Doing Business in the United States

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This booklet is designed to provide an overview of the business climate in the United States. The discussion surveys the many considerations involved in establishing a business enterprise in the United States. While every attempt is made to keep this publication current and concise, the rapidity of change and the complexity of our interrelated world is a strong indication that consultation with professional advisors is indispensable. The highly skilled and dedicated professionals of PKF North American Network and PKF International Limited look forward to working with you to review, assess, and implement your business plans. We are committed to responsiveness and dedicated to excellence.

Although the greatest possible care was observed in creating this publication, the possibility always exists that certain information may, in time, become outdated. PKF North American Network and PKF International Limited, therefore, accept no liability for the consequences resulting from activities undertaken on the basis of this publication. Consultation about your business opportunity with a professional advisor remains necessary at all times.

In addition, under U.S. Treasury Rules issued in 2005, we must inform you that any advice in this communication is not intended or written to be used, and cannot be used, for the purpose of avoiding any government penalties that may be imposed on a taxpayer.

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Foreword

This booklet is produced as a service to the clients of the member firms of PKF North American Network and PKF International Limited, and as an introduction to the fiscal and commercial environment of the United States for those who are considering doing business within its jurisdiction. The contents provide a guide for understanding the business processes, not a complete description of everything a business or entity needs to know. This booklet should not be used as the basis for any decision in the complex areas of U.S. commercial and tax law. Because the laws of the United States are constantly being modified – both legislatively and judicially – clients are advised to seek specific professional advice from any PKF North American Network member firm before proceeding with any activities involving the United States.

A key component of doing business in the United States is to understand the various legal jurisdictions that impact businesses. Laws affecting business can be enacted by all government entities – federal, state, county and municipality. Often county and municipality are referred to as "local." While it does not occur often, various laws enacted by the separate entities can be in conflict. The appendix has contact information for many business-related federal agencies, along with each state's contact data.

Demographic and environmental overview

Geography and population

The total area of the United States is 3,679,192 square miles (5,921,086 kilometers). The mainland stretches nearly 2,800 miles (4,506 kilometers) from the Atlantic Ocean to the Pacific Ocean, and approximately 1,600 miles (2,575 kilometers) from Canada in the north to Mexico in the south. The noncontiguous states include Alaska, which lies northwest of Canada and borders the Arctic Ocean, and Hawaii, located in the Pacific Ocean approximately 2,000 miles (3,219 kilometers) from the mainland. The population of the United States is approximately 295 million. Similar tax laws and special rules apply in the Commonwealth of Puerto Rico and the overseas territories of American Samoa, Guam, Northern Mariana Islands, and the U.S. Virgin Islands.

Political system

The United States declared its independence from the United Kingdom in 1776 and established a federal republic that now consists of 50 politically separate states and the District of Columbia (Washington, D.C.), the seat of the federal government. The United States has a written constitution; the legal system is based on English common law. However, the state of Louisiana derives its law from the Napoleonic civil code, and eight states have community property laws. The federal government is a tripartite system consisting of independent executive, legislative and judicial branches. Each state has a statewide government elected by the residents of their state. Within the state, there are political subdivisions, known as counties in most states (parishes in the state of Louisiana). Within the counties, there are cities, towns, villages and other local municipalities. Each political entity has the capability of enacting laws that impact its residents.

Economics

A free enterprise system, coupled with an abundance of natural resources and a highly educated work force, produced a gross domestic product of approximately $11.75 trillion based on 2004 data. The United States evolved from a primarily agricultural economy in the 19th Century to a highly industrialized one for most of the 20th Century. However, in the past few years, the country's orientation has become increasingly service-based. The United States, a major contributor to international financial agencies, created free trade agreements with Canada and Mexico (NAFTA) and Central America (CAFTA). The United States is also a member of the World Trade Organization (WTO), the General Agreement on Tariffs and Trade (GATT), the Organization for Economic Cooperation and Development (OECD), Asia-Pacific Economic Cooperation (APEC), and the Organization of American States (OAS).

Communications and transportation

The nation has a comprehensive network of internal and external communications systems, which includes all forms of wired connections, almost 100 percent universal coverage for cellular technologies and a quickly growing implementation of wireless networks. The transportation network for the movement of goods and services is extensive and varied. While paper maps are readily available for purchase, Web-based companies, such as Google, MapQuest and Yahoo, have extensive online mapping capabilities that provide specific address locations, along with driving directions between multiple points.

Services and exchange controls

Foreign corporations have the opportunity to do business throughout the United States. The Appendix lists contact information for each state's economic development resource. Contact the appropriate organization for more detailed information about the structure of doing business in that state.

The two major financial centers are in New York City and Los Angeles. Washington, D.C. is a focal point for government-assisted financing, while Chicago, Miami, Atlanta and Dallas/Houston are major regional financial centers. Through the Internet, financial transactions can be placed instantly from any location to any other location. This enables a significant dispersion of growth throughout the country. There are no exchange controls. Information returns are sometimes required on the transfer of large sums of cash or cash equivalents.

Finance

The U.S. banking market comprises several types of financial institutions, including commercial banks, investment banks, savings banks, savings and loan associations and credit unions. In addition, specialized institutions, including leasing companies, finance companies and factoring companies, offer asset-based financing. Commercial banks supply the most funds to businesses. Short-term financing is usually arranged as a line of credit. Medium-term financing, generally a term of five to seven years, is often used by foreign investors to begin U.S. operations. As a condition of the loan, a bank usually requires execution of a note and a formal loan agreement that may restrict the borrower's decision-making powers through special covenants. Personal guarantees and audited financial statements are commonly required. Investment bankers are often called on to arrange financing through the sale of stock, debt obligation or commercial paper.

Grants and incentives

The federal government provides equal treatment to domestic and foreign investors. While not granting special tax packages or concessions to foreign investors, the government refrains from imposing any specific discriminatory tax burdens on them. Available concessions or tax holidays are generally offered by state or local governments and are tied directly to investments in the specific jurisdiction.

Regulatory environment

The U.S. regulatory environment is a combination of open competition and consumer protection. The U.S. Constitution contains an interstate commerce clause that permits the federal government to exercise regulatory control over all businesses engaged in interstate commerce. For a business that is specifically "intrastate" (within one state), such as a restaurant, all regulatory powers reside within the state and its local governmental units. It is important to verify any regulatory information because laws and legal interpretation of the laws are frequently modified. The general policy is to encourage the dissemination of information that allows investors and consumers to sustain order and structure in the marketplace. There are no price or currency controls, but a minimum wage for employees does exist.

Acquisitions and mergers

The federal laws governing mergers and acquisitions are administered by the Federal Trade Commission and the Department of Justice. These laws are intended to prohibit, under certain conditions only, mergers or acquisitions that might have the effect of substantially lessening competition. In the case of certain large transactions, advance notice must be given to the Federal Trade Commission pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

Securities

The Securities and Exchange Commission (SEC) is the primary federal agency that regulates the offering of securities in the United States. One of its primary functions is to assure full and accurate disclosure of financial and business information on securities sold in the United States. The SEC also regulates the securities markets and may bring enforcement actions for improper actions taken with respect to securities transactions.

A foreign investor who wishes to acquire a U.S. corporation may tender cash or issue its own securities in exchange for the stock of the U.S. company. A tender offer requires the foreign investor to file certain information with the SEC. If the acquisition is to be made through the issuance of securities, the acquiring company must file a registration statement with the SEC. All U.S. companies that have securities registered with the SEC, and all companies whose shares are listed on a stock exchange, are required to file periodic reports with the SEC. These quarterly and annual reports also are required of any corporation whose stock is sold over-the-counter and has assets of more than $10 million or at least 500 shareholders. All public companies must have their financial statements audited annually and reviewed by independent accountants on a quarterly basis. Such independent accountants must be registered with the Public Company Accounting Oversight Board (PCAOB).

There are separate requirements for obtaining a listing on any one of the stock exchanges. Companies also must be aware that many states have specific requirements for filing and disclosure of securities transactions.

Alternatives to an audit

Unlike many foreign jurisdictions, no statutory audit requirements generally exist except for public companies. However, banks and other lending institutions often require specific financial information from their clients and may require a client to undergo an annual audit by an independent accounting firm.

Although there is no audit requirement, companies wishing to do business in the United States should consult with their financial professionals on alternatives to an audit. In addition to an audit, simpler and less-costly alternatives include a review or compilation.

Consumer protection and special industries

A number of consumer protection laws are enforced by federal agencies such as the Consumer Product Safety Commission (CPSC), the Environmental Protection Agency (EPA) and the Food and Drug Administration (FDA). Companies must take notice of the various agencies that have the authority to regulate specific organizational products or processes. In addition, certain industries are subject to regulation because of the nature of their activities.

The Department of Transportation (DOT) has jurisdiction over railroads, trucking, water transport and pipelines engaged in interstate commerce. The Federal Communications Commission (FCC) has authority over television, radio and data transmission. Banks, insurance companies and public utilities are all subject to regulation at the federal level and, in most cases, at the state and/or local level as well.

Legal protection for intangibles

U.S. law extends legal protection for certain intangible assets, or intellectual property. A trademark is a word, phrase, symbol or design that identifies and distinguishes the source of the goods of one party from those of others. A copyright protects an original artistic or literary work; a patent protects an invention. Copyrights and patents are only issued through the federal government; states do not provide any such legal protections. A copyright lasts from the moment of its creation until 70 years after the death of the creator. Computer software qualifies for copyright protection. While it is recommended, a trademark need not be registered with the U.S. Patent Office. A trademark is good as long as it is used, and it lapses after two years of non-use. A patent granted by the U.S. Patent Office will last for 20 years. While historically granted for protecting tangible property, patents are also issued for other types of businesses, such as those that create new forms of life (genetic engineering). It is important to register the business name with the appropriate state department or agency.

Sarbanes-Oxley Act

The Sarbanes-Oxley Act went into federal legislation in November 2002. Also known as the Public Company Accounting Reform and Investor Protection Act, abbreviated names include “Sarbox” and “SOX.” Among other provisions, the Act requires all public companies to submit an annual report of the effectiveness of their internal accounting controls to the SEC. The Act focuses on a wide range of governance issues with an emphasis on preventing fraud and deception by public companies.

The major provisions of SOX include a required external auditor report on internal controls, increased disclosure regarding all financial statements, and criminal and civil penalties for noncompliance violations. SOX affects all public U.S. companies, as well as non-U.S. companies with a presence in the United States. In addition, many private companies and even nonprofit organizations are voluntarily adopting many of the provisions in the Act based on due diligence and board of directors’ requests.

Other SOX measures regulate the activities of audit committees responsible for the review of company compliance. In addition, there is a major focus on the archiving of all communications, and the creation of transparent and auditable systems for recording transactions, dealings and business correspondence.

Because it is new, the impact of SOX is in its formative stages. It is very important to discuss the possible impact of this legislation on the control and reporting requirements of companies doing business in the United States. Contact a PKF North American Network member firm to explore the impact of SOX on your business.

Forms of business organizations

U.S. corporation

A corporation is a separate legal entity usually created under the laws of one of the states or the District of Columbia. Each state enacts its own laws regarding the formation and operation of corporations. Although the basic corporate laws are similar, there are differences that may argue for or against specific states in which to incorporate.

In any state, the documents necessary to create a corporation may be obtained from the secretary of state's office in the state's capital city. After incorporation, annual reports must be filed and a fee must be paid. A corporation doing business outside its state of incorporation may find it necessary to register to do business in other states. Registration is accomplished by filing the appropriate documents and filing fee with the secretary of that particular state. Generally, registration will automatically subject a corporation to taxation (including state and local income and franchise taxes) in that jurisdiction.

Technically, the classification of an entity as a corporation for tax purposes is independent from the entity's status under state law. Tax regulations interpreting the U.S. Internal Revenue Code ("Code") classify an entity as either an "eligible entity" or as a corporation under "the check-the-box" rules. The entity is treated as an eligible entity unless it is one of the types of entities classified as a corporation. An eligible entity is an entity that neither meets the definition of a trust nor a corporation. Eligible entities are able to "elect" corporate status. If no election is made, then the entity is treated 1) as a partnership for tax purposes if it has two or more owners, or 2) as "disregarded" as an entity separate from its owner if it has a single owner. Typical examples of an eligible entity are limited liability companies (LLCs), partnerships or sole proprietorships. (LLCs and partnerships are discussed below.)

Under regulations, certain business entities are "per se" corporations that receive mandatory treatment as corporations for tax purposes, such as:

- a business entity organized under a federal or state statute, or under a statute of a federally recognized Indian tribe, if the statute describes or refers to the entity as incorporated or as a corporation, body corporate, or body politic. These entities include governmentally chartered corporations, as well as business corporations.

- a business entity organized under a state statute, if the statute describes or refers to the entity as a joint-stock company or joint-stock association.
- an insurance company.
- a state-chartered business entity conducting banking activities, if any of its deposits are insured under the Federal Deposit Insurance Act.
- a business entity wholly owned by a state or any of its political subdivisions.
- a business entity that is taxable as a corporation under a provision of the Code, such as a public partnership.
- business entities formed under the laws of U.S. territories and possessions.
- certain foreign business entities classified under Internal Revenue Service (IRS) prescribed lists.

These "per se" corporations are called "regular" or "C" corporations, and they are subject to U.S. tax on worldwide income regardless of where it is earned. U.S. corporation earnings are generally subject to double taxation: initially at the company level and then at the shareholder level when dividends are received. A distribution from a U.S. corporation to a shareholder will be treated as a dividend to the extent it is paid out of current or accumulated earnings and profits. Dividends are not deductible by the corporation. Some relief rules exist for certain inter-company dividends. Dividends paid by a U.S. corporation to non-U.S. persons are subject to 30 percent withholding unless reduced by treaty.

Branch of a foreign corporation

A branch is a part of a corporation and not a separate legal entity in the United States. A foreign corporation may establish a U.S. branch and commence business at any time. Advice should be obtained from legal counsel regarding the merits of registering to do business in states in which the branch (or company) intends to operate, as well as determining the advisability of obtaining limited legal liability.

If a foreign corporation wants to establish a U.S. branch, use of an LLC should be considered. As a general rule, the U.S. branch of a foreign corporation is subject to regular U.S. income tax on net income that is effectively connected to the U.S. business. Investment-type income not effectively connected with a U.S. trade or business is taxed at 30 percent or lower treaty rate. The United States also maintains a branch profits tax (BPT) that is imposed in addition to the regular corporate tax. The BPT is calculated as 30 percent of the “dividend equivalent amount,” and can result in federal corporate tax liabilities as high as 54 percent. The BPT can be reduced or eliminated through tax treaties.

Partnership

For legal purposes, a partnership is defined as an association of two or more persons formed to carry on a business for profit as co-owners. Defined by U.S. tax law, a partnership includes a syndicate, pool, joint venture or other unincorporated organization by which any business is conducted – and which is not, for federal income tax purposes, a corporation, trust or estate. Each state and the District of Columbia has its own laws governing the formation and operation of partnerships. Limited partnerships are usually formed under the state’s recognized Limited Partnership Act. Public partnerships are defined as those whose interests are traded on an established securities market (or a secondary or equivalent market). Public partnerships are taxed as corporations.

Partnerships are generally treated as conduits for U.S. income tax purposes, and each partner recognizes a proportionate share of income, loss and credit, whether or not it is distributed to the partners. Partnership law allows for much flexibility for allocation of profits and losses, as well as distributions, if the partnership agreement meets the “substantial economic effect” rules in the regulations. Any partnership engaged in a trade or business in the United States that has foreign partners must withhold the highest U.S. tax rate on the foreign partner’s distributive share of business income. Similar rules may apply at the state level to nonresident partners.

Limited liability company

The limited liability company (LLC) is still a relatively new organizational structure. Its purpose is to provide limited liability for owners while maintaining a single level of tax. The LLC offers the advantages of a partnership, while eliminating some of the drawbacks of these entities. Properly structured, an LLC with more than one member is treated as a partnership for tax purposes, providing all of a partnership's flexibility with the limited liability protection of a corporation. The LLC also may have foreign persons as members. Because LLCs provide significant flexibility for U.S. tax planning, the use of these entities is common. For example, single-member LLCs can serve as divisions of corporations, or as owners of sole proprietorships while enjoying limited liability protection. State tax planning needs to be considered with LLCs since the treatment varies throughout the nation.

Accounting

Conducting business in the United States requires establishing an appropriate method of record-keeping that will enable proper reporting of the results of business operations. The accounting requirement enables full and fair disclosure of the financial condition in compliance with applicable accounting principles, laws, rules and regulations.

This effort starts with the understanding of the state and federal requirements. Most companies establish their business within a state, and as a result, must first comply with the state regulations for establishing a business, along with the reporting rules and requirements for maintaining proper accounting records. U.S. tax laws provide only general guidelines that support the preparation of appropriate tax returns. There are additional requirements for companies issuing publicly traded securities. For example, the Foreign Corrupt Practices Act is a significant set of rules for maintaining books and records that properly reflect all business transactions.

Tax accounting and reporting

Depending on the type of business organization, the company may choose the accrual or cash method of accounting. Companies with gross receipts less than $5 million may generally choose the cash method, while those with $5 million or more in annual gross receipts must, with a few exceptions, use the accrual method for U.S. tax reporting.

Private businesses are not required to publicly disclose the results of their financial operations. Based on their own requirements, banks and other lending institutions may require these businesses to issue annual or more frequent financial statements. Public companies are required to present annual financial statements to shareholders and comply with the SEC's rules and regulations, including the requirement of an annual audit.

The fundamental guidelines for maintaining accounting records include the following:

- Accounting records are kept in accordance with the laws of each applicable jurisdiction.
- Accounting records fairly and accurately reflect the transactions or events to which they relate.
- Accounting records fairly and accurately reflect the company's assets, liabilities, revenues and expenses.
- All transactions are supported by accurate documentation in reasonable detail.
- Company financial reports are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP).
- The company has an appropriate system of internal accounting controls.

Accounting principles

Generally Accepted Accounting Principles (GAAP) is the recognized set of standards for the preparation of financial reports. The Financial Accounting Standards Board (FASB) and Governmental Accounting Standards Board (GASB) are recognized and supported by the SEC and the accounting profession as authorities for rules and guidelines for accounting principles. The American Institute of Certified Public Accountants (AICPA) issues pronouncements for the fair and accurate reporting of the results of business transactions. Over its history, the AICPA has issued guides on accounting matters, including Practice Bulletins and Statements of Position. The AICPA is a member of the International Federation of Accountants (IFAC) and works to sustain compatibility among the various U.S. and international standards and principles.

The key elements for adhering to accounting principles are consistency throughout each reporting period and consistency among succeeding periods. Any changes to the application of accounting principles must be explained.

The valuation of company assets needs to reflect their original cost basis. With the exception of marketable securities, it is typically incorrect to increase or decrease the value of an asset as shown on the records of the company. This requirement needs to be assessed for any unusual events, such as man-made or natural disasters that can substantially impact the usability of the asset. The cost associated with each asset includes direct and indirect costs of acquisition.

All physical assets, including property and equipment, are subject to depreciation adjustments that would allow the financial statements to reflect the asset's original cost minus the accumulated depreciation. There are tax guidelines that specifically describe the various ways companies can use depreciation as a method of expensing depreciating assets. These guidelines provide for various methods of accelerating depreciation amounts in the first years of owning the asset.

Expense allocation

Whether a company is on a cash or accrual basis for tax purposes, payments for business operations are expensed in the year they are paid. Some classes of expenses can be "capitalized," meaning their impact will be spread over several periods. Examples include expenses that pay for development of company assets such as new buildings, computer software, furniture and equipment. The company can elect to amortize the capital expenses over multiple periods following appropriate accounting principles. This capitalization and amortization is subject to review by taxing authorities.

Financial reporting

Financial statements must follow the appropriate accounting guidelines and, if necessary, regulatory requirements of various government agencies. Balance sheets reflect the status of the company's assets, liabilities and retained earnings at a specific date and time. Income statements reflect the results of business operations for a specific period of time. Generally, companies will issue these statements for the current period, along with the comparative information for the immediately preceding reporting period.

Companies are also required to include a Statement of Cash Flow that demonstrates the receipt and uses of cash throughout the reporting period. The format and items to include are most often presented according to GAAP rules. Regulated industries, such as securities and banking, must adhere to specific reporting requirements.

Public companies must have an annual financial audit conducted by an independent Certified Public Accountant (CPA). Many other organizations may require an audit or annual review by an independent CPA as well. Audits of public companies are conducted in accordance with standards of the Public Company Accounting Oversight Board (PCAOB). Audits of other organizations are conducted in accordance with Generally Accepted Auditing Standards (GAAS) that are issued and supported by the AICPA. The audit's essential element is the opinion of the auditor that the information contained in the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows in accordance with GAAP.

More information can be found on the AICPA Web site and other reference sites. Web site URLs are located in the appendix at the end of this booklet.

Taxation

Similar to other countries, U.S. taxation is full of opportunities and challenges. There are a number of different taxing jurisdictions in the United States and the various political subdivisions, including states, counties, cities, towns and villages. However, in this section we will highlight federal taxation information that organizations should consider. The best way to understand your potential tax requirements is to discuss the issues with a PKF North American Network or PKF International tax professional.

An entity is generally subject to U.S. tax if the individual or corporation is a resident in the U.S. or has income that is "effectively connected with the conduct of a trade or business within the United States." This is an ongoing test, which means that any trade or business that has income in the United States at any time in the year is probably subject to U.S. tax for that particular tax year.

The federal government imposes income taxes on corporations, individuals, estates and trusts. It also imposes payroll taxes, the primary one being the Social Security tax levied on the employer and the employee. There are also estate and gift taxes and a number of excise taxes. No national sales or value-added tax is imposed. Although not discussed in detail in this booklet, state and local taxes can significantly increase an individual's or business' tax liability.

The U.S. individual income tax system is a self-assessment method that requires withholding tax from employees' salaries and certain other payments. When a taxpayer is required to withhold taxes on payments to another person, the taxpayer is in a fiduciary relationship and must remit the withheld taxes to the government. Failure to withhold or failure to remit will generally subject the taxpayer to liability for the taxes and penalties. In addition, businesses and individuals are required to make quarterly estimated payments during the year.

After the close of the tax year, taxpayers must file a tax return that reports all taxable income and allowable deductions. The tax is computed on net taxable income and compared with the total taxes the taxpayer either had withheld from income or paid as estimated installments of tax. The net of these two becomes either the final tax payment by or refund to the taxpayer. All returns are filed under penalty of perjury.

The Internal Revenue Service (IRS) is a branch of the Department of the Treasury. Responsible for administering tax laws, its mission includes interpreting tax laws, auditing tax returns and collecting revenue. Absent a material misstatement of income or fraud, the statute of limitations (SOL) on a tax return is a period ending on the later of three years from the date the return is filed (or required to be filed) or two years from the date of payment. If a return has not been filed, the SOL period will not begin, leaving the year open indefinitely.

The federal tax law is enacted by the U.S. Congress and the legislative structure is found in the Internal Revenue Code of 1986, as amended. The Department of the Treasury and the IRS issue interpretations of the statutory provisions. Sometimes, disagreements arise between taxpayers and the IRS concerning the proper tax treatment of various items and, after administrative reviews within the IRS, many cases end up in federal court. Several of these court-derived interpretations are integral to an understanding of the fabric of U.S. tax law.

Substance over form

A constant thread in the administration of U.S. tax law is that the *substance* of a transaction takes precedence over the *form* of the transaction. The complexity and rapidity of statutory changes and economic developments result in dichotomies and discontinuities between economics and taxation, and as a result, transactions can often be structured in several different ways. As a consequence, the tax results may vary. Proper planning is essential in this environment, but, if litigated, the courts will generally decide the tax consequences based on the economics of the transaction taken as a whole. However, taxpayers can be held to the form of a transaction chosen even if, in substance, another treatment is more reasonable.

Transfer pricing

Transfer pricing issues relate to the broad authority of the IRS to allocate income, deductions, credits and other items between or among related entities to prevent evasion of tax or to clearly reflect income. The courts have generally upheld both the authority and methodologies of the tax reallocations. The IRS may make such adjustments as are necessary. Either by inadvertence or design, the taxable income of a controlled taxpayer is affected by its dealings, either directly or indirectly, with a member of the same controlled group. Adjustments made by the IRS to one member of a group may require correlative adjustments to other affected group members.

The IRS increases its scrutiny on transfer pricing when related United States and foreign group members are involved. Regulations were issued that reinforce the "arms-length" standard while increasing the emphasis on comparability and documentation. Arms-length transactions are identified as transactions between two unrelated companies. Transactions between a holding company and its wholly owned subsidiary are *not* considered at arms-length. Several methods are permitted to determine a proper arms-length price, including the use of transaction comparables, comparable profits and profit split methods. Taxpayers must identify and document the best method, depending on their circumstances. Failure to maintain simultaneous documentation of pricing determinations, including a written transfer price study, could result in substantial penalties – as much as 40 percent of the tax due related to the transfer pricing adjustment. IRS adjustments also could result in double taxation since some treaty country partners may not give correlative adjustments in U.S. transfer pricing cases. In cases where a treaty country is involved, consult a competent authority on inter-company transactions.

To mitigate controversies in transfer pricing disputes, the IRS encourages using Advanced Pricing Agreements (APA). An APA is a prospective agreement between the IRS and the taxpayer to determine compliance with the arms-length standard. It is expected that when treaty partners are involved, the competent authorities in the relevant countries will be involved in the process. If possible, taxpayers should seek bilateral, and possibly multilateral, agreements to ensure the pricing strategy is agreed upon by all countries involved.

Tax treaties

The United States enters into tax treaties for the primary purpose of eliminating double taxation. The U.S. Model Income Tax Treaty – based on the Organisation for Economic Co-operation and Development (OECD) Model – was the basis for all recent treaty negotiations. Under the U.S. Constitution, treaties and public laws are given equal weight. When there are conflicts between statute and treaty, the most recent statute or treaty controls. There was a tendency in recent U.S. tax law changes to include treaty override provisions; newer treaties also contain an anti-treaty shopping rule that limits the benefits of the treaties to bona fide residents of the contracting states. After a treaty is negotiated and signed, it must be ratified by the U.S. Senate before it is effective.

Taxation of U.S. resident corporation

A U.S. resident corporation is a company incorporated under the laws of a state or the District of Columbia. It is also an entity treated as a corporation under "check-the-box" regulations. The place where management is located and control is exercised is irrelevant. A resident corporation is taxed by the United States on its worldwide income, including capital gains, without regard to the source of such income. Net taxable income is subject to a graduated rate structure ranging from 15 percent to 35 percent. At certain income levels, higher marginal rates are imposed to eliminate the benefit of the graduated rates for corporations. The highest effective rate is 35 percent.

U.S. corporations are required to file income tax returns for each tax year (generally for 12 months). Income tax returns are due on the 15th day of the third month following the close of the taxable year. For companies on the calendar year, the return is due March 15. Extensions of time to file may be obtained for up to six months. Estimated income taxes must be paid quarterly during the year. Penalties are imposed for failure to make adequate estimated payments.

Affiliated companies and consolidated returns

Members of a group of U.S. corporations affiliated by 80 percent or more of direct ownership may elect to join in the filing of a consolidated U.S. income tax return. An affiliated group exists where one or more chains of included corporations are connected through share ownership with a common parent corporation. The common parent files one return on behalf of the entire group. Non-includible corporations, including foreign corporations, are prohibited from joining such a group.

Generally, it is advantageous to file a consolidated return in order to combine losses of some members with income of other members; however, there will be occasions in which it can be a disadvantage. Once a group elects to file on the consolidated basis, it must continue to do so unless the ownership chain is broken or the IRS grants permission to discontinue filing on that basis (which happens only on rare occasions).

Losses

U.S. tax laws distinguish between net operating losses (NOLs) and capital losses. An NOL is the excess of tax deductions over the company's gross income. Subject to limitation, an NOL may be carried back two years and forward 20 years until fully utilized. While NOLs can be used in a consolidated group, there are limitations on using the carry-forward losses from pre-consolidation years or when a change in ownership occurred. Capital losses will arise on the disposition of capital assets and may only offset capital gains. To the extent not used in the current taxable year, capital losses may be carried back three years and forward five years. Restrictions exist, similar to those for NOLs, when the company experiences changes in ownership.

Computation of taxable income

Taxable income is defined as gross income minus all allowable deductions. Gross income includes business income, gains, interest, dividends and all other increases of wealth, unless specifically excluded from taxation. Although gains would normally be taxed or losses deducted when they are realized, recognition may be postponed under the tax law. The mere increase or decrease of wealth, for example, generally is not a recognition event. Deduction of expenses and losses may be claimed only to the extent set forth in the Internal Revenue Code.

A corporation is allowed to deduct the cost of goods sold, interest on indebtedness, and other ordinary and necessary business expenses. Capital expenditures may not be currently deducted, but the cost may be recovered under depreciation and amortization rules. Dividends paid to shareholders may not be deducted, but there is a partial to full exclusion for certain dividends received by one U.S. corporation from another U.S. corporation.

A corporation may also be subject to the alternative minimum tax (AMT), an amount calculated by adjusting regular taxable income to eliminate certain preferences that are allowable as deductions for regular tax purposes. The AMT rate is 20 percent and is payable if it exceeds the regular tax liability. AMT is designed to accelerate the timing of income and AMT paid is available as a credit against regular tax in future years if regular tax exceeds current AMT.

The tax laws also prescribe several penalty taxes that may be imposed, such as accumulated earnings and personal holding company taxes. Those add-on taxes are imposed if the corporation retains excessive earnings or holds substantial passive assets.

Timing differences and preferences

A number of special rules in U.S. tax law means that income may be taxed or deductions allowed in tax periods that are different from the financial statement reporting periods. Some of these items are permanent differences between book and tax income, while some merely affect the timing of their recognition. The corporate income tax return requires a reconciliation of these differences (commonly called Schedule M items). Differences may also arise between the bases of assets or liabilities reported for financial statements and those reported for tax purposes.

Debt versus equity

In establishing the capital structure of a U.S. corporation, the fact that interest paid is deductible, while dividends paid are not, places a high premium on the appropriate classification of capital items. The characterization given by the parties is not the sole determinative factor since the IRS has the authority to reallocate debt as equity. The debt-to-equity ratio is one of the more important factors used in making this decision. A generally accepted ratio is 3:1, although in litigation, higher ratios have been sustained.

Additional factors taken into account in analyzing an instrument as equity or debt include terms, creditors' rights and the economics of the entire operation, including debt coverage and cash flows. Special rules relate to the deductibility of certain foreign related party interest when the debt to equity ratio of the corporation exceeds 1.5:1. These rules, known as the "earnings stripping" provision, could result in the indefinite deferral of interest deductions. Also, accrued unpaid interest owed to foreign related parties is not deductible until paid.

Depreciation and amortization

Since capital expenditures may not be written off in the year incurred, the tax law established a system of depreciation in order for taxpayers to recover the cost of property over its estimated useful life. In an effort to minimize controversies between the IRS and taxpayers, the law sets up tables based on a Modified Accelerated Cost Recovery System (MACRS). Tangible personal property is depreciated over a three-, five-, seven-, 10-, 15- or 20-year period using an accelerated method. Residential real property is depreciated on a straight line basis over 27½ years and nonresidential realty over 39 years. For tangible personal property, recapture of depreciation may occur at the time the property is sold.

Some capital expenditures are not covered under the depreciation rules; instead, they are handled through special statutory amortization rules. Expenditures such as organization costs, start-up costs, research and development expenses, and depletion for natural resources, are recovered through amortization deductions. The capitalized cost of goodwill and many other intangibles obtained in connection with the acquisition of a trade or business are amortized over a 15-year period beginning in the month of acquisition.

Foreign source income rules and foreign tax credit

A U.S. corporation is taxed on its worldwide income and gains. In addition, income of a foreign affiliate may be attributed, as a deemed dividend, to the U.S. corporation under Subpart F rules. To provide relief from double taxation, the U.S. business may claim a foreign tax credit or deduct foreign taxes paid or accrued. Only taxes based on net income or capital gains may be credited. Taxes that cannot be claimed as a credit may be deducted. The foreign tax credit is subject to separate limitations based on type of income. Excess credits may be carried back two years and forward five years. A company also may credit certain "deemed paid" foreign taxes related to foreign earnings from actual or imputed dividends.

Taxation of foreign corporations

A foreign corporation is any corporation that is not organized under the laws of a state or the District of Columbia. The income of a foreign corporation may be taxed under two separate tax regimes:

1. Income from U.S. sources and certain types of foreign source income that are effectively connected with a U.S. trade or business and are defined as Effectively Connected Income (ECI) are taxed at graduated U.S. corporation tax rates.

2. Certain types of U.S. source fixed determinable annual or periodic (FDAP) income are taxed at a flat rate of 30 percent of gross income, unless a lower treaty rate applies. Examples of FDAP include interest, dividends, royalties and annuity income.

A foreign corporation is subject to U.S. tax if it has U.S. source income, and if the company is engaged in a U.S. trade or business. If the foreign corporation is resident in a treaty country, the treaty may affect this determination. As a general rule, a foreign corporation will be subject to U.S. tax during the year if it has any U.S. source income. FDAP income will be taxed at 30 percent or the reduced treaty rate; ECI will usually be taxable by the United States only if, and to the extent that, the foreign corporation is engaged in a U.S. trade or business. However, if the taxpayer can demonstrate that a "permanent establishment" has not been created (as defined in the relevant income tax treaty), then the U.S. taxation can generally be avoided if the taxpayer claims the benefits of the treaty.

Permanent establishment rule and business income

A foreign corporation resident of a treaty country conducting business in the United States is normally subject to U.S. income tax on business income – but only if it has a permanent establishment in the United States (as defined by the applicable treaty), and then, only to the extent that such income is attributed to such permanent establishment. In general, a foreign corporation's U.S. agent's office location is not considered a permanent establishment unless the agent regularly exercises power to negotiate and conclude contracts, or has inventory which he or she regularly sells on behalf of the foreign company.

To the extent attributable to a permanent establishment, a foreign corporation's U.S. source business income and gains are taxed on the same basis and at the same rates as a U.S. corporation. Business income is generally defined as income "effectively connected" with the conduct of a trade or business in the United States. A foreign corporation may claim all ordinary and necessary business expenses associated with the production of ECI, including certain head office expenses.

Non-business income and FIRPTA

Certain types of FDAP income are taxed at a flat rate of 30 percent or lower treaty rate. FDAP income is income not effectively connected with the conduct of a U.S. trade or business, including interest, dividends, rents, royalties, annuities and gains from the sale of certain property. Gains from the sale of U.S. real property are subject to tax under the Foreign Investment in Real Property Tax Act (FIRPTA) provisions of the tax law. A foreign person's gain or loss on the sale or other disposition of a U.S. real property interest (USRPI) is taxed under FIRPTA as if the sale were effectively connected with the conduct of a U.S. trade or business.

FIRPTA gain recognition may be required even if the disposition is in an otherwise nontaxable transaction. A USRPI includes direct and indirect ownership of U.S. real property through a U.S. real property holding company (USRPHC). A USRPHC is a domestic corporation whose U.S. real estate assets comprise greater than 50 percent of the corporation's total business and worldwide real estate assets. A withholding tax of 10 percent of the gross sales price is generally required on the disposition of a USRPI by foreign persons; partnerships must withhold a higher percentage (up to 35 percent) of the gain reported on the disposition under partnership withholding tax rules. It is possible to obtain from the IRS a withholding certificate that reduces or eliminates the otherwise required withholding. Gain on the sale of stock of a USRPHC is also taxable under FIRPTA.

Capital gains tax

For corporations, the excess of the net gains from the sale of capital assets over net losses from the sale of assets or net capital gains is taxed at the same rates applicable to ordinary income. However, capital losses may only be used to offset capital gains and the excess of losses over gains may be carried back three years or forward five years. Losses must be applied to the earliest carry-back year before any carry forwards may be used.

Alternative Minimum Tax (AMT)

The United States imposes an Alternative Minimum Tax on certain corporations at a rate of 20 percent. AMT income is derived from regular taxable income adjusted by specified items that receive preferential treatment under the regular tax system. Such “tax preference” items may include accelerated depreciation, depletion and intangible drilling costs. The AMT is imposed if the tax on alternative minimum taxable income is greater than the regular tax. It does not apply to small corporations, which are defined as corporations with less than $7.5 million of average annual gross receipts over a three-year period.

Branch operations and the Branch Profits Tax (BPT)

Income from the operation of a branch in the United States will generally be considered effectively connected with the conduct of a U.S. trade or business. The branch would then be taxed at graduated rates, as previously discussed. However, additional taxes may apply, such as: branch profits tax (BPT), branch interest tax (BIT) and second level withholding. The BPT is a 30 percent tax on the branch’s income that is not reinvested in the U.S. operations. The rate may be reduced or eliminated by treaty and is a tax in addition to the graduated corporate tax. Gross income is computed from the branch’s separate records. Expenses are allocated between the branch and the head office based on specific allocation rules described in tax regulations.

In addition to the BPT, a BIT is imposed at a 30 percent statutory rate on interest paid by or imputed to a U.S. branch with respect to a foreign corporation. The taxable interest amount represents the excess of the interest deduction over the interest paid. The rate may be reduced or eliminated by treaty.

Foreign Personnel in the United States

Entry Into the United States

Foreign nationals seeking entry into the United States as non-immigrants are required to have Visas that can be applied for at a U.S. Consular Office. A foreign national is referred to as an “alien” and, for U.S. tax purposes, is classified as either a resident or nonresident alien. In the year of entry or departure, an alien may be classified as both a resident and a nonresident, and will be required to file a “dual status” return. The correct identification of the alien’s status is critical to determine the proper tax liabilities for the year.

An alien is categorized as a nonresident alien unless he or she meets one of the two residency tests. The first test automatically classifies an alien as a resident in the United States if the person is a “lawful permanent resident,” a status obtained by holding a Green Card at any time during the year. The second test that would give the alien resident status is the substantial presence test. In order to meet the test, the alien must be physically present in the United States on at least 31 days during the current year and 183 days over a three-year look-back period. The 183 days test considers all days present in the current year, one-third of the days present in the first preceding year and one-sixth of the days present in the second preceding year.

These definitional rules do not override any treaty definitions of residency. In addition, if certain conditions are met, an alien can elect to be treated as a U.S. resident – advantageous in certain circumstances. While exceptions exist, many aliens who work in the United States are required to obtain sailing permits before leaving the country. These permits are issued by the IRS.

U.S. taxation of resident aliens

A resident alien must report, and is taxed on, worldwide income in the same manner as a U.S. citizen. If the alien's income is subject to double taxation, the foreign tax credit system is designed to mitigate double taxation. It is possible that if the foreign country has a higher tax rate than the United States, a full credit will not be available.

Generally, a tax return is due by April 15 for the income earned in the prior calendar tax year. Resident aliens are eligible to claim the same deductions as U.S. citizens. Part-year resident aliens must allocate deductions between the resident and nonresident periods. State and local income tax may also apply.

The U.S. tax rate brackets are adjusted annually to reflect inflation. The rates range from 15 percent to 35 percent on taxable income. The benefit of personal exemptions and certain itemized deductions are limited once adjusted gross income exceeds a certain threshold.

Estate and gift tax

A U.S. transfer tax (estate and gift tax) may be imposed on the transfer of property from a donor/decedent to their donee/heir and applies to both resident and nonresident aliens. For a resident alien, the gross estate includes all property of the decedent at the time of death, including real property located outside the United States. For a nonresident alien, the estate consists only of property situated in the United States, including shares of stock in U.S. corporations. Residency for transfer tax purposes is determined differently; the "domicile" of the individual is the controlling factor, not the objective income tax residency rules.

Property is included in the estate at the fair market value at the date of death (or alternate date six months later), and certain deductions and liabilities may be claimed against the gross estate. An unlimited deduction may be claimed for transfers to a surviving spouse, but only if he or she is a U.S. citizen or legal permanent resident. For a resident alien only, the deduction can be obtained for an alien spouse by using a qualified domestic trust.

A significant unified credit is available against the estate tax liability of a resident alien. The current credit allows for $2 million of property to pass without tax. Nonresidents are entitled to only $60,000. U.S. estate tax treaties generally provide more favorable treatment.

There are various reporting requirements for foreign gifts to U.S. donees and for transfers by U.S. donors to foreign trusts. These requirements are designed to keep the U.S. government informed of cross-border transfers of funds.

Employees' rights

Over its history, the U.S. Congress has enacted a number of laws giving specific protection and rights to employees. Additional protections were added by agency rulemaking and court decisions. Individual states and local governments also enacted laws that complement or extend benefits beyond those mandated by the federal government. These restrictions on businesses and benefits to the employees include:

- minimum wage and maximum hour rules,
- nondiscrimination in employment practices,
- pension guarantees,
- collective bargaining rights,
- notice of termination protection,
- health and safety requirements,
- unemployment compensation,
- disability benefits, and
- nondiscrimination against lower-compensated employees in the benefits provided.

The most financially significant of these programs is the Social Security Act that provides retirement, disability and health benefits. The program is funded by a payroll tax imposed on both the employer and the employee at a 2006 tax rate of 7.65 percent. The 6.2 percent Federal Insurance Contributions Act (FICA) rate applies to the first $94,200 of 2006 wages (indexed for inflation). The Medicare rate (1.45 percent) applies to all wages, since there is no limit on the amount of earnings subject to the Medicare portion of the tax. Self-employed individuals pay self-employment tax based on a tax rate of 12.4 percent on income up to $94,200 and a

Medicare rate of 2.9 percent on all self-employed income. Resident and nonresident aliens with U.S. source wages or salary compensation income are subject to these taxes.

Totalization agreements on social security

A network of bilateral Social Security agreements coordinate the U.S. Social Security program with comparable programs in other countries. These "totalization agreements" eliminate dual Social Security taxation, occurring when a worker from one country works in another country and is required to pay Social Security taxes to both countries on the same earnings. The agreements also help fill gaps in benefit protection for workers who divided their careers between the United States and another country.

The Appendix includes a link to the Social Security Administration's Web site detailing totalization agreements for various countries.

Appendix

Reference Web Sites

There are substantial resources that serve as reference and education tools about the issues surrounding doing business in the United States. It is important to understand that these resources have substantial information, but may or may not address your specific situation. The professionals at PKF North American Network are ready to answer your questions.

Agency or Resource	***Web Site***
American Institute of Certified Public Accountants (AICPA)	http://www.aicpa.org
Corporate and Individual Tax Rates	http://www.smbiz.com/sbrl001.html
Doing Business with NASA	http://www.nasa.gov/centers/ames/business
Education Department	http://www.ed.gov/fund/contract/about/booklet1.html
Foreign Business Doing Business in U.S.	http://www.firstgov.gov/Business/Foreign_Business.shtml
Inc. Magazine, Top 25 U.S. Cities	http://www.inc.com/magazine/20050501/bestcities.html
Internal Revenue Service (IRS)	http://www.irs.gov/businesses
International Federation of Accountants (IFAC)	http://www.ifac.org/
Public Company Accounting Oversight Board (PCAOB)	http://www.pcaobus.org/
Sarbanes-Oxley Explained	http://www.aicpa.org/sarbanes/index.asp
Securities and Exchange Commission (SEC)	http://www.sec.gov/
Small Business Administration (SBA)	http://www.sba.gov/
Social Security Administration Totalization Agreements	http://www.ssa.gov/international/agreementsoverview.html

State Governments and State Agencies Directory	http://www.statelocalgov.net
Transportation Department Business Services	http://www.dot.gov/business.html
U.S. Commercial Service (connects U.S. and international companies)	http://www.buyusa.gov/home
U.S. Chamber of Commerce	http://www.uschamber.com/default
U.S. Citizenship and Immigration Services	http://uscis.gov/
U.S. Department of State	http://www.state.gov/travelandbusiness
U.S. government business portal	http://www.business.gov
U.S. government regulatory information	http://www.reginfo.gov/public
U.S. Patent and Trademark Office	http://www.uspto.gov/index.html

State Addresses and Contact Information

ALABAMA
Alabama Development Office
Industrial Recruitment Division
401 Adams Avenue
Montgomery, AL 36130-4106
Tel: (334) 242-0400, FAX: (334) 242-0415
Toll-free: (800) 248-0033
Web: www.ado.state.al.us

ALASKA
Alaska Department of Commerce, Community & Economic Development
550 W. Seventh Ave., Suite 1770
Anchorage, AK 99501-3510
Tel: (907) 269-8110, FAX: (907) 269-8125
Web: www.dced.state.ak.us

ARIZONA
Arizona Department of Commerce
Business Development & Attraction
1700 W. Washington St. Ste 600
Phoenix, AZ 85007
Tel: (602) 771-1124, FAX: (602) 771-1207
Web: www.azcommerce.com

ARKANSAS
Arkansas Department of Economic Development
One State Capitol Mall
Little Rock, AR 72201
Tel: (501) 682-1121, FAX: (501) 682-7394
Toll-free: (800) ARKANSAS
Web: www.1800arkansas.com

CALIFORNIA
California Labor & Workforce Development Agency
California Business Investment Services
801 “K” St., Suite 2100
Sacramento, CA 95814-2719
Tel: (916) 322-0000, FAX: (916) 322-0614
Web: http://www.labor.ca.gov/calBIS/

COLORADO
Colorado Office of Economic Development
International Trade Office
1625 Broadway, Suite 1700
Denver, CO 80202-4725
Tel: (303) 892-3840, FAX: (303) 892-3848
Web: www.advancecolorado.com

CONNECTICUT
Connecticut Department of Economic & Community Development
International Division
505 Hudson Street
Hartford, CT 06106
Tel: (860) 270-8067, FAX: (860)270-8016
Web: www.ct.gov/ecd/

DELAWARE
Delaware Economic Development Office
Business Development Section
99 Kings Highway
Dover, DE 19901
Tel: (302) 739-4271, FAX: (302) 739-5749
Web: www.state.de.us/dedo/default.shtml

DISTRICT OF COLUMBIA
Office of Planning & Economic Development
1350 Pennsylvania Avenue, NW, Suite 317
Washington, DC 20004
Tel: (202) 727-6365, FAX: (202) 727-6703
Web: www.dcbiz.dc.gov

FLORIDA
Enterprise Florida Inc.
390 North Orange Ave., Suite 1300
Orlando, FL 32801
Tel: (407) 316-4600, FAX: (407) 316-4599
Web: www.eflorida.com

GEORGIA
Georgia Department of Economic Development
International Trade Division
75 Fifth Street, NW Suite 1200
Atlanta, GA 30308
Tel: (404) 962-4000, FAX: (404) 962-4142
Web: www.georgia.org

HAWAII
Hawaii Department of Business, Economic Development & Tourism
Service Trade Branch
P.O. Box 2359
Honolulu, HI 96804
Tel: (808) 586-2423, FAX: (808) 587-2790
Web: www.state.hi.us/dbedt

IDAHO
Idaho Department of Commerce
International Business Division
700 West State Street
PO Box 83720
Boise, ID 83720-0093
Tel: (208) 334-2470, FAX: (208) 334-2631
Toll-free: (800) 842-5858
Web: http://cl.idaho.gov

ILLINOIS
Illinois Department of Commerce & Economic Opportunity
Office of Trade & Investment
100 West Randolph Street, Suite 3-400
Chicago, IL 60601-3218
Tel: (312) 814-2828, FAX: (312) 814-6581
Web: www.commerce.state.il.us

INDIANA
Indiana Economic Development Corporation
1 North Capitol, Suite 700
Indianapolis, IN 46204-2288
Tel: (317) 232-8800, FAX: (317) 232-4146
Toll-free: (800) 463-8081
Web: www.in.gov/iedc

IOWA
Iowa Department of Economic Development
International Office
200 East Grand Avenue
Des Moines, IA 50309
Tel: (515) 242-4700, FAX: (515) 242-4809
Web: www.iowalifechanging.com

KANSAS
Kansas Department of Commerce
1000 SW Jackson Street, Suite 100
Topeka, KS 66612-1354
Tel: (785) 296-3338, FAX: (785) 296-3490
Web: www.kdoch.state.ks.us/public

KENTUCKY
Kentucky Cabinet for Economic Development
Old Capitol Annex
300 West Broadway
Frankfort, KY 40601
Tel: (502) 564-7140, FAX: (502) 564-3256
Toll-free: (800) 626-2930
Web: www.thinkkentucky.com

LOUISIANA
Louisiana Economic Development
P.O. Box 94185
Baton Rouge, LA 70804-9185
Tel: (225) 342-3000, FAX: (225) 342-5349
Toll-free: (800) 450-8115
Web: www.lded.state.la.us

MAINE
Department of Economic & Community Development
Maine Office of Business Development
59 State House Station
Augusta, ME 04333
Tel: (207) 287-5701, FAX: (207) 541-7420
Toll-free: (800) 541-5872
Web: www.mainebiz.org

MARYLAND
Maryland Dept.of Business & Economic Development
Office of International Business
217 East Redwood Street
Baltimore, MD 21202
Tel: (410) 767-6640, FAX: (410) 333-6792
Toll-free: (888) CHOOSEMD (1-888-246-6736)
Web: www.choosemaryland.org

MASSACHUSETTS
Massachusetts Office of International Trade & Investment
State Transportation Building
10 Park Plaza, Suite 4510
Boston, MA 02116
Tel: (617) 973-8650, FAX: (617) 227-3488
Web: www.mass.gov/moiti

MICHIGAN
Michigan Economic Development Corp.
300 North Washington Square
Lansing, MI 48913
Tel: (517) 335-5975, FAX: (517) 241-0745
Toll-free: (888) 522-0103
Web: www.medc.michigan.gov/som

MINNESOTA
Department of Employment & Economic Development
Minnesota Trade Office
First National Bank Building, Suite E200
332 Minnesota Street
St. Paul, MN 55101-1351
Tel: (651) 297-4222, FAX: (651) 296-3555
Toll-free: (800) 657-3858
Web: www.exportminnesota.com

MISSISSIPPI
Mississippi Development Authority
PO Box 849
Jackson, MS 39205
Tel: (601) 359-3155, FAX: (601) 359-3605
Web: www.mississippi.gov

MISSOURI
Missouri Department of Economic Development
301 W. High St
Jefferson City, MO 65102
Tel: (573) 751-4962, FAX: (573) 751-7384
Toll-free: (866) 647-3633
Web: www.ded.mo.gov

MONTANA
Montana Department of Commerce
Business Resources Division
301 South Park Ave.
P.O. Box 200505
Helena, MT 59620-0505
Tel: (406) 841-2700, FAX: (406) 841-2701
Web: www.commerce.mt.gov

NEBRASKA
Nebraska Department of Economic Development
Office of International Trade & Investment
PO Box 94666
301 Centennial Mall South, 4th Floor
Lincoln, NE 68509-4666
(800) 426-6505, FAX: (402) 471-3778
Web: www.neded.org

NEVADA
Nevada Commission on Economic Development
555 East Washington Avenue
Suite 5400
Las Vegas, NV 89101
Tel: (702) 486-2700, FAX: (702) 486-2701
Web: www.expand2nevada.com

NEW HAMPSHIRE
New Hampshire Economic Development Division
Business Resource Center
172 Pembroke Road
Concord, NH 03302-1856
Tel: (603) 271-2591, FAX: (603) 271-6784
Web: www.nheconomy.com

NEW JERSEY
New Jersey Commerce, Economic Growth & Tourism Commission
20 West State Street
P.O. Box 820
Trenton, NJ 08625-0820
Tel: (609) 777-0885, FAX: (609) 633-3675
Web: www.newjerseycommerce.org

NEW MEXICO
New Mexico Economic Development Department
1100 St. Francis Drive, Suite 1060
Santa Fe, NM 87505
(505) 827-0300, FAX: (505) 827-0328
Toll-free: (800) 374-3061
Web: www.edd.state.nm.us

NEW YORK
Empire State Development
International Division
30 South Pearl Street
Albany, NY 12245
Tel: (212) 803-2300
Toll-free: (800) STATE-NY (1-800-782-8369)
Web: www.empire.state.ny.us/default.asp

NORTH CAROLINA
North Carolina Department of Commerce
301 N. Wilmington Street
Raleigh, NC 27699-4301
Tel: (919) 733-4151, FAX: (919) 733-9299
Web: www.nccommerce.com

NORTH DAKOTA
North Dakota Department of Commerce
PO Box 2057
1600 East Century Avenue, Suite 2
Bismarck, ND 58503
Tel: (701) 328-5300, FAX: (701) 328-5320
Web: www.ndcommerce.com

OHIO
Ohio Department of Development
Office of Business Development
77 South High Street, 29th Floor
Columbus, OH 43215-6130
Tel: (614) 466-4551, FAX: (614) 463-1540
Toll-free: (800) 848-1300
Web: www.odod.state.oh.us

OKLAHOMA
Oklahoma Department of Commerce
Global Business Services
900 North Stiles Ave
Oklahoma City, OK 73104
Tel: (405) 815-6552, FAX: (405) 815-5199
Toll-free: (800) 879-6552
Web: www.okcommerce.gov

OREGON
Oregon Economic & Community Development Department
775 Summer Street, NE, Suite 200
Salem, OR 97301-1280
Tel: (503) 986-0123, FAX: (503) 581-5115
Web: www.econ.state.or.us

PENNSYLVANIA
Pennsylvania Department of Community & Economic Development
Office of International Business Development
400 North Street, 4th Floor
Harrisburg, PA 17120-0225
Tel: (717) 787-7190, FAX: (717) 772-5106
Toll-free: (866) 466-3972
Web: www.newpa.com

RHODE ISLAND
Rhode Island Economic Development Corp., International Trade Division
One West Exchange Street
Providence, RI 02903
Tel: (401) 222-2601, X123, FAX: (401) 273-8270
Toll-free: (800) 556-2484
Web: www.blueskyri.com

SOUTH CAROLINA
South Carolina Department of Commerce
1201 Main Street, Suite 1600
Columbia, SC 29201-3200
Tel: (803) 737-0400, FAX: (803)737-0418
Web: www.sccommerce.com

SOUTH DAKOTA
Governor's Office of Economic Development
711 East Wells Avenue
Pierre, SD 57501-3369
Tel: (605) 773-3301, FAX: (605) 773-3256
Toll-free: (800) 872-6190
Web: www.sdgreatprofits.com

TENNESSEE
Tennessee Department of Economic & Community Development
312 8th Avenue North, 11th Floor
Nashville, TN 37243-0405
Tel: (615) 741-1888, FAX: (615) 741-7306
Web: www.tnecd.gov

TEXAS
Office of the Governor
Economic Development & Tourism
International Business & Recruitment
P.O. Box 12428
Austin, TX 78711-2428
Tel: (512) 936-0101, FAX: (512) 936-0080
Web: www.governor.state.tx.us

UTAH
Governor's Office of Economic Development
International Business Development
324 S. State Street, Suite 500
Salt Lake City, UT 84111
Tel: (801) 538-8700, FAX: (801) 538-8888
Web: http://goed.utah.gov

VERMONT
Vermont Agency of Commerce & Community Development
National Life Building, 6th Floor, Drawer 20
Montpelier, VT 05620
Tel: (802) 828-3211, FAX: (802) 828-3383
Toll-free: (800) 622-4553
Web: www.dca.state.vt.us

VIRGINIA
Economic Development Partnership
PO Box 446
Richmond, VA 23218-0446
Tel: (804) 371-8200, FAX: (804) 371-8111
Toll-free: (866) 248-8814
Web: www.dba.state.va.us

WASHINGTON
Washington State Department of Community, Trade & Economic Development
Business & Project Development
PO Box 42524
128 10th Ave. SW
Olympia, WA 98504-2525
Tel: (360) 725-4100
Web: www.choosewashington.com

WEST VIRGINIA
Development Office
Capitol Complex, Building 6, Room 553
1900 Kanawha Blvd East
Charleston, WV 25305-0311
Tel: (304) 558-8000, FAX (304) 558-0900
Toll-free: (800) 982-3386
Web: www.wv.gov

WYOMING
Wyoming Business Council
214 West 15th St.
Cheyenne, WY 82002-0240
Tel: (307) 777-2800 FAX: (307) 777-2838
Toll-free: (800) 262-3425
Web: www.wyomingbusiness.org

PKF North American Network Offices

ALABAMA

Dent, Baker & Company, LLP*
Tel: (205) 871-1880
Web: www.dentbaker.com

Lehmann, Ullman and Barclay LLP
Tel: (205) 328-5966
Web: www.lub.com

McDaniel & Associates, P.C.
Tel: (334) 792-2153
Web: www.mcdanielcpa.com

Smith, Dukes & Buckalew, L.L.P.
Tel: (251) 343-1200
Web: www.sdbllp.com

ARIZONA

Price, Kong & Company, P.A.
Tel: (888) 346-0072
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