

Do's & Don'ts for Foreign Person Doing Business in the U.S.



Dennis M. Lee, C.P.A.

Managing Director

Dennis M. Lee & Associates

An Accountancy Corporation

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Do's & Don'ts for Foreign Person Doing Business in the U.S.



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- ✦ **Do's – Do talk to the trusted advisors i.e. attorney, CPA, etc., and explore all options beforehand**
- ✦ **Don'ts – don't believe in “one size fits all” solution**

Do's & Don'ts for Foreign Person Doing Business in the U.S.



✦ **What are the options on doing business
in the United States ?**

✦ **What are the key considerations?**

✦ What are the choices?



- **Sole Proprietorship – Single owner/Self Employed**
- **Corporation – “C” Corporation or “S” Corporation (by making a tax election)**
- **Partnership – General or Limited Partnership**
- **Limited Liability Company (“LLC”)**

✦ What are the key considerations?



- ✦ **Type and number of owner(s) e.g. U.S. or foreign persons**
- ✦ **Formalities**
- ✦ **Control**
- ✦ **Transferability**
- ✦ **Liability protection**
- ✦ **Taxation**

Sole Proprietorships:

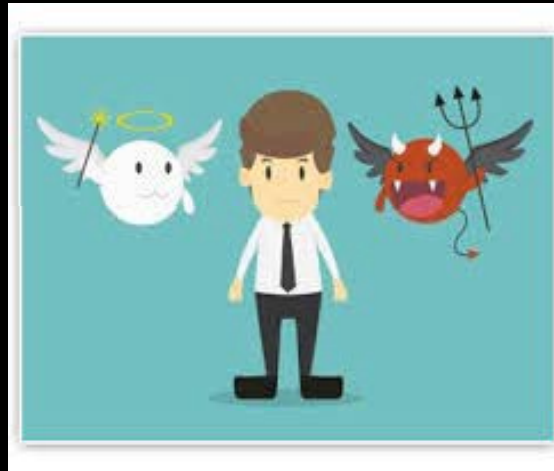


An unincorporated business owned and managed by one person, for the purpose of making a profit

Pros:

- **Minimal formalities**
- **Simple and straightforward formation**
- **No separate tax filings – Schedule C**
- **No annual fees**

Sole Proprietorships (continued):



Cons:

- **Unlimited liability - personally liable for the debts and obligations**
- **Self-employment taxes**
- **Difficulty in selling the business**
- **Challenges in raising capital**

“C” Corporation:



Multiple owners/shareholders, separate legal entity, governed by officers, and board of directors

Pros:

- **Limited liability – generally not personally liable for the debts and obligations of the corporation**
- **Flexibility – common stock, preferred stock**
- **Ease of transferring ownership e.g., stock**
- **Possible tax advantages e.g. lower corporate income tax rate**

“C” Corporation (continued):



Cons:

- **Double taxation – income taxed on corporate level (1st), and dividends from C Corporation taxed on shareholder level (2nd)**
- **Formalities**
- **Additional costs and filing fees**

“S” Corporation:



Multiple owners/shareholders, separate legal entity, governed by officers, and board of directors

Pros:

- **No double taxation (taxed on shareholders level only)**
- **Liability protection – generally not personally liable for the debts and obligations of the corporation**
- **More limited tax advantages**

“S” Corporation (continued):



Cons:

- **Ownership restrictions – no more than 100 shareholders, must be individuals, and cannot be foreign nationals**
- **Less flexible – single class of stock, pro-rata distributions**
- **Formalities**
- **Additional costs and filing fees**

Limited or General Partnership:



Multiple partners, limited and general partners, separate legal entity, general partners manage the company

Pros:

- **No double taxation**
- **Limited liability for limited partners – generally not personally liable for the debts and obligations of the partnership**
- **Less formalities than corporations**
- **Flexible - Special allocation of income and losses**

Limited or General Partnership (continued):



Cons:

- Partnership interests not freely transferable
- Unlimited liability for general partners
- Limited partner cannot participate in management of business
- Additional costs and filing fees

Limited Liability Company:



Hybrid entity between a partnership and a corporation, multiple members, separate legal entity, managers or members manage the company.

Pros:

- No double taxation
- Limited liability – generally not personally liable for the debts and obligations of the company
- Less restrictions on type of members
- Tax advantages, e.g. special allocations

Limited Liability Company (continued):



Cons:

- Membership interests not as freely transferable as C corporation
- Liability protection – very little precedent
- Annual LLC fees, e.g. \$900 to \$11,790 in California
- Additional costs and filing fees

Taxes/Tax Rates & Fees for 2019



United States – Federal & State Income Taxes

Federal:

- **C Corporation – fixed income tax rate of 21% (vs maximum income tax rate of 35%)**
- **S Corporation/LLC/Partnership – taxed on the shareholder/member/partner level & at his/her/its rate**
- **Individual – maximum income tax rate of 37%**

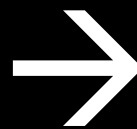
Taxes/Tax Rates & Fees for 2019



States e.g. California:

- **C Corporation – 8.84% (\$800 minimum)**
- **S Corporation – 1.50% of net income (\$800 minimum)**
- **LLC – \$800 + LLC fees (\$900 to \$11,790)**
- **Partnership – \$800 minimum generally**
- **Individual – 13.3%**

We are here to assist you to know all facts and circumstances then you will make the best choice and set up the right business entity in the United States and also to help you to grow your business in the United States



Contact information



Dennis Man C. Lee, C.P.A.

Dennis Lee & Associates 2

**Park Plaza, Suite 450 Irvine,
CA 92614, U.S.A.**

Website: www.klp-group.com

E-mail: dennislee@klp-group.com

Tel: (949) 861-2529