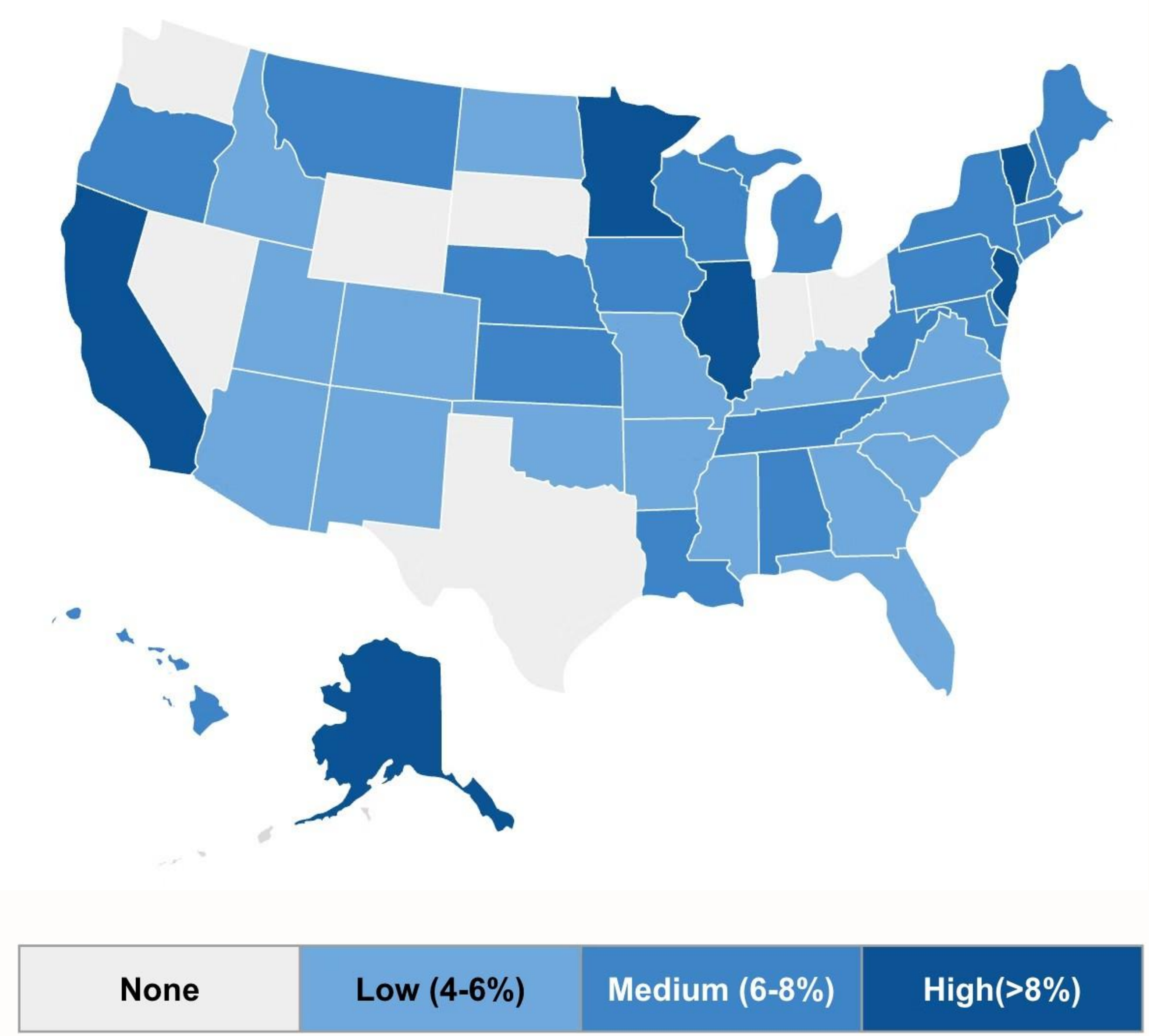
New Jersey

Lowest rate: 0%

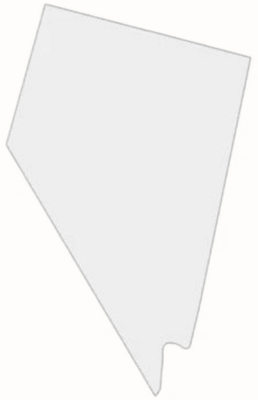
Washington, Nevada, Texas, Wyoming, South Dakota

Considerations

1. State corporate taxes are filed and paid separately from Federal corporate taxes
2. State corporate taxes may be deductible from total federal corporate tax liability



Intro to franchise taxes



Nevada

- No franchise tax.
- Annual business license fee ($200-$500)

Wyoming

- No franchise tax.
- Annual report fee ($50 minimum).

Texas

- Franchise tax as margin tax.
- 0.375% retail/wholesale, 0.75% others.
- Tax-free under $1.23M revenue.

Delaware

- Franchise tax on domestic corporations.
- Based on shares or assets. Popular incorporation location.

What is sales tax?

Consumption Tax (Indirect Tax)

- Sales tax is paid by consumers when they purchase a taxable product or service, but it's collected and remitted to the government by the seller.

Typically Added at Time of Sale

- Sales tax is usually excluded from the listed shelf price and calculated at the point of sale
- This is different from many VAT-based countries where prices are often shown tax-included.

Applied to Gross Sales, Not Profit

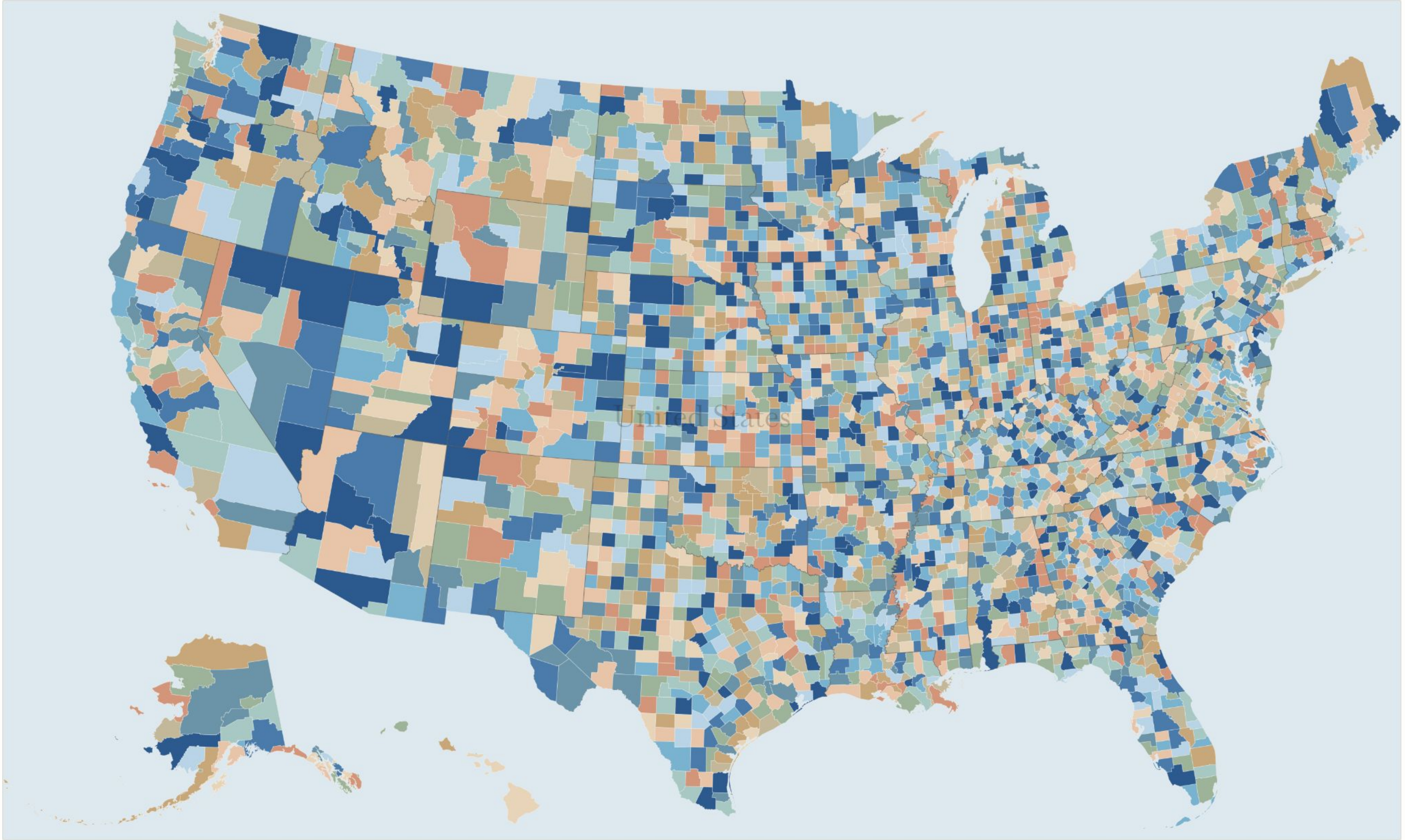
- Sales tax is calculated on the transaction amount (the price of the item or service).
- It doesn't depend on your profit margins.

Varies by Location

- Sales tax rates and rules can differ widely by state (and even by city or county).
- The sales tax rate might be 8.5% in one city and 7% in a neighboring city.

13,000+ tax jurisdictions

Each with their own rates, boundaries, rules and reporting.



Introduction to Nexus Laws

Sales Tax is applicable in a state once you cross a nexus threshold

01
Physical Nexus

Established when you have certain types of temporary or permanent physical presence in a state

02
Economic Nexus

Typically, states set a dollar sales threshold and a transactions threshold like 200 transactions or $100,000 in revenue

03
Legal Nexus

Occurs when you register a legal business entity in the state

Detailed Information available [here]

Non-Tax Compliance

1. Ownership Reporting

- The U.S. has several required ownership reports:
  - **IRS 5472**: Report of foreign-owned US corporations/foreign corporations with US operations about related-party transactions.
  - **FBAR 114:** Report of Foreign Bank and Financial Accounts for US persons with >$10,000 in overseas accounts.
  - **BOI filing:** Beneficial Ownership Information report identifying who owns/controls companies registered in the US.

- Failure to submit can come with steep penalties

2. Annual Reports

- Each state has its own Annual Reporting requirements.

- If you are incorporated in a given state, you will need to file an annual report and typically pay a franchise or margin tax.

- If you are meaningfully doing business in multiple states, you may need to file multiple annual reports.

US Hiring Basics

1. Basic overview

- Payment currency: USD
- Payroll cycle: set at the state level
- No statutory termination notice or probation periods
- Minimum wage is $7.25/hour at the Federal level, though some states have higher rates

2. Taxes & Cost to Employer

- The typical U.S. employer should expect to spend ~12% on top of salary for an employee, excluding benefits
  - Social Security taxes
  - Federal & State unemployment insurance

Benefits and leave

As with all things, benefits vary highly by state

1. **Mandatory Benefits**
    - Social Security & Medicare
    - Workers' Compensation
2. **Leave and time off**
    - No mandatory time off, but most businesses will offer 2 weeks or more per year
    - Some states and cities require sick leave
    - Family and Medical Leave Act mandates up to 12 weeks of unpaid, job-protected leave for qualifying employees at companies with 50+ workers
3. **Healthcare**
    - U.S. has a primarily privatized healthcare system
    - There is no mandate for employers under 50 employees to offer coverage

Termination, Contracts, and

1. **Contracts**

    - Must be in writing
    - Required terms include role, pay, leave, and termination
    - Important to include clauses for intellectual property

2. **Termination rules**

    - At-will employment: employees can leave at any time, employers can terminate employment at any time
    - Strict rules around anti-discrimination and retaliation in termination

Worker classification: basics and why it matters

How businesses decide if someone is an employee or a contractor, based on U.S. labor laws

Why does it matter?

- Determines legal rights, tax obligations, and benefits.
- Misclassification can result in financial penalties, back taxes, and reputational harm.

The IRS 3-Factor Test

- **Behavioral Control:** Employer directs when/where/how work is done; provides training/equipment; determines sequence/order of tasks.
- **Financial Control:** Contractor has unreimbursed expenses; invests in facilities; makes services available to market; can profit/lose.
- **Relationship:** Written contracts; no benefits (health/pension); permanent/ongoing relationship suggests employee status.

State-level registrations

Registration Types

1. Payroll tax registration
2. State Unemployment Insurance (varies highly by state)
3. Workers' Compensation Insurance Registration
4. Secretary of State registration

Why does it matter?

- Can result in stiff back-penalties if you don't register on time
- Most payroll software tools will require these registrations prior to setting up

Poll

What's stopping your business from expanding into the US market right now?

1) We don’t know where to start
2) Uncertainty about the cost or what’s required
3) Too much to coordinate
4) Not ready for the U.S. market
5) Nothing - we're ready

Something else? Drop a comment

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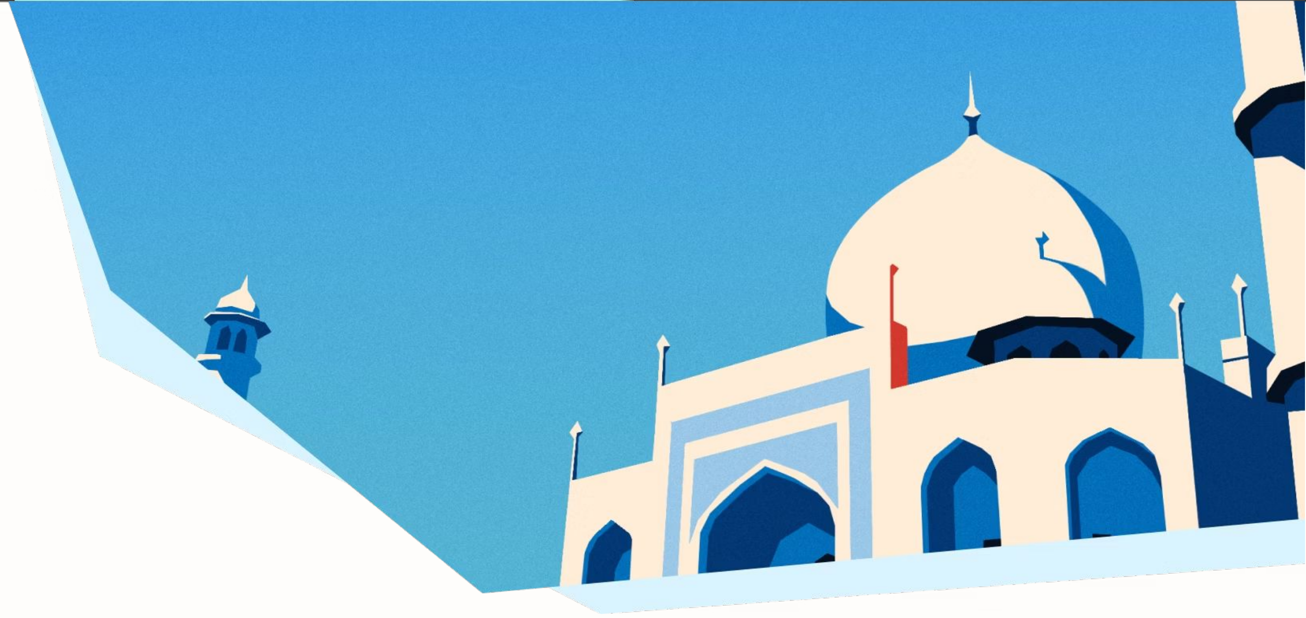
Select "Yes" in the poll and we'll email your certificate of completion after the webinar.

About Commenda



Commenda is the all-in-one platform for global tax and compliance — helping businesses manage entities, navigate taxes, and stay compliant anywhere on Earth.

Entity Management
Incorporate, manage, and stay compliant in the U.S. or anywhere on Earth

Tax & Accounting
Corporate tax filings and compliance

Transfer Pricing
Streamlined documentation and expert advisory

Other Services
On demand legal, tax, and compliance experts

U.S. Sales Tax
Automate U.S. sales tax nexus tracking, calculation, and filing

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Q&A

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Thank you!

Book a demo or scan the QR code to book a call with one of our in-house U.S. expansion experts.