

Checklist: Choosing the Right US Entity for Foreign Companies

This checklist is designed to guide foreign companies in their evaluation of the most suitable legal entity structure for their US operations.

Tax Implications

Tax Rates:

- Determine the applicable federal, state, and local tax rates for each entity type under consideration
- Research potential tax deductions and credits available to foreign-owned entities.

Double Taxation:

- Assess the potential for double taxation (corporate-level and shareholder-level taxes).
- Explore strategies to minimize or avoid double taxation (e.g., tax treaties, electing pass-through taxation).

Pass-Through Taxation:

- Evaluate the eligibility and benefits of pass-through taxation options (e.g., S Corporations, LLCs taxed as partnerships).
- Consider how pass-through taxation can impact individual shareholder tax liabilities.

Liability Protection

Personal Liability:

- Assess the level of personal liability for owners and shareholders under each entity type.
- Determine the extent to which personal assets are protected from company debts and liabilities.
- Consider the potential risks associated with unlimited or limited liability.

Control & Autonomy

Decision-Making Authority:

- Evaluate how each entity type affects decision-making authority within the US operations.
- Consider the level of control retained by the foreign parent company.

Operational Flexibility:

- Assess the flexibility and autonomy afforded to the US entity in terms of operations, management, and strategic decision-making.

Regulatory Compliance

Industry Specific Regulations:

- Research and identify any industry-specific regulations or licensing requirements that may apply to the chosen entity type.
- Determine the compliance obligations for each entity type (e.g., reporting requirements, licensing fees).

State and Local Regulations:

- Investigate state and local regulations that may impact the chosen entity type (e.g., corporate taxes, franchise taxes).

Accountants | Advisors | CPAs – Brady Ware is a top 200 CPA and advisory firm serving clients from our Dayton (OH), Columbus (OH), Atlanta (GA) and Richmond (IN) office locations. Our team of over 150 professionals is focused on serving small- to middle-market privately held companies, high-net-worth families, and nonprofit organizations. We focus on a wide range of industries including auto dealerships, private equity, construction, real estate, renewable energy, manufacturing and supply chain, technology and others. We are a full-service tax, audit, and assurance firm with advisory services including M&A, transaction advisory, estates and gifts, valuations, forensic and fraud, litigation support, and dispute resolution services.



BRADY WARE
www.bradyware.com

Checklist:

Choosing the Right US Entity for Foreign Companies

Growth & Expansion Plans

Long-Term Growth Strategy:

- Evaluate how each entity type supports the company's long-term growth and expansion plans in the US market.
- Consider the ease of raising capital, expanding operations, and entering new markets.

Potential for Mergers and Acquisitions:

- Assess the implications of each entity type on potential future mergers, acquisitions, or joint ventures in the US.

Ownership Structure and Authority

Ownership Structure:

- Determine the desired ownership structure for the US entity (e.g., wholly-owned subsidiary, joint venture).
- Consider the implications of different ownership structures on control, tax liabilities, and regulatory compliance.
- Document ownership percentages and shareholder agreements.

Decision-Making Authority:

- Clearly define decision-making authority within the US entity.
- Establish clear lines of communication and reporting between the US entity and the foreign parent company.

Budget & Resource Allocation

Establishment Costs:

- Estimate the costs associated with establishing each entity type (e.g., legal fees, filing fees, registration fees).
- Factor in ongoing costs such as accounting, legal, and administrative expenses.

Resource Allocation:

- Determine the necessary human and financial resources required to support the chosen entity type.
- Allocate resources for compliance, reporting, and ongoing maintenance.



Contact a Brady Ware advisor today!
www.bradyware.com



BRADY WARE

This checklist is for informational purposes only and does not constitute legal or tax advice. It is crucial to consult with legal and tax professionals to assess specific circumstances and obtain tailored guidance.