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Operating in the **US** **multistate environment**

A guide for international companies



Operating in the US multistate environment: a guide for international companies

Expanding to the United States is an exciting growth opportunity for entrepreneurs. However, many assume that doing business in the US market is relatively straightforward and free from the administrative complexity found in many other parts of the world.

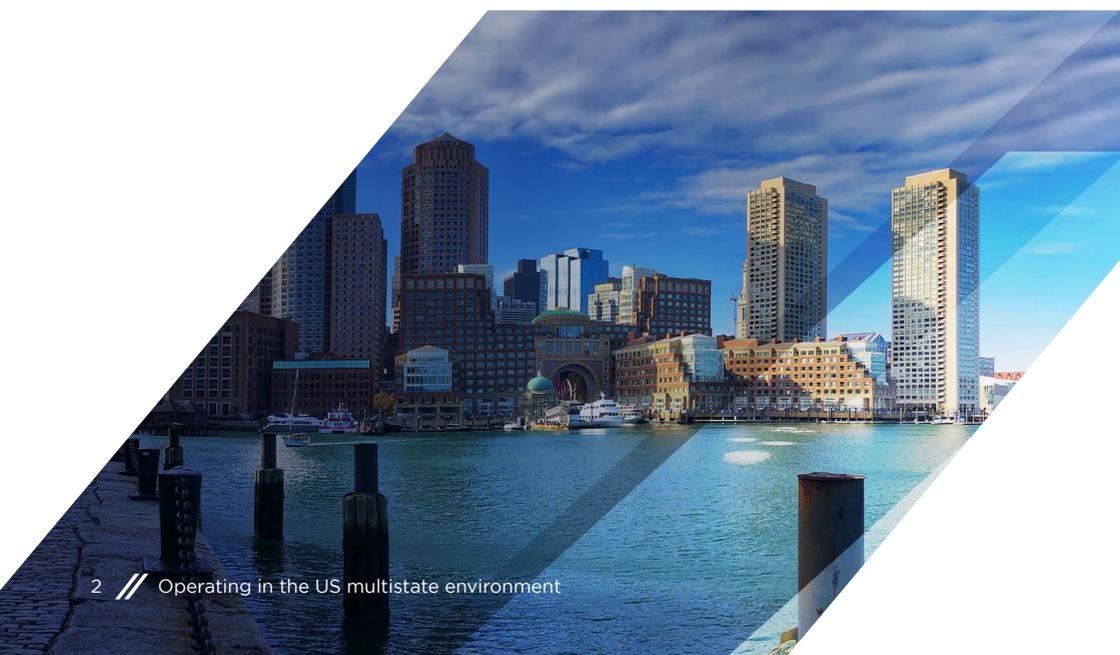
The reality is quite different. The US is a federal union of 50 states, each operating with its own set of laws, taxes, and regulatory frameworks.

As a result, running a business across state lines involves navigating a patchwork of varying rules, particularly in four critical areas: taxation, labour laws, corporate regulations, and health insurance systems.

Here's what you need to know.

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Taxation: a multistate puzzle

Corporate taxes

Most US states impose some form of corporate tax, such as a corporate income tax, franchise tax or commerce activity tax.

Key considerations:

- | Corporate tax rates vary significantly by state.
- | States use different corporate tax bases. Some states tax corporate net income, while others tax gross revenue or assets.

Sales taxes

Nearly all states levy a tax on the sales of products or services. Commonly known as 'sales tax', it can also be referred to by other names such as transaction privilege tax or retailer occupation tax.

Key considerations:

- | Sales tax rates differ across states. To complicate matters, many states have multiple sales tax rates depending on the locality where the goods and/or services are sold. This leads to thousands of sales tax rate combinations nationwide.
- | Sales tax base also varies by state. Sales tax may apply to different types of products and/or services depending on the state or even the city where the goods or services are delivered.

Challenges for international businesses:

- | Identifying states in which to file tax returns and where taxes must be paid or collected.
- | Allocating taxable income or revenue between states.
- | Registering for taxes in every jurisdiction where business is conducted.
- | Managing compliance with local tax rules, including specific locality-level taxes.

In short, even a modest US presence can trigger complex tax obligations across several states.

Labour laws: state-specific and complex

Labour regulations in the US are primarily set at the state level. This includes rules about payroll, leave policies, and employment agreements.

Additionally, in most states, employers must withhold personal income taxes from employee wages and contribute to state unemployment insurance systems.

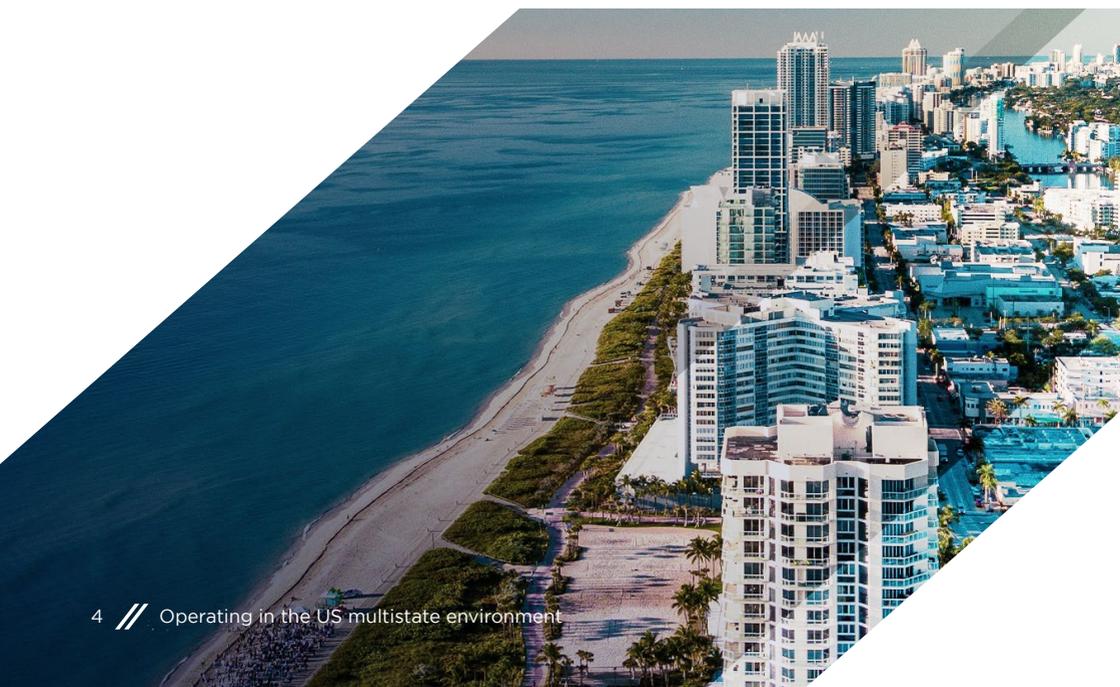
State-level rules can affect:

- | Payroll frequency.
- | Which payroll deductions are allowed.
- | Vacation and sick leave policies.
- | Whether restrictions in employment agreements, like non-competes and confidentiality clauses, are enforceable.

What international employers must do:

- | Draft employment agreements that comply with each state's legislation.
- | Adjust payroll schedules based on employee location.
- | Register for tax withholding and unemployment insurance in each state and submit required filing.

In short, hiring a single employee in another US state may require an international business to register for taxes and comply with entirely different labour regulations.



Corporate laws: no such thing as a “US company”

There is no federal corporate law framework in the United States. All business entities, whether corporations or limited liability companies (LLCs), are created under state law.

What does this mean:

- | A company formed in one state must register in any other state it operates in, to be considered a legal entity in that other state.
- | Failing to register can prevent the business from taking legal action within that state and may expose shareholders and management to legal liabilities.

Challenges for international businesses:

- | Corporate entities must register in every state where they are ‘engaged in business’.
- | The definition of ‘engaged in business’ varies from state to state and is subject to interpretation.



Health insurance: a state-by-state system

The US healthcare system relies heavily on private health insurance, which is primarily regulated at the state level.

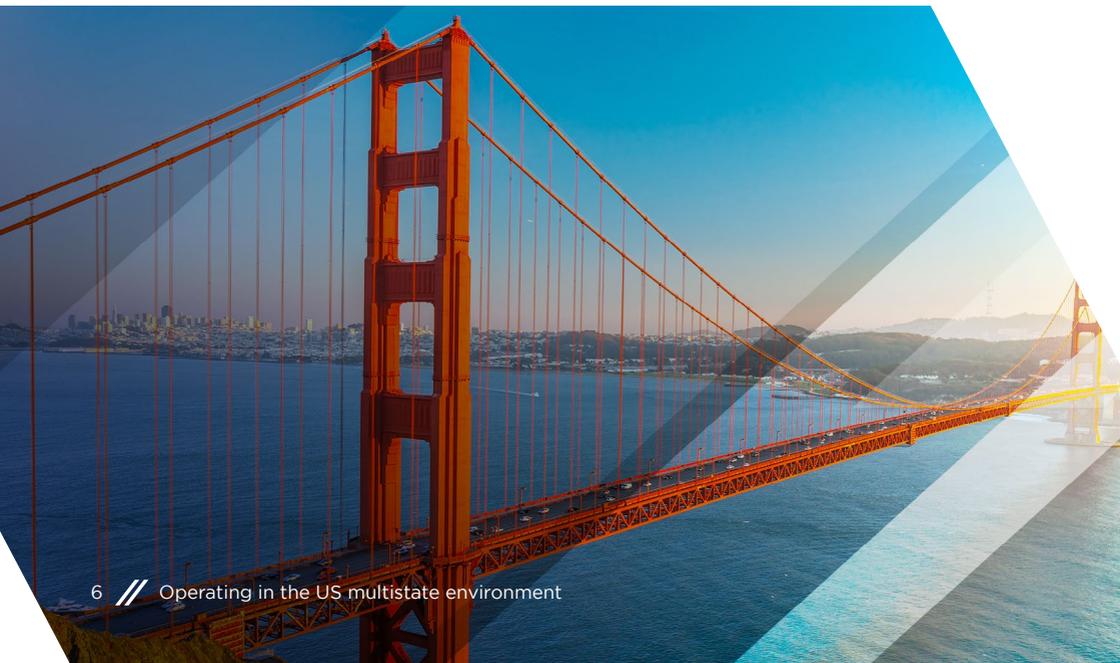
Therefore, insurance networks, plans, and regulations differ significantly from state to state.

This creates an added layer of complexity for employers operating in multiple states and willing to offer health, dental, or vision coverage.

What international companies should know:

- | Not all insurance providers operate in every state.
- | Some insurance plans have geographic restrictions and may not cover employees in certain areas or states.
- | Certain states allow 'class-based benefits' which enables employers to offer different plan benefits to different employee categories. Other states prohibit the practice.

In short, if you plan to offer an employee benefits package, you'll need to be aware of state-specific regulations and insurance markets.



Conclusion: scaling across states means multi-challenges

Operating across multiple states in the US is anything but simple and presents a steep learning curve. Even something seemingly simple, like hiring a new employee in a different state, can trigger additional registration requirements, tax obligations and policy changes.

And this article only scratches the surface. There are other areas such as environmental regulations, licensing requirements and privacy laws, where state rules diverge and compliance is critical.

For international companies to successfully navigate the complex US multistate landscape, ambition alone isn't enough. They must stay informed, remain adaptable, and most importantly, have the right guidance.

How ZEDRA can help

Our Global Expansion experts in the US understand the intricacies of operating in a federal system.

Together with our network of local advisers, we can help you expand your business with confidence while ensuring compliance in every state you enter and minimizing the risk of costly administrative errors.

Contact [Raphaël de Roubin](#) to gain additional advice about operating across the US.



The content of this document is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.

This document must be read in conjunction with our Legal and Regulatory notice at www.zedra.com